



# Statement of Investment Principles

2025

## Money Purchase Section

Issued 18 March 2025



## 1. Introduction

- 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 requirements<sup>1</sup> and forms the basis for the decision-making process in relation to investment strategy. It sets out details of the **Cheviot Lifeplan**, which automatically transitions members through an investment journey to retirement<sup>2</sup>, and the range of self-select funds available to members who choose to select their own investments.
- 1.2 The Trustee has appointed Van Lanschot Kempen Investment Management (UK) Limited (“**VLK**”) as fiduciary manager and investment adviser to the Trust.<sup>3</sup> VLK provides investment advice and investment management services to the Trustee, including advice on setting the investment objectives. The strategy is then implemented by VLK in its role as Fiduciary Manager. VLK has been provided with a copy of this Statement and is expected to exercise the powers delegated to it in line with the principles set out in this document.
- 1.3 The Trustee has documented wide delegated powers to VLK for the performance of the Trustee activities as the investor of the Money Purchase Scheme assets. The Trustee’s Investment Committee monitors all aspects of VLK’s performance closely using VLK’s detailed investment performance and key metrics reports with oversight from a third party, Ernst and Young. The Investment Committee meetings are held quarterly. The Trustee Board receives quarterly updates from the Investment Committee on key matters discussed with VLK.
- 1.4 VLK constructs the core funds for the Cheviot Lifeplan on the Mobius Investment Platform, using underlying pooled funds. VLK has delegated powers to add appropriate funds to the platform, working with Mobius, to support the underlying strategies. All self-select funds are also held on the Mobius platform.
- 1.5 The Trustee has obtained and considered written advice from VLK as Investment Adviser and the 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 has taken legal advice on this Statement’s compliance with legal requirements. It has also consulted the employers.<sup>4</sup>
- 1.6 The Trustee will obtain and consider advice (as required by law) before making any future changes in investment strategy or investment options and before revising this Statement.
- 1.7 Information about the Trustee, the directors’ knowledge and understanding and the governance structure is available online in the Chair’s Governance Statement.

## 2. Investment objectives

- 2.1 The primary objectives of the Trustee for the Money Purchase Section are:
  - (i) To provide the **Cheviot Lifeplan** to provide members with an “adequate” retirement income,<sup>5</sup> taking risk where it is most rewarded and protection where it is most needed. The Cheviot Lifeplan is based

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

<sup>2</sup> The default fund for the purposes of the relevant legislation

<sup>3</sup> February 2024

<sup>4</sup> As required by s35 of the Pensions Act 1995 and associated regulations.

<sup>5</sup> Measured by reference to the UK Living Wage.



on a range of investment building blocks. These building blocks 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 investment options for members who wish to invest in line with investment beliefs where financial gain is not the sole criterion.
- (iv) To provide investment options for members who wish to invest in line with stock markets.
- (v) To ensure that contributions payable by the employers and members are invested in accordance with the Cheviot Lifeplan or the options selected by members.
- (vi) 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<sup>6</sup> by seeking to secure an appropriate level of risk for the member depending on their age and planned retirement date through the Cheviot Lifeplan, whilst allowing members to make their own decisions if they choose to.

### 3. Cheviot Lifeplan

3.1 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 and objectives are to maximise long term returns by investing in growth assets whilst members are more than 15 years away from retirement and then reducing the level of risk as retirement approaches.

3.2 The approach takes into consideration that most members take a 25% cash sum at retirement but balances it against the need for return. The three investment funds, Growth, Moderate and Cautious, and a cash fund<sup>7</sup> are used in the Cheviot Lifeplan to provide suitable investment options for members to and through retirement. The retirement date is based on the member's target retirement date, or State Pension Age if no target retirement date has been set.

3.3 The Cheviot Lifeplan also reflects the retirement pattern of most of the Cheviot members who leave their remaining fund invested either in drawdown with Cheviot or transfer to an alternative drawdown arrangement or self-invested personal pension with another provider. Very few members choose to purchase an annuity and this is not therefore included in the Lifeplan structure.

3.4 The Cheviot Lifeplan is designed to continue post-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. The Cautious Fund is therefore designed to be suitable for long term investment post-retirement in a drawdown structure. Other options mirroring the FCA's investment pathways will be introduced in due course. Members can change their investment options at any time. The primary investment objective for the Cheviot Lifeplan<sup>8</sup> is to achieve inflation-related returns over a full market cycle of about five years subject to a cap on inflation of 5% p.a.<sup>9</sup>

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<sup>6</sup> Members means beneficiaries as defined in the relevant regulations.

