

Money Purchase Section

An authorised Master Trust

Chair's Governance Statement

16 June 2021

For the year ended 31 December 2020



Purpose

1. This statement explains how the governance requirements for the Money Purchase Section are met. The Money Purchase Section is part of the Cheviot Pension under the Cheviot Trust. The Cheviot Trust also includes defined benefit schemes and a cash balance section which are all managed by the same trustee, Cheviot Trustees Limited ("the Trustee Board").
2. This Statement is publicly available on the Cheviot website. Members are signposted to the Statement in relevant communications.
3. The Trust was an early adopter of the revised Combined AAF 01/20 assurance reports on Master Trusts and 05/20 internal control assurance reports. It obtained a type 2 report across all sections and schemes for the 12-month period to 31 December 2020. These independent reports demonstrate the existence and effectiveness of the controls and procedures in operation at a trustee governance level as well as those which relate to pensions and financial administration across the organisation.
4. The Money Purchase Section was authorised by the Pensions Regulator as a Master Trust in August 2019 following a robust review of its structure, financial stability, trustees and systems and processes. It submitted its first annual return as required in March 2021.

The Trustee

5. Cheviot Trustees Limited is a company limited by guarantee. The articles and the trust deed provide for the Trustee Board to consist of a minimum of six directors, with equal numbers of directors drawn from members (including pensioners) and employers. Currently, there are ten Trustee directors in total: four member directors, four employer directors and two co-opted directors.
6. All Trustee Directors who were appointed or re-appointed to the Board during 2020 were subject to external fit and proper checks. All other directors have completed declarations confirming that there is no change in circumstances that would affect their fit and proper status since the last assessment.

Appointments

7. **Member trustees** are drawn from the membership. The term of two member trustees expired during 2020: one of them retired with effect from 31 December 2020 and the other put herself forward for re-appointment. All members and pensioners were invited to put themselves forward for consideration. Two members put themselves forward: one current deferred pensioner and an existing co-opted trustee who is also a member. In accordance with the Trustee's policy, all three candidates were interviewed. The existing member trustee and the co-opted trustee were appointed by the Board on 24 March, on the basis of their breadth of experience, subject to the completion of the relevant checks.¹
8. **Employer trustees** are nominated by Participating Employers and appointed by the Trustee Board.
9. One employer trustee retired from the Board in December 2020 and the term of office of another employer trustee, Mr Gerald Kidd, expired in 2020. All employers were invited by email to put candidates forward as part of an open and transparent process. The invitation included a link to an information sheet about serving on the Board on the website. The Board received two applications: Mr Kidd put himself forward for re-election and one new candidate also put himself forward.
10. After consideration of his skills and competency, the Trustee Board re-appointed Mr Kidd in December 2020.²

¹ One candidate has been designated as non-affiliated and the other candidate may be designated as non-affiliated in the future as the recruitment process was open and transparent.

² Following an extension of his previous appointment to facilitate the completion of the process.



The relevant external checks were completed.³

11. The new candidate, Mr Stephen Jones, was interviewed in accordance with the Trustee's selection policy and was appointed by the Board, subject to fit and proper checks and the relevant training. He was appointed to the Board with effect from 14 April 2021 based on his skills analysis following a period of training. He completed the Pensions Regulator's trustee toolkit, attended the Trustee's Education session in January 2021 together with undertaking some specific Cheviot training and reviewing the extensive information available on Cheviot's extranet.⁴ Mr Jones has extensive compliance and risk management experience.
12. **Co-opted trustees** may be appointed to bring specific skills to the Trustee Board. There are currently two co-opted directors, the Chair and the Chief Executive.⁵
13. The term of office of the Chair, Sir Derek Morris, as a co-opted trustee came to an end in April 2020. After consideration of his skills and competency, the Trustee Board re-appointed Sir Derek as a co-opted trustee in April 2020, subject to completion of the relevant checks which were completed in June 2020.
14. The trust deed governing the Cheviot Trust requires that a majority of the Trustee directors, including the Chair, are **non-affiliated** as defined by the legislation⁶. The current Chair was designated as non-affiliated on his appointment in 2017⁷. The appointment was made after a tender exercise involving several independent trustees and trustee companies was undertaken to identify suitable candidates and a series of interviews of those candidates conducted by the Performance Review Committee⁸ of the Trustee.
15. Appendix 1 sets out how the requirement for non-affiliated trustees is met. Three member trustees, two employer trustees and one co-opted trustee are designated as non-affiliated, including the Chair.

Trustee's knowledge and understanding

16. The Trustee Directors come from a wide range of backgrounds. All bring different skills to the Cheviot Pension. The Trustee Directors have also appointed suitably qualified and experienced advisers to complement their own knowledge and to ensure they have access to the required skills.

Analysis of skills

17. The Trustee operates six Committees to help it fulfil its functions. Skills analyses are carried out each year through self-evaluation questionnaires based on the Pensions Regulator's standard at an individual, Committee and Trustee Board level. The training plan is drafted to include any areas where skills need to be improved or additional adviser support is sought. The individual and combined skills analysis both demonstrate the breadth and depth of experience on the Trustee Board which includes four professional trustees who all hold the PMI's Award in Pension Trusteeship. The Chief Executive also holds this award. The Chair and Mr Orton have been awarded professional trustee accreditation from the Association of Professional Pension Trustees Limited. Another Member trustee, Ms Thomas, has also passed the Certificate in Pension Trusteeship.

Training

18. An annual training plan is required by the Governance Policy⁹. It reflects the annual skills analysis and documents how all the key areas will be addressed, including Cheviot specific training. All Trustee Directors are encouraged to attend at least one external session per year. At the end of 2020, the Board introduced a new requirement for all Directors to complete at least twelve hours of training per year, including Cheviot

³ Mr Kidd continues to be designated as non-affiliated as the recruitment process was open and transparent.

⁴ Mr Jones may be designated as non-affiliated in future as the recruitment process was open and transparent.

⁵ The third co-opted trustee was appointed as a member trustee in 2021.

⁶ Non-affiliated means independent of any undertaking which provides advisory, administration or investment or other services in respect of the Money Purchase Section

⁷ Reappointed in April 2020

⁸ Now renamed the HR Committee

⁹ Para 5.11



training.¹⁰ Trustee Directors commit to completing the training, either at the relevant meetings or by personal study. Training slides are made available on the extranet.