<sup>7</sup> See Appendix A.

<sup>8</sup> See Appendix A.

<sup>9</sup> To be introduced in April 2025



## 4. Self-Select Funds

- 4.1 The Trustee provides a range of self-select funds for members who prefer to choose their own investments. These include the underlying funds which are used in the Cheviot Lifeplan.
- 4.2 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 A.<sup>10</sup> These objectives are reviewed annually by the Investment Committee against the likely investment outcomes of the options.
- 4.3 The Trustee may also provide alternative strategies based on a combination of other fund options. The expected returns for these strategies are based on the underlying funds.

## 5. Risk

- 5.1 The Trustee recognises that members face five key risks.
  - i. Inflation risk – that the purchasing power or cash value of their fund is not maintained.
  - ii. Volatility risk – that fluctuations in share prices significantly impact fund values.
  - iii. Accumulation risk – that funds do not grow as anticipated.
  - iv. Pension conversion risk – that the value of their fund does not keep pace with the cost of providing a pension.
  - 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 use a range of underlying managers.
- 5.2 The Trustee has considered these risks (and other relevant risks including market risk, investment manager risk, concentration 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 the range of self-select investment options for members.
- 5.3 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. The management of investment risks is delegated to VLK in its role as fiduciary manager within parameters set by the Trustee.

## 6. Investment strategy

- 6.1 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, patterns of member behaviour at retirement and compliance with legal requirements.
- 6.2 The range of options available for members varies from time to time and details of the current options are available online or on request from Cheviot.
- 6.3 All options in the Cheviot Lifeplan (other than Cash) are invested in a diversified range of assets to reduce investment risk, which can include a range of equity and bond assets. The balance between different kinds of investments reflects the risk profiles of each option.

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<sup>10</sup> A current list of fund options can be requested by emailing [ceo@cheviottrust.com](mailto:ceo@cheviottrust.com) and is available on the website.



- 6.4 The Trustee's policy on the kinds of investments held is that they must be suitable given the investment objectives, legislative requirements, regulatory guidance and any specifications in the trust deed and rules.
- 6.5 Where practicable, the Trustee will invest in assets that can be quickly accessed (i.e., bought and sold) to allow it to invest or disinvest daily, 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.
- 6.6 For the avoidance of doubt, the Trustee does not currently invest in illiquid assets in the Cheviot Lifeplan for the reasons noted above and there are currently no plans to invest in illiquid assets in the future.

## 7. Other issues

### Environmental, social and governance factors

- 7.1 The Trustee considers financially material factors in line with its fiduciary responsibilities to investors (both members and employers) in respect of the investment strategy. This includes ESG factors (including climate change). The Trustee recognises in particular that the Paris Agreement's objectives and that a failure to meet the agreement will have a significant negative impact on members, investments and the wider financial structure.
- 7.2 ESG and sustainability were a key part of VLK's appointment as fiduciary manager and investment adviser to the Trust. Together with an excellent record as a fiduciary manager, VLK's well established approach to sustainability is consistent with Cheviot's bespoke net zero commitment. Moving to a fiduciary managed approach will significantly improve the data and information available to the Trustee to assess the impact of ESG factors and monitor progress towards its target.
- 7.3 The Trustee delegates full discretion to VLK around the implementation of ESG factors (including climate change) within the investment process and assets which is then closely reviewed by the Trustee's investment sub-committee on a quarterly basis against the Trustee's investment aims, objectives and policies.
- 7.4 VLK will apply its Responsible Investment Policy to the funds it selects.<sup>11</sup> The policy is based on four pillars: exclusion, ESG integration, active ownership and positive impact. VLK's approach to active ownership is only available to the Trustee through fiduciary management.
- 7.5 The Trustee receives an annual report which sets out the approach to ESG consideration and enables an assessment of its effectiveness. ESG is integrated into the decision-making process and most Cheviot managers take ESG factors into account as part of their investment process.
- 7.6 The Investment Committee has considered the implications of climate change on the portfolio's future investment returns in detail based on the data available. The Trustee has adopted a bespoke net zero commitment by 2050, reflecting the Paris Agreement's objectives. It reflects the Board's fiduciary responsibilities to members and employers and the need for governments and policymakers to deliver on their commitments to achieve the temperature goals of the Paris agreement.