19. An Education session for Trustees is held at least once a year, usually in January following an analysis of skills in Q4. The session was held in January 2020 and allowed training to be undertaken outside the constraints of a Trustee Board meeting. This process is repeated each year. The Education session in January 2020 addressed gaps identified in the skills analysis in Q4 2019.¹¹
20. All Trustees have completed the Pensions Regulator's trustee toolkit and regular training is provided on aspects of the Trustee Knowledge and Understanding requirements, including the Trust Deed and Rules and the Statement of Investment Principles. Other training during 2020 covered Master Trust supervision, scheme administration and member data, risk management and internal controls, changes in pensions legislation, member outcomes and decisions at retirement, default investment strategies, managing advisers and DC Code of Practice. All Board papers include a cross reference to the appropriate provision in the trust deed or other document or policy if relevant.
21. All Trustees are members of the Pensions Management Institute and receive regular updates and opportunities for further training. Four directors are also members of the Association of Pension Lawyers.
22. Three¹² Trustees serve on industry groups and several attended external virtual conferences during the year. A co-opted trustee is a member of the Pensions and Lifetime Savings Association's Master Trust Committee and, was also a member of the PLSA's working group on voting and implementation statements which produced guidance for trustees. She also spoke at a Pensions Management Institute workshop on communications. A member trustee writes technical articles for publication.

Conclusion

23. Based on the skills analysis undertaken and training provided, the Trustee Board considers that the Trustee Directors' combined knowledge and understanding together with the legal, covenant, investment and actuarial advice which they receive, enables them to properly exercise their functions in relation to the Cheviot Trust as set out in the Governance Policy and relevant legislation and guidance and to monitor these activities through the Strategic Plan. The combined knowledge and understanding includes:
 - a working knowledge of the core scheme documents (the Trust Deed and Rules, the Statement of Investment Principles, and the Governance Policy),
 - sufficient knowledge and understanding of the law relating to pensions and trusts and
 - sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational pension schemes.

Board effectiveness

24. The Trustee Board reviews its own effectiveness as a group regularly and pursue any actions that flow from the conclusions. All directors completed a questionnaire based on the TPR's template in advance of the June 2020 Board meeting. The combined results were then discussed at that meeting and included consideration of the following issues:
 - Ongoing readiness of directors to challenge decisions or dissent;
 - The need to check directors' understanding of difficult issues on an ongoing basis;
 - Timeliness of papers and the facilitation of good decision making and

¹⁰ Professional trustees are required to undertake 25 hours per year.

¹¹ A further session was held in January 2021 based on the skills analysis in December 2020.

¹² Elspeth McKinnon, Ian Gault, Maralyn Thomas



- Monitoring conflicts of interest of advisers
25. The Board concluded that the papers had remained at a high quality and facilitated good decision making. It recognised that the normal service standards were challenging, given the extraordinary circumstances of 2020.

Governance

26. The Trustee Directors view governance as a core function. There is a clearly articulated governance policy, reviewed at least annually,¹³ setting out the roles and responsibilities of the directors and the different committees, together with clear policies regarding delegations, decision making powers, conflicts of interest, data protection, reporting requirements and appointment of advisers. A strategic plan is reviewed quarterly together with a Governance report. Performance of the Trust as a whole, including the Trustee, is measured against these documents. Risks are a standing item on each quarterly meeting of the Trustee Directors. All core documents and board papers, including training, are readily available to Trustee Directors on Cheviot's extranet.

Committee structure

27. A committee structure is used to provide more focus on key areas. Each Committee has written terms of reference which include delegated powers from the Trustee Board. Actions and risks relevant to each Committee are standing items on the relevant agendas.
28. Four full Trustee Board meetings and six conference calls were held during the year ended 31 December 2020. The Finance Committee held four meetings, the Funding Committee held three meetings, the Investment Committee held six full meetings and 16 conference calls, the Legal Committee held two meetings, the Strategic Committee held four meetings and the Human Resources Committee¹⁴ held two meetings during the year.
29. Ad hoc working parties are established for key projects. The Master Trust Working Party continues to oversee the supervision requirements for continued authorisation as a Master Trust. It did not meet during 2020.

Feedback from members

30. The Money Purchase Section provides benefits across more than 70 employers which are non-associated and based in multiple locations across the country. Of the approximately 4,800 membership, approximately 40% of the membership are active members.¹⁵
31. Meetings for members only attracted a very small number of attendees given the diversity of employers and location. We have therefore concluded that it is not currently an appropriate mechanism for encouraging engagement with members but will keep it under review. Our approach to encouraging feedback is therefore based on regular communications and the website. Approximately 40% of members receive electronic communications, with the rest receiving information by post. The open rate for the benefit statement email in 2020 was around 60%.
32. The Trust issues a report each year¹⁶ to all members which includes topical and relevant items and encourages members to pass on feedback about how the Trust is managed.¹⁷ We also include contact details on the website which enables members to write to a specific email address: people@cheviottrust.com. Any comments are considered by Cheviot staff and significant feedback reported to the Trustee if appropriate.

¹³ The Governance Policy was last reviewed in December 2020.

¹⁴ Previously called the Performance Review Committee which now has an extended brief to consider HR issues.

¹⁵ Figures at 31 December 2020

¹⁶ The latest report was delayed due to the COVID-19 pandemic and was published in December 2020.

¹⁷ Report to Members 2020, page 2.



Core financial transactions

33. The Trustee Directors have agreed written financial authorities¹⁸ and service level requirements¹⁹ with the internal administration team²⁰ to ensure that core financial transactions are processed promptly and accurately. This includes service standards for responses to member enquiries, transfers to and from the scheme, other benefit payments from the scheme to or in respect of members, investment switches, investment of contributions, lifestyle switches and reconciliation of member unit holdings to the investment manager.
34. The Trustee has put processes in place to ensure that core financial transactions are processed accurately and in a timely manner, including daily monitoring of bank accounts, clear processes for managing contributions and appropriate authorisation of investment and banking transactions (which includes at least two signatories).

Monitoring process

35. A quarterly Governance report on performance against service level requirements is presented to each full Trustee Board meeting, measuring the timeliness and accuracy of the processing of transactions, switches, contributions received and the investment of those contributions, member statistics, accuracy of benefit payments, contributions received late from employers, reconciliation of member unit holdings and a communications report.
36. The administration aspects of the Governance report are based on automated and robust management information reporting from the administration system and enables any slippage in service standards to be discussed and plans to improve service standards to be agreed if necessary. The auditors reviewed key elements of the Governance report as part of their audit process and produced a detailed report which was reviewed by the Finance Committee. No substantive issues were identified.
37. As a result of this management information, the Board was able to identify and discuss the impact of the COVID-19 pandemic on service standards during the period from late March to June 2020. Twelve payments fell outside the services standards. Eight were because of the adjustments required to procedures and systems arising from remote working, with very little notice, including access to signatories. Service standards for key issues dropped to 70% but 90% were dealt with within 10 working days. Service standards were particularly impacted by the challenge of members who wished to correspond by post when the office was shut.
38. The Governance report enabled the Board to monitor service standards to ensure that they improved during the rest of the year. By September, service standards for key issues had improved to 90% with 99% being completed within 10 working days as remote working became more effective. By December, this had improved to 95% with less urgent cases being completed within service standards. The issue of postal communications is difficult and our communications to members about the impact of COVID have explained it will lead to delays and that registering for electronic communications would lead to a shorter response time.

Conclusion

39. The lockdown in March 2020 impacted on service standards but these have now been addressed and subsequent lockdowns have caused very few issues, other than the continuing issue of postal communications. A further initiative to encourage members to engage electronically will be implemented in 2021, together with a new member portal for secure communications to support this move.
40. As a result of the provision of detailed management information, and the confirmation from the Trust's auditors that there were no material issues identified in the reports, the Trustee Directors are satisfied that,

¹⁸ The financial authorities were updated in November 2020 and ensure appropriate controls, including dual authorisation, for all financial transactions.

¹⁹ The service level requirements were reviewed as part of the Governance Policy in December 2020. Bank accounts are monitored daily.

²⁰ The administrators are directly employed by the Trustee.



except for a limited number of cases in the period from late March to August, core financial transactions were processed promptly and accurately and reported in line with the agreed service level requirements in all material respects during 2020. This is kept under close review.

Investment issues

41. For members of a defined contribution scheme, the absolute returns delivered by the investment strategy are the most important element in delivering the best possible outcome at retirement. The Trustee Directors recognise that stable returns are also highly valued by members. The absolute returns and the stability of those returns are reflected in the Trustee Board's investment strategy.

Investment governance

42. Investment governance is critical to the success of the investment strategy. It is delegated to an Investment Committee which met 22 times during 2020. Although the investment options are expressed simply to members to make them easy to understand, the underlying strategy is much more sophisticated and includes approximately 20 different underlying funds. The asset allocation is managed actively. It is reviewed at least monthly and more often if warranted by market conditions.

Investment performance

43. The Investment Committee and Trustee Board reviews investment performance quarterly against performance targets set for each option which include both return and stability targets, risk budgets and market conditions. The dynamic asset allocation approach has delivered more stable performance within the parameters set by the Trustees above the long-term target over three and five years for both long term and medium-term funds.²¹ The short-term funds performed broadly in line with the asset benchmarks.

Investment platform provider

44. All the funds are held on Mobius Life's investment platform to facilitate the Trustee's dynamic asset allocation strategy.

Range of options

45. New funds were introduced in late 2019 and 2020 to extend the range of funds offered to members. The range includes five diversified investment options, three equity funds and four specialist funds.²² The investment information available on the member website explains details of the options and provides performance information.²³ The diversified options target returns above inflation to reflect the need for funds to grow in real terms. The equity and specialist options target market returns in the relevant asset class. Performance is reviewed against these objectives quarterly to ensure returns are consistent with the objectives for each fund. These options allow members to access the most appropriate investment strategy for their individual circumstances and preferences.

The Cheviot Lifeplan

46. For those members who do not wish to select their own investment options, Cheviot provides the Cheviot Lifeplan,²⁴ which aims to provide members with an adequate retirement income in as smooth a manner as possible – taking risk where it is best rewarded and offering protection when it is most needed.
47. It uses four of the diversified options to transition members through their membership, reducing risk as they approach their target retirement date by introducing an allocation to the Cash Fund. The target retirement date is set by the member or defaults to the member's State Pension Age. It also provides a post retirement option to cater for members who want to access their benefits flexibly. Since April 2015, a significant

²¹ As at 31 December 2020.

²² Except for the Cheviot Annuity Planning and Cheviot Cash fund, the specialist funds and the equity funds are provided by external managers.

²³ Or links to the performance information for external funds.

²⁴ The default option for the purposes of the legislation.



proportion of members accessing their benefits have taken advantage of the flexible benefits offered within the Trust.

Strategy review

48. A review of the investment options and Cheviot Lifeplan's objectives and design is completed annually. This review is conducted by the Investment Committee and is reported to the Trustee Board.
49. The Investment Committee reviewed the investment options in late 2019 and early 2020 and introduced five new funds, in response to feedback from clients and advisers. These new funds were made available in April 2020 to provide a wider range of self-select options for members who want to invest directly in equity markets or who want to invest in line with their religious or ethical beliefs.
50. The annual strategic review took place in September 2020.²⁵ It involved reviewing the performance and strategy of the Cheviot Lifeplan based on the Trustee's aims, objectives and investment approach as set out in the Statement of Investment Principles. It included the following related items:
 - (i) Whether members are likely to receive "good"²⁶ retirement outcomes based on their current holdings and future expected returns;
 - (ii) Whether the investment return assumptions behind each of the blends remain reasonable; and
 - (iii) Whether members' investment needs are met through the range of options available to them both pre and post retirement.²⁷
51. As a result of this review, the Investment Committee considered the following key issues:
 - (i) The suitability of the underlying fund in the Cheviot Annuity Planning option. The Investment Committee decided to move from a gilt fund to a specialist pre-retirement fund provided by Legal and General to better match annuity prices.
 - (ii) The range of self-select options and concluded that it was sufficient to meet most members' needs, following the addition of new self select options earlier in 2020. The introduction of an inflation-linked annuity matching fund was considered but given there was no evidence that members were purchasing such annuities at retirement, it was felt to be unnecessary.
 - (iii) The structure and target returns of the funds used in the Cheviot Lifeplan. The Investment Committee concluded that no change was necessary and that the projected income levels, based on the target returns, were reasonable when evaluated against three different measures of adequate income at retirement.

Implementation of strategic changes

52. The change to the underlying fund for the Cheviot Annuity Planning option was implemented on the Mobius Life platform in December 2020.

Statement of Investment Principles

53. The Statement of Investment Principles was reviewed twice in 2020.²⁸ The current Statement dated October 2020 is attached to this Chair's Statement. It is publicly available online.
54. The Statement was revised from the previous version to remove any duplication with the Chair's Statement and to reflect the legislative requirements more closely. This resulted in a more succinct statement which the Trustee (which includes member trustees) considers to be easier for members to understand. It

²⁵ The review usually takes place in May but was delayed due to the COVID-19 pandemic.

²⁶ Whilst the definition of "good" is unique to each member depending on their retirement goals, the Investment Committee assessed it against the UK Living Wage, the Pensions Commission's Target Replacement Ratio and the PLSA's Retirement Living Standards.

²⁷ Retirement in this context is when a member takes their tax-free cash as this is when the investment priorities change.

²⁸ Changes implemented in June 2020 were reported in the 2019 Chair's statement.



streamlines Trustee governance by avoiding duplication with other Scheme documents and will also make the reporting within the Implementation Statement more focused and therefore more meaningful.