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<sup>11</sup><https://www.vanlanschotkempenn.com/-/media/files/documents/investment-management/esg/policies/sustainable-investment-charter.ashx>



- 7.7 Work continues on the implications of climate change with focus on improving the data available from managers to enable more accurate setting of targets. More information is available in the TCFD report available online.<sup>12</sup> The Trustee expects the transition to VLK preferred funds to improve the data available to it.<sup>13</sup>
- 7.8 The change in investment adviser and structure will facilitate direct engagement by VLK with managers in relation to climate change issues and stewardship in order to facilitate better quality data, evaluation of and progress against the Trustee's ESG and Climate change related objectives and the exercise of rights (including voting rights) relating to the investments.

### Non-financially material factors

- 7.9 The Trustee does not consider 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.
- 7.10 To provide members with the opportunity to invest differently, the Trustee makes available three funds, one consistent with Sharia principles, one reflecting a particular ethical approach and an ESG equity fund, which aims 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

- 7.11 The Trustee recognises its responsibility as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its fiduciary manager and investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.
- 7.12 The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the fiduciary manager to exercise ownership rights and undertake monitoring and engagement in line with its own corporate governance policies and taking account of current best practice including the UK Corporate Governance Code 2018 and the UK Stewardship Code 2020.
- 7.13 The Trustee is supportive of the UN Principles for Responsible Investing and the UK Stewardship Code.

### Asset manager review

- 7.14 VLK is responsible for managing and reviewing the underlying managers held in the portfolios as part of its role as fiduciary manager to ensure they are aligned with Trustee's policy. The Trustee's policy is to delegate to VLK the responsibility for the selection, appointment, monitoring and removal of the selected underlying investment managers. VLK selects all managers for these purposes from investment funds held on the Mobius platform. VLK's responsibilities include assessing whether any managers appointed in line with its Sustainability Investment Charter are in line the Trustee's policies and beliefs.

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<sup>12</sup> [TCFD-Report-2023-Website-signed.pdf \(cheviottrust.com\)](#)

<sup>13</sup> The transition to VLK's preferred funds will be completed in Q1 2025



- 7.15 VLK is responsible for constructing the portfolios which will be used to generate returns. Construction includes responsibility for the strategic asset allocation and the funds used to implement the allocation.
- 7.16 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 an 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.<sup>14</sup>
- 7.17 The definition and oversight of portfolio turnover costs (including the Trustee's expectations on the targeted portfolio turnover or turnover range as applicable and where such information is available) incurred by the underlying investment managers in the funds used by VLK to construct the Trustee's investment strategies is delegated to VLK. The Trustee's investment sub-committee monitors VLK's performance of such matters through its quarterly reports and meetings. The Trustee has appointed a third party adviser, Ernst & Young LLP, to provide external ongoing advice in relation to VLK's performance.
- 7.18 VLK's role includes:
- a. Working with Mobius to agree the terms of appointment for selected underlying managers which are implemented on the Mobius Life investment platform. . All managers must act in accordance with the terms of appointment. The fee arrangements in place with the underlying fund managers aim to incentivise the manager to align their strategies to the Trustee's policies generally, including both financial and non-financial issues, to the extent possible. This may include performance fees.
  - b. monitoring the underlying investment managers, to ensure they continue to perform in a competent manner and have the appropriate knowledge, skills and experience to manage the assets of the Cheviot Pension.
  - c. assessing the duration of any arrangements of asset managers and terminating managers that are no longer aligned with the Trustee's investment strategy or underperform if there is a lack of conviction in the manager's ability to deliver its investment objective.
  - d. monitoring the extent to which the underlying investment managers: (i) make decisions based on assessments about medium to long-term financial performance of an issuer of debt or equity; and (ii) engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- 7.19 VLK evaluates the performance (and remuneration) of the underlying investment managers stated in the investment managers' performance objective against the Trustee's investment strategy and policies generally over an appropriate time horizon and reports to the Trustee on the outcome at least annually. The Trustee's Investment Committee undertakes an evaluation of VLK's performance at its quarterly meetings including their approach in respect of the underlying managers.