55. The only substantive change to the strategy and policies described in the Statement related to the new requirements to include a policy in relation to asset manager reviews.²⁹
56. There were no other changes to the investment strategy or fund options. A draft of the revised statement was circulated to all employers for consultation before it was signed on 1 October 2020. The Statement of Investment Principles is publicly available on the Cheviot websites.³⁰

Value for members

57. All charges are borne by members. A key responsibility of the Trustee is to provide good value for money for members.
58. The Trustee appointed consultants³¹ to carry out an assessment of the Money Purchase Section's services based on their knowledge of the market and operation of other trustee boards, and using a framework provided by the Pensions Regulator. This considered the cost paid by members through a list of each feature and services in four core areas of scheme management as set out in the DC code of practice (governance and management, investment, administration and communication). The quality of the services was assessed through establishing whether the Money Purchase Section's services are suitable, relevant and valued by members and whether each of the services had performed effectively.
59. The report summarises the assessment of each core area set out by The Pensions Regulator. The governance and management and administration and communication areas all provided average or better services for an average charge. The investment charges were in line with the broader investment market but are slightly higher than the wider master trust market although sit within the range for master trusts of a similar size and management style.
60. The assessment concluded that the Cheviot pension is well positioned through:
 - (i) Thorough and effective governance and oversight which allows it to be proactive on behalf of members;
 - (ii) Effective risk control and return generation from investments, and
 - (iii) Improved understanding and engagement leading to appropriate decision making by members.
61. We consider that these factors, alongside a well-run administration function and personal service for members, represent good value to members. The Investment Committee noted that reducing fees are a priority. Charges were reduced from April 2020 and further reductions are expected to be made later in 2021 to improve the value provided. Value for members is a standing item on all agendas to ensure that any items which may affect it going forward are recognised and considered in that context.

Charges and costs

62. The Cheviot Lifeplan meets the requirements of the charge cap. The charge cap is a limit set by the Government on the amount that can be charged to members of a pension scheme.³² The actual charges depend on how close the member is to retirement.
63. All funds available to members during 2020 (either through the Cheviot Lifeplan or through individual choice) are identified in the table below which sets out further details of charges in 2020. Charges were reduced from

²⁹ See paras 5.9-5.13

³⁰ www.cheviottrust.com for employers, www.mycheviotpension.com for members

³¹ River and Mercantile Solutions, Investment Consultants

³² The **cap** applies to scheme and investment administration charges, excluding transaction costs.



April 2020. Charges include investment management, additional expenses, governance, administration, consultant fees and legal fees. Transaction costs, the fees incurred in buying and selling investments, are excluded. Transaction costs in 2020 are set out in Appendix 2.

Investment options used in the Lifeplan ³³ and available for members to select.	Charge	Charge from 1.4.2020
Cheviot Growth	0.75	0.70
Cheviot Moderate	0.75	0.70
Cheviot Cautious	0.75	0.70
Cheviot Retirement Planning	0.70	0.65
Cheviot Cash	0.30	0.25

Other Investment options available	Charge	Charge from 1.4.2021
Cheviot Low Cost	0.50	0.45
HSBC Shariah	0.75	0.70
LIGM Ethical	0.75	0.70
LGIM UK Equity Index Fund	0.50	0.45
LGIM World Equity Fund (50% GBP hedged)	0.50	0.45
Blackrock Aquila Connect Emerging Markets Fund	0.50	0.45

64. Details of the charges are available to members and employers via the website. Members' benefit statements include a worked example of how to calculate charges for their own funds.
65. The estimated cumulative impact on members' savings of both charges and other costs is shown in Appendix 3.³⁴ The Trustee considered the results and concluded that they are reasonable in the context of the investment strategy objectives and having regard to the guidance issued by the Department for Work and Pensions issued in September 2018.³⁵
66. It is important to note that all Cheviot performance information is shown **after** charges and costs so members can see the actual performance of each option as reflected in their own account value.

Conclusion

67. The Trustee Directors are confident that the Trust is managed effectively on behalf of members and employers as described in this Statement and in compliance with relevant statutory provisions and other guidance.

Sir Derek Morris
Chair
Cheviot Trustees Limited

Date: 16 June 2021

³³ The Lifeplan is the default arrangement

³⁴ Based on latest available information

³⁵ The assumptions were considered and agreed by the Investment Committee in September 2019.



Appendix 1

Confirmation of non-affiliated status

Non-affiliated means independent of any undertaking which provides advisory, administration, investment or other services in respect of the Money Purchase Section. All directors are asked to confirm their non-affiliation status annually. As six of the ten Trustee directors (including the Chair) are designated non-affiliated, the requirement that a majority of the Trustee directors, including the Chair, are non-affiliated has been met.

Name	Position	Affiliation status	Non-affiliated since	Last appointed
Sir Derek Morris	Chair and co-opted director	Sir Derek has certified that he meets the non-affiliated requirements.	April 2017	April 2020
Mr Ian Gault	Employer trustee and Vice Chair	Mr Gault has certified that he meets the non-affiliated requirements.	1 February 2021	September 2018
Ms Diane Elliott-Smith	Member trustee	Ms Elliott-Smith has certified that she meets the non-affiliated requirements	January 2019	January 2019
Ms Frances Longmore	Member trustee	Ms Longmore has certified that she meets the non-affiliated requirements	January 2019	January 2019
Mr Gerald Kidd	Employer trustee	Mr Kidd has certified that he meets the non-affiliated requirements.	June 2015	December 2020
Mr Giles Orton	Member trustee	Mr Orton has certified that he meets the non-affiliated requirements.	September 2018 (as a co-opted trustee)	March 2021 (as a member trustee).

Appendix 2

Impact of Transaction Costs

- Day-to-day trading costs are incurred when the manager of an underlying fund buys and sells investments within their pooled fund and are reflected in the fund's performance. The transaction costs are in addition to the published annual management charge.
- The table below sets out transaction costs for each option for 2020 invested through the Mobius Life platform in 2020. Mobius Life has sourced transaction costs from the underlying fund managers. Each underlying fund manager provides data in 12-month periods. Transaction costs are not fully available for 2020 and reflect the latest available information, with the majority of costs covering the 12 month period to 30 September 2020. It is likely that transaction costs will usually include some estimated costs; and finalised figures will be disclosed retrospectively in next year's report. The Trustee and its advisers continue to press investment managers for more timely reporting.
- Members will experience varying levels of cost depending on which options they are invested in (either through the Cheviot Lifeplan or through individual choice). These costs will continue in the future at a level expected to be similar to those shown below. A negative cost means that the fund benefited from transaction activity of other investors, rather than incurring a transaction cost.
- The actual transaction costs for 2019 are included for comparison purposes where available, having regard to the Department for Work and Pensions' guidance (and any future guidance).³⁶

Investment option	Costs in 2020	Costs in 2019
Investment options used in the Lifeplan³⁷ and available for members to select		
Cheviot Growth	0.05%	-0.05%
Cheviot Moderate	0.04%	-0.04%
Cheviot Cautious	0.01%	-0.01%
Cheviot Retirement Planning	0.01%	-0.01%
Cheviot Cash	-0.02%	-0.03%
Investment options available for members to select		
Cheviot Low Cost	0.05%	-0.03%
Cheviot Annuity Planning	0.42%	0.02%
HSBC Islamic Global Equity	0.02%	N/A
L&G Ethical Global Equity	0.13%	N/A
BlackRock Aquila Connect Emerging Markets Fund	0.09%	N/A
Cheviot Global Equity Fund	0.07%	N/A
L&G UK Equity Index Fund	-0.03%	N/A

Source: 2020 transaction costs Mobius Life. 2019 transaction costs, Mobius Life. These figures represent the latest available information as at the time of publication.

Transaction costs are not shown for funds that were not made available through Cheviot in 2019.

- The majority of the blended funds have reported transaction costs over the 2020 scheme year (compared to the majority reporting a negative cost in 2019 (i.e. resulting in a positive impact). There was no single factor which resulted in a different impact year-to-year. The difference was a function of manager cash flows, trading activity which increased due to the pandemic and general changes to the cost of trading.
- The Trustees have reviewed the estimated transaction costs for each investment option and underlying

³⁶ The full transaction costs were not available in the 2019 Chair's Statement but were based on an annual cost to 30 September 2019.

³⁷ The Lifeplan is the default arrangement.



Appendix 2

funds and are comfortable the costs are reasonable, noting three managers where the costs are particularly high. The trustee believes that these higher costs are acceptable, given the returns associated with them. The sources of the higher costs have been identified as:

- a. *BNY Mellon US High Yield Beta Fund Hedged* has higher transaction costs than other bond funds, as a result of a sharp increase in assets under management (resulting in a high volume of trading required) and the general costs of entry/exit associated with high yield bonds.
- b. *PIMCO US High Yield Bond* has higher transaction costs than other bond funds due to a higher cost of entry/exit associated with high yield bonds.
- c. *L&G Asia Pacific ex Japan Developed Equity Index GBP Hedged* has higher transaction costs than other equity funds, due primarily to the cost of currency hedging in Asia Pacific regions.



Appendix 3

Cumulative costs

Cheviot Lifeplan

The level of transaction costs depends on which investment option is selected. The Cheviot Lifeplan automatically switches members between options through their working life to manage investment risk on their behalf. The chart below shows an illustrative example³⁸ of the effect over time of the application of both the fixed charges and the variable costs on the value of a member's **estimated** account at their Target Retirement Date³⁹. It assumes that the account is invested in the Cheviot Lifeplan for the whole period. The after charges figure therefore include the automatic switching process of the Lifeplan, transaction costs (shown in Appendix 2) and the ongoing annual management charge (shown in para 62). Costs can change over time.

The figures are based on a number of assumptions based on the Cheviot membership:

- a. Starting pension account of £10,000.
- b. Inflation of 2.5% each year.⁴⁰
- c. Member salary of £25,000
- d. Salary and contributions increase each year by 1% over inflation.
- e. Combined contributions from member and employer of 12% each year.
- f. Cheviot reduced the AMC on all funds by 0.05% with effect from April 2020. It is assumed that these reduced AMCs will apply in the future.
- g. Transaction costs used are an average of the last three years of data where available and are assumed to continue for future years.
- h. Investment return growth in line with the targets set by the Trustee.⁴¹

Cheviot Lifeplan
Projected pension pot in today's terms

Years	Before charges	After costs and charges ⁴²
1	£13,800	£13,700
3	£21,400	£21,000
5	£29,700	£29,000
10	£54,600	£52,300
15	£85,700	£80,500
20	£120,800	£111,300
25	£163,000	£147,100
30	£213,800	£189,200
35	£272,700	£235,800
40	£331,400	£279,900

For example, if you invest for 20 years prior to your Target Retirement Date (e.g. age 45 if your Target Retirement Date is your 65th birthday), the projections show you will have a pot of approximately £111,300 at Target Retirement Date after all charges have been deducted.⁴³ Before charges, the projected pot size is £120,800, meaning the projected impact of costs and charges over the twenty-year period is £9,500.

The estimated costs of switching funds as part of the Cheviot Lifeplan over a 40 year membership averages 0.01% per annum on a worse case basis, and assuming that the fund is cashed in at retirement. The Trustee considers this cost to be reasonable and necessary in the context of the Lifeplan's objectives.

³⁸ Having regard to the guidance issued by Department for Work and Pensions in September 2018

³⁹ Target Retirement Date is the date when a member plans to start to access their pension savings

⁴⁰ In today's terms this means that the impact of estimated future inflation has been taken into account

⁴¹ The accumulation rates are calculated in line with Actuarial Standard Technical Memorandum (AS TM₁). Growth +4.5% p.a., Moderate 3.5% p.a., Cautious, 2.5% p.a., Retirement Planning 2.5% p.a., Cash 0% p.a., Annuity Planning 0% p.a., Low Cost 2.5% p.a. (all returns net of inflation), HSBC Islamic Global Equity, L&G Ethical Global Equity, L&G UK Equity, L&G World Equity, BlackRock Aquila Connect Emerging Markets, all 4.5%..

⁴² This shows the net projected fund after all costs and charges have been deducted.

⁴³ Based on the assumptions set out above.



Appendix 3

Individual fund costs

Some members prefer to choose their own investment option to meet their plans for retirement. The chart below shows an illustrative example of the effect over time of the application of the costs and charges for each individual option and are based on the same assumptions as shown above for the Cheviot Lifeplan, but assuming that the member stays invested in the same option through the period. The 'After costs and charges' column shows the net projected fund after all costs and charges, including transaction costs, have been deducted.