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<sup>14</sup><https://www.vanlanschotkempenn.com/-/media/files/documents/investment-management/compliance-documents/im-statement-of-conflicts.ashx#:~:text=VLK%20has%20a%20strict%20policy,and%20potential%20Conflicts%20of%20Interest.>

# Statement of Investment Principles 2025



## Review of Statement of Investment Principles

7.20 The Trustee's investment policies 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.

7.21 This statement is published on the Cheviot Trust website.<sup>15</sup>

Signed on behalf of Cheviot Trustees Limited

Signature: ELSPETH MCKINNON

Date: 18/03/2025

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<sup>15</sup> [www.cheviottrust.com](http://www.cheviottrust.com)



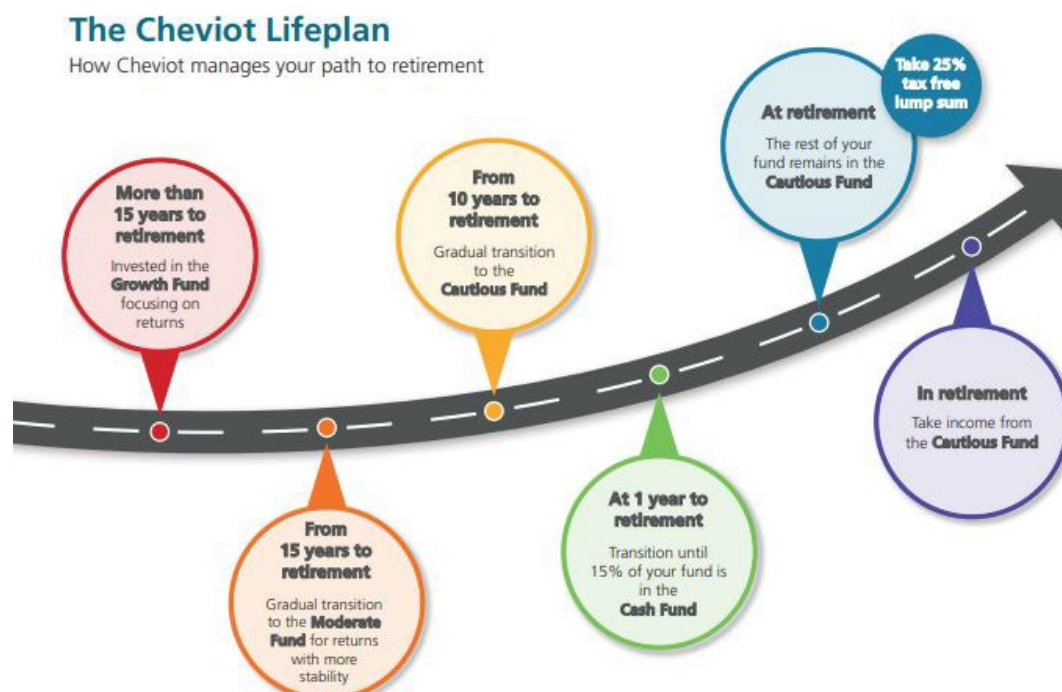
## Cheviot Lifeplan and Self-Select Funds

The investment funds which currently make up the Cheviot Lifeplan<sup>16</sup> and self-select fund options made available to members are set out in the tables below, including the long term objectives and risk ratings. Any changes in options will be reflected when the Statement of Investment Principles is reviewed. An up to date list of fund options is available from [ceo@cheviottrust.com](mailto:ceo@cheviottrust.com).

### Cheviot Lifeplan

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 transition periods are shown in the chart below. 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.

Fund	Long Term Objective CPI capped at 5% <sup>17</sup>	Risk rating (out of 6)
<b>Pre-retirement<sup>18</sup></b>		
Growth Fund	CPI + 4% - 5%	5
Moderate Fund	CPI + 3% - 4%	4
Cautious Fund	CPI + 2% - 3%	3
Cash Fund (15% of total fund)	In line with cash benchmark	1
<b>Post-Retirement</b>		
Cautious Fund	CPI + 2% - 3%	3



<sup>16</sup> The default fund for the purposes of the legislation.

<sup>17</sup> Introduced from April 2025

<sup>18</sup> Retirement is defined as when a member takes their tax-free cash.



### Self-Select Funds.

The building blocks used for the Cheviot Lifeplan are also available as self-select funds.

<b>Fund</b>	<b>Long Term Objective</b> CPI capped at 5% <sup>19</sup>	<b>Risk rating</b> <b>(out of 6)</b>
Growth Fund	CPI + 4% - 5%	5
Moderate Fund	CPI + 3% - 4%	4
Cautious Fund	CPI + 2% - 3%	3
Cash Fund	In line with cash benchmark	1
Low Cost Fund	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
State Street World TPI Climate Transition Index Equity Sub-Fund <sup>20</sup>	FTSE Developed TPI Climate Transition ex Coal ex Controversies ex Nuclear ex Tobacco Index	6

<sup>19</sup> Introduced from April 2025

<sup>20</sup> Introduced from April 2025



## Additional Funds for specific 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.