FUNDS USED IN THE CHEVIOT LIFEPLAN

YRS	Growth		Moderate		Cautious		Retirement Planning		Cash	
	Before charges	After costs and charges	Before charges	After costs and charges	Before charges	After costs and charges	Before charges	After costs and charges	Before charges	After costs and charges
1	£13,800	£13,700	£13,700	£13,600	£13,600	£13,500	£13,600	£13,500	£13,200	£13,200
3	£21,400	£21,000	£20,900	£20,600	£20,400	£20,100	£20,400	£20,100	£19,300	£19,200
5	£29,700	£29,000	£28,700	£28,000	£27,700	£27,100	£27,700	£27,100	£25,400	£25,200
10	£54,600	£52,300	£51,300	£49,200	£48,200	£46,200	£48,200	£46,300	£41,400	£40,800
15	£86,400	£81,200	£78,900	£74,200	£72,200	£67,900	£72,200	£68,200	£58,100	£56,900
20	£126,700	£116,700	£112,500	£103,700	£100,100	£92,400	£100,100	£92,900	£75,600	£73,600
25	£177,600	£160,300	£153,100	£138,500	£132,500	£120,100	£132,500	£120,900	£94,100	£91,100
30	£241,700	£213,600	£202,100	£179,200	£170,000	£151,200	£170,000	£152,500	£113,400	£109,200
35	£322,300	£278,200	£261,200	£226,600	£213,300	£185,900	£213,300	£187,700	£133,700	£127,800
40	£423,400	£356,300	£332,200	£281,400	£263,300	£224,500	£263,300	£226,900	£155,000	£147,100



Appendix 3

OTHER FUNDS AVAILABLE

YRS	Annuity Planning		Low Cost		HSBC Islamic Global Equity		L&G Ethical Global Equity		BlackRock Aquila Connect Emerging Markets Fund Cash		L&G World Equity Index Fund (50% GBP Hedged)		L&G UK Equity Index Fund	
	Before charges	After costs and charges	Before charges	After costs and charges	Before charges	After costs and charges	Before charges	After costs and charges	Before charges	After costs and charges	Before charges	After costs and charges	Before charges	After costs and charges
1	£13,200	£13,200	£13,600	£13,500	£13,800	£13,700	£13,800	£13,700	£13,800	£13,700	£13,800	£13,700	£13,800	£13,800
3	£19,300	£19,000	£20,400	£20,200	£21,400	£21,000	£21,400	£21,000	£21,400	£21,100	£21,400	£21,100	£21,400	£21,200
5	£25,400	£24,800	£27,700	£27,300	£29,700	£29,000	£29,700	£28,900	£29,700	£29,200	£29,700	£29,200	£29,700	£29,300
10	£41,400	£39,600	£48,200	£46,900	£54,600	£52,200	£54,600	£51,900	£54,600	£52,800	£54,600	£52,900	£54,600	£53,200
15	£58,100	£54,700	£72,200	£69,400	£86,400	£80,900	£86,400	£80,200	£86,400	£82,300	£86,400	£82,400	£86,400	£83,100
20	£75,600	£70,100	£100,100	£95,000	£126,700	£116,200	£126,700	£114,800	£126,700	£118,800	£126,700	£119,000	£126,700	£120,400
25	£94,100	£85,800	£132,500	£124,300	£177,600	£159,400	£177,600	£157,000	£177,600	£163,800	£177,600	£164,300	£177,600	£166,700
30	£113,400	£101,900	£170,000	£157,600	£241,700	£212,100	£241,700	£208,300	£241,700	£219,300	£241,700	£220,100	£241,700	£224,000
35	£133,700	£118,100	£213,300	£195,000	£322,300	£276,000	£322,300	£270,200	£322,300	£287,000	£322,300	£288,100	£322,300	£294,100
40	£155,000	£134,700	£263,300	£237,000	£423,400	£353,000	£423,400	£344,500	£423,400	£369,300	£423,400	£371,000	£423,400	£380,000



the Cheviot **trust**

Statement of
Investment Principles
Money Purchase
Section of the
Cheviot Pension

September 2020

- 1.1 This Statement describes the investment strategy and policies of the Trustee of the Money Purchase Section of the Cheviot Pension. It reflects the legislative requirements¹ and forms the basis for the decision-making process in relation to investment strategy.
- 1.2 The Trustee has obtained and considered written advice from the Investment Adviser and Scheme Actuary, both of which the Trustee believes are qualified by their ability in, and practical experience of financial matters and have the appropriate knowledge and experience of, the management of investments of pension schemes. The Trustee also consulted its lawyers and employers about this Statement.
- 1.3 The Trustee will also obtain and consider advice (as required by law) before making any future changes in investment strategy or investment options, and before revising this Statement.
- 1.4 Information about the Trustee, the directors' knowledge and understanding and the governance structure is available in the Chair's Governance Statement, available online.

2. Investment objectives

- 2.1 The primary objectives of the Trustee for the Money Purchase Section are:
- i. To provide a default plan, called the **Cheviot Lifeplan** to provide members with an "adequate" retirement income² in as smooth a manner as possible, taking risk where it is most rewarded and protection where it is most needed. The Cheviot Lifeplan is based on a range of investment options and strategies which are also available to members who wish to choose their own investment approach.
 - ii. To provide a range of investment options that members can select.
 - iii. To provide an element of stability in investment returns. The Trustee believes that stable returns are more valuable to members than volatile returns. This is reflected in how risk is measured, both by fluctuations in returns, and historic and prospective falls in value.
 - iv. To provide investment options for members who wish to invest in line with investment beliefs where financial gain is not the sole criterion.
 - v. To provide investment options for members who wish to invest in line with stock markets.
 - vi. To ensure that contributions payable by the employers and members are invested in accordance with the Cheviot Lifeplan or the options selected by members.
 - vii. As far as practicable and appropriate, to provide investment options that enable members to invest and disinvest daily.
- 2.2 The implementation of the policies in this statement are intended to ensure assets are invested in the best interests of members by seeking to secure an appropriate level of risk for the member depending on their age and planned retirement date, including the Cheviot Lifeplan, whilst allowing members to make their own decisions if they choose to.

¹ Including those of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

² Measured by reference to the UK Living Wage and the Pension Commission's Target Replacement Ratio.

The Cheviot Lifeplan

- 2.3 The **Cheviot Lifeplan** is available for those members who do not wish to make an investment choice. All members who are auto enrolled will be automatically invested in the Cheviot Lifeplan. By transitioning members automatically through the investment options, the Cheviot Lifeplan aims to maximise long term returns by taking more risk early on and reducing the level of risk as members get closer to retirement. The approach reflects that most members take a 25% cash sum at retirement and that very few members are currently choosing to purchase an annuity.
- 2.4 The Cheviot Lifeplan continues after retirement for members choosing to take their benefits over a period of years, either as a series of lump sums or through drawing down a regular income. Members can change their investment option at any time.
- 2.5 Three growth funds, one retirement planning fund and a cash fund³ are used in the **Cheviot Lifeplan** to provide suitable investment options for members throughout their membership, targeting expected returns of each option. The date of retirement is based on the member's target retirement date, or State Pension Age if no target retirement date has been set.

Fund objectives

- 2.6 A list of available funds at the date of this Statement with the relevant risk rating and expected target returns is set out in Appendix A⁴. These objectives are reviewed annually by the Investment Committee against the likely investment outcomes of the options.
- 2.7 The primary investment objectives for the key funds in the Cheviot Lifeplan⁵ are to achieve inflation-related returns over a full market cycle of about five years. The secondary investment objective is to provide these returns with less fluctuation in value than the market⁶.
- 2.8 The primary investment objective for other options is to achieve a return consistent with the stated objective related to that asset class.
- 2.9 The Trustee also provides alternative strategies based on a combination of other fund options. The expected returns for these strategies are based on the underlying funds.

3. Risk

- 3.1 The Trustee recognises that members face three key risks.
- i. Inflation risk – that the purchasing power or cash value of their fund is not maintained

³ See Appendix A.

⁴ A current list of fund options can be requested by emailing ceo@cheviottrust.com and is available on the website.

⁵ See Appendix A.

⁶ The Low Cost option does not have this secondary objective as it is focused on lower fees.

- ii. Accumulation risk – that funds do not grow as anticipated
 - iii. Pension conversion risk – that the value of their fund does not keep pace with the cost of providing a pension
 - iv. Capital protection risk – that the value of their fund to provide a cash lump sum falls.
 - v. Security of assets risk - Funds on the investment platform are invested through a long-term insurance policy with Mobius Life Limited. The Trustees are satisfied that the assets are as safe as possible whilst still enabling them to manage the assets using a range of underlying managers.
- 3.2 The Trustee has considered these risks (and other relevant risks such as market risk, counterparty risk, operational risk, environmental/social/governance risk or the risk of failing to provide value for members) when designing the Cheviot Lifeplan and a range of investment options for members to select.
- 3.3 Risks are measured and managed as part of regular investment strategy governance, asset allocation reviews and investment strategy reviews. The Trustee identifies, evaluates, manages and monitors risks to the Money Purchase Section, including their impact, what controls can be put in place to manage those risks and the effectiveness of the risk management process. As part of quarterly reporting, risks are measured against risk tolerance and market conditions to check whether the performance of each investment option remains in line with the agreed risk objectives.
- 4. Investment strategy**
- 4.1 When setting the investment strategy, the Trustee will consider, among other things, the suitability of the investments, the need for diversification, the suitability of the fund managers, how members have taken their benefits historically, how the Trustee expects members to take their benefits in the future and compliance with legal requirements.
- 4.2 The range of options available for members varies from time to time and details of the current options and the underlying asset allocation are available online or on request from Cheviot.
- 4.3 All options in the Cheviot Lifeplan (other than Cash) are invested in a diversified range of assets in order to reduce investment risk, which can include (but are not limited to) assets such as developed market equities, emerging market equities, UK or other sovereign bonds, corporate bonds, high yield bonds, real estate and money market instruments. The balance between different kinds of investments reflects the risk profiles of each option. Asset allocation is reviewed at least monthly and changes are actioned as soon as practical.

5. Other issues

Environmental, social and governance factors

- 5.1 When selecting and monitoring an investment the Trustee will consider financially material factors. These are factors that can affect the long-term financial performance of investments and can (but do not have to) include the financial implications of environmental, social and governance factors (otherwise known as ESG) where relevant. All references to ESG also include climate change.
- 5.2 The Trustee has been considering the nature of its investments in the context of long-term financial performance and the extent to which the existing investments implicitly include consideration of ESG factors. It is working to provide more information about how it includes consideration of these factors in its decision making. The Trustee is also considering those elements of the investment strategy where the investment objective is short term in nature and where taking account of ESG factors is unlikely to influence investment performance.
- 5.3 The Trustee is working with the Investment Adviser to understand the new information and assessment tools which are being developed to assist the Trustee to assess the commitment and performance of managers in relation to long term financial factors deriving from ESG. This will help the Trustee when making decisions where ESG factors are relevant and monitor performance to encourage change where appropriate.
- 5.4 Since the underlying investment funds used are pooled products (i.e. funds that are used for investment purposes by different clients), the Trustee is not able to require the managers concerned to make changes to their investment approach to take account of ESG factors, or give directions on stewardship such as how voting rights are used. As the Trustee does not have voting rights in respect of its investments in pooled products, it relies on the managers' engagement with the underlying funds in respect of matters including the approach to performance, strategy, capital structure, conflict management, risks, ESG impact and corporate governance. The Trustee does not currently engage in any formal way with other pooled fund investors in order to exert pressure on managers.
- 5.5 The primary way the Trustee considers long term financial performance including ESG factors and stewardship is through advice from the Investment Adviser and its engagement with investment managers. This enables the Trustee to understand the managers' investment approach in relation to such matters (where appropriate).
- 5.6 Long term financial performance including ESG factors and stewardship is considered at the point of initial investment as a part of the manager selection criteria. Such factors may also be important criteria for considering the replacement of a manager. Once a manager is appointed, the Trustee can monitor ongoing compliance with ESG and other factors like stewardship as a part of overall performance and use its Investment Consultant's engagement with the managers on the Trustee's behalf in its decision making (where appropriate).

Non-financially material factors

- 5.7 The Trustee does not at present take into account non-financially material factors (such as members' ethical considerations, social and environmental impact matters or quality of life considerations) when making investment decisions on behalf of members as there is not likely to be a common view on any ethical matters amongst members; but makes available two funds, one consistent with Sharia principles and one reflecting a particular ethical approach, which aim to satisfy certain sets of beliefs. These are available to all members. Given this, the Trustee has no plans to seek the views of the membership on ethical considerations at the current time.

Responsible investing

- 5.8 The Trustee is supportive of the UN Principles for Responsible Investing and the UK Stewardship Code and considers whether managers are signatories and adhere to them.

Asset manager review

- 5.9 As part of the appointment of the investment managers, the Trustee has entered formal manager agreements and accepted the terms of pooled investment vehicles, setting out the scope of the activities of each investment manager and pooled investment vehicle, their charging basis and other relevant matters. The Trustee has a limited ability to renegotiate commercial terms with such vehicles. The key mechanism by which the Trustee can influence managers in this context is its ability to decide whether to invest or disinvest in the manager's fund.
- 5.10 The Trustee and Investment Adviser undertake regular reviews of the investment managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as quarterly performance reviews (including understanding key drivers of performance). The Investment Advisor and Trustee review the governance structures of the investment managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested. The Trustee's arrangements with its investment managers are ongoing, with their duration subject to the Trustee's reviews of its managers. The Trustee's ability to terminate a manager's mandate is facilitated by the liquid nature of the Trustee's investments. The Trustee's regular reviews involve an assessment of whether the manager's performance and remuneration are in line with the Trustee's aims and objectives including the policies in this document.
- 5.11 Where it can be determined, the Trustee and Investment Advisor assess whether the investment manager remuneration arrangements are aligned with the Trustee's objectives on an annual basis. The Trustee periodically review the overall value-for-money of using the Investment Advisor and investment managers. Information in relation to costs associated with investing is included in annual fee review considered by the Trustee. The Trustee expect the investment managers:

- to align its investment strategy and decisions with the Trustee’s investment policies, such as their return target and the restrictions detailed in the Investment Management Agreement/pooled fund investment documentation, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance (meaning relevant governance functions that can ultimately drive financial performance and enable trustee oversight) of an issuer of debt or equity, and to engage with the issuers to improve this medium- to long -term performance. The success of such engagement will contribute to the Plan’s performance, which are reflected and measured relative to the Trustee’s long-term performance objectives, and managers are incentivised to do so, as if managers’ funds do not deliver in line with the expected risk and return policy, managers are aware that the Trustee will consider disinvesting. In addition, managers are aware that by failing to respond to the Investment Adviser’s engagement on the Trustee’s behalf, the manager risks being removed from the Investment Adviser’s buy list.

5.12 The Trustee acknowledges the inherent potential for conflicts of interest which exist as part of ongoing investment management business activities. Where investment managers are regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Trustee and Investment Adviser monitor this as part of ongoing review. As an FCA regulated firm, the Investment Adviser is required to prevent or manage conflicts of interest. The Investment Adviser’s Conflict of Interest policy is available publicly.⁷

5.13 The Trustee oversees the turnover costs (where available) incurred by the investment managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Investment Adviser’s expectations. Information in relation to costs associated with investing is included in annual fee review considered by the Trustee. The Trustee does not have a defined targeted portfolio turnover or turnover range but monitors portfolio turnover on a quarterly basis to ensure that this is in line with each particular mandate. Where there are material deviations the Trustee engages with investment managers to understand the rationale for such deviations and take appropriate action.

Liquidity

5.14 Where practicable the Trustee will invest in assets that can be quickly realised (i.e. bought and sold) to allow it to invest or disinvest in each on a daily basis, recognising that contributions need to be invested promptly and members expect to be able to access or transfer their funds quickly. In practice the Trustee facilitates investments and disinvestments at least twice a week.

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https://riverandmercantile.com/Asp/uploadedFiles/file/Corporate_Governance/RMG_Conflicts_of_Interest_Policy.pdf

Review of Statement of Investment Principles

5.15 The Trustee's investment policy and the investment options offered to members and described in this Statement comply with the relevant legislation and are reviewed each year. During the year, the Trustee may add, change or remove investment options in accordance with the policies in this statement. This Statement will be reviewed at least every year or when a significant change to investment strategy or policy is made. Any new investment options will be reflected in the next review of this Statement.

5.16 This statement is published on the Cheviot Trust website.

Signed on behalf of Cheviot Trustees Limited

E. McKinnon

Date : 1 October 2020

INVESTMENT OPTIONS

The investment funds which currently make up the Cheviot Lifeplan⁸ and self-select fund options are set out in the tables below. The funds used in the Cheviot Lifeplan⁹ have specific targets for stability of returns measured against the market which are reviewed by the Investment Committee each quarter. Any changes in options will be reflected when the Statement of Investment Principles is reviewed. An up to date list of fund options is always available from ceo@cheviottrust.com. The range of self-select funds and alternative retirement strategies are set out on the next page.

Cheviot Lifeplan

Fund	Long Term Objective	Risk rating (out of 6)
Pre-retirement¹⁰		
Cheviot Growth	CPI + 4% - 5%	5
Cheviot Moderate	CPI + 3% - 4%	4
Cheviot Cautious	CPI + 2% - 3%	3
Cheviot Retirement Planning	CPI + 2% - 3%	3
Cheviot Cash (25% of total fund)	In line with cash benchmark	1
Post-Retirement		
Cheviot Retirement Planning	CPI + 2% - 3%	3
Cheviot Cash (10% of total fund)	In line with cash benchmark	1

The Cheviot Lifeplan transitions members' savings through different funds through their membership based on a date selected by the member (Target Retirement Date) or State Pension Age if no date has been set. The move between funds takes five years until the last transition before retirement when the switch is completed over two years. The change to post retirement takes place when members take their tax-free cash. The chart below shows where funds are invested at different times.

More than 25 years from retirement	Cheviot Growth
20 years from retirement	Cheviot Moderate
5 years from retirement	Cheviot Cautious
1 year from retirement	75% Cheviot Retirement Planning 25% Cheviot Cash
Post retirement	90% Cheviot Retirement Planning 10% Cheviot Cash

⁸ The default fund for the purposes of the legislation.

⁹ Other than the Cheviot Cash option.

¹⁰ Retirement is defined as when a member takes their tax-free cash.

Self- Select options

Fund	Long Term Objective₁	Risk rating (out of 6)
Cheviot Growth	CPI + 4% - 5%	5
Cheviot Moderate	CPI + 3% - 4%	4
Cheviot Cautious	CPI + 2% - 3%	3
Cheviot Retirement Planning	CPI + 2% - 3%	3
Cheviot Cash	In line with cash benchmark	1
Cheviot Low Cost	CPI + 2% - 3%	4
HSBC Shariah	In line with Shariah benchmark	6
LGIM Ethical	In line with ethical benchmark	6
LGIM UK Equity Index Fund	In line with FTSE All-Share Index	6
LGIM World Equity Fund (50% GBP hedged)	50% in line with FTSE World Index 50% in line with FTSE World Index - GBP hedged	6
Blackrock Aquila Connect Emerging Markets Fund	In line with MSCI Emerging Markets Index	6

APPENDIX B

ADDITIONAL FUNDS FOR NAMED EMPLOYERS

The Trustee may agree with certain employers to provide access for their employees or former employees to specific additional funds to those set out in Appendix A. These funds will be governed under the same arrangements as the Cheviot arrangements but access to these funds is restricted to employees or ex-employees of named employers.

The Trustee will regularly review these additional options against their objectives and may change or withdraw them in future if necessary. The additional options are currently as set out below. Any changes in options will be reflected when the Statement of Investment Principles is reviewed. An up to date list of fund options is always available from ceo@cheviottrust.com.

Fund	Long Term Objective	Risk rating (out of 6)
Blended funds		
R&M Long Term Growth Fund	CPI + 5%	4
R&M Stable Growth Fund	CPI + 4%	3.5
R&M Cautious Growth Fund	CPI + 3%	3
R&M Fixed Annuity Protection Fund	Match the movement in the price of fixed annuities (investing in a mix of government and corporate bonds)	2
R&M Cash Fund	Match a cash return	1