

# STATEMENT OF INVESTMENT PRINCIPLES

## THE PROFESSIONAL GOLFERS' ASSOCIATION SCHEME 2001 RETIREMENT AND DEATH BENEFITS SCHEME

### 1. Introduction

This Statement of Investment Principles sets out the required principles governing decisions about the investment options available under The Professional Golfers' Association Scheme 2001 Retirement and Death Benefits Scheme ("the Scheme").

The Scheme is a defined contribution pension plan which will provide members with a money purchase benefit.

The Pensions Act 1995, and subsequent legislation (contained in the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and the subsequent amendments in Occupational Pension Schemes (Charges and Governance) Regulations 2015) requires the Trustees to document matters in this Statement which include the Trustees' policy to choosing investments, the balance between different kinds of investments, risk, the realisation of investments and such other matters as may be prescribed.

The Trustees recognise that they have fiduciary obligations to the Scheme members and will seek to maintain a good working relationship with all participating employers. In addition to this, the Trustees will discuss any proposed changes to this Statement with the participating employers. However, any fiduciary obligations to Scheme members will take precedence over their wishes, should these ever conflict.

Before preparing this Statement of Investment Principles, the Trustees have consulted with the Employer, (The Professional Golfers' Association), and obtained and considered written professional advice from Mercer Limited, the Scheme's investment consultants, regarding the investment arrangements to ensure compliance with the legal requirements about choosing investments (as per section 36 of the Pensions Act 1995).

The Trustees are committed to maintaining the accuracy of this Statement on an ongoing basis.

### 2. The Trustees

The Trustees' investment powers are set out within the Scheme's governing documentation and relevant legislation. The Trustees will take legal advice regarding the interpretation of this documentation, where it is deemed to be necessary.

According to the law, the Trustees have ultimate power and responsibility for the Scheme's investment arrangements. The Trustees will regularly review the investment policies and their implementation principles within the DC Code of Practice. The Trustees appoint a professional consultant (the "Investment Consultant") to provide them with relevant advice where necessary. The Trustees also take advice as appropriate from other professional advisers.

The Trustees have the power to delegate some aspects of the investment arrangements.

### **3. Investment Policy**

#### **3.1 Objectives**

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different attitudes to risk and different propensities to absorb investment risk. Members are responsible for their own investment decisions based on their individual circumstances and preferences. However, the Trustees recognise that members may not believe themselves qualified to take investment decisions.

The Trustees' objectives for the Scheme are as follows:

- To provide a default investment option for members until they make their own investment decisions.
- To make available a range of investment funds that is expected to enable members to select an investment strategy that meets their own individual needs and preferences.
- Offer access to lifestyle strategies which facilitate diversification and are expected to achieve long term capital growth.
- Offer funds and lifestyle strategies that enable members to reduce investment risk in the run-up to retirement.
- Offer funds which mitigate the impact of sudden and sustained reductions in capital values or rises in the cost of providing benefits at retirement (cash, annuity purchase or drawdown).

The Trustees are responsible for deciding the range of funds and lifestyle strategies to offer to members, including the selection of a default option.

However, the Trustees have no influence over the investment aims of each fund used or how the investment managers choose the underlying investments within each fund.

The Trustees will provide access to pooled funds where members invest assets alongside other schemes and other members, which is the most cost effective way to implement the investment arrangements.

The Trustees will, from time to time, obtain professional advice to monitor and review the suitability of the funds provided and may change the managers or investment options.

#### **3.2 Policies with Regards to Risk and Return**

In determining the investment arrangements, risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. The Trustees have considered return expectations and risk from a number of perspectives. These include:

- Investment return risk – the risk that low investment returns over members’ working lives will not keep pace with inflation and the member’s account does not, therefore, secure an adequate pension.
  - *The Trustees have sought to mitigate this risk by providing members with access to fund options which are expected to provide long term growth in excess of inflation.*
- Market risk – the value of securities, including equities and interest bearing assets, can go down as well as up. Members may not get back the amount invested.
  - *The Trustees realise that this risk is implicit in trying to generate returns above that earned by cash and accept this by investing in assets other than cash.*
- Risk of capital loss in nominal terms – the protection of capital, in the approach to retirement, in supporting the provision of benefits from the members’ individual accounts is considered important.
  - *The Trustees have sought to mitigate this risk by providing members with access to fund options which are expected to reduce risk in the run up to retirement.*
- Manager risk – the risk that the decisions taken by an investment manager may have a detrimental impact on the returns of a fund.
  - *The Trustees have sought to reduce this risk by providing access to a range of mainly passively managed funds, alongside some actively managed funds, which reduce the likelihood of managers underperforming.*
- Liquidity risk – the risk that members will not be able to switch between investments on short notice, and there may be a delay in withdrawing assets from the Scheme when leaving employment, retiring or opting out of the Scheme.
  - *The Trustees have been mindful of these liquidity requirements when selecting the range of fund options available to members.*
- Default risk – the value of interest bearing securities would be at risk if a bond issuer or licensed deposit taker defaults on their commitments.
  - *The Trustees are mindful of this risk but are reliant on investment managers of the relevant funds to help to mitigate the impact.*
- Conversion risk - the costs of converting a member’s accumulated defined contribution account into pension benefits at retirement is influenced by a number of factors and depends on how the member intends to take their benefits at retirement.
  - *The Trustees have factored this risk into the selection of the lifestyle options available, with options targeting annuity and drawdown being available alongside the default Cash option. There is no guarantee that members will take their benefits in the form that the lifestyle strategies aim for.*

- Environmental, Social and Governance Risk - The risk that ESG factors, which can have a significant effect on the performance of the investments held by the Scheme e.g. extreme weather events, poor governance, are not taken into account.
  - *Delegated to external investment managers. The Trustees' policy on ESG risks is set out in sections 6 and 7 of this Statement.*

The Trustees recognise that all forms of investment carry some degree of risk and the risks stated above are viewed as long terms risks that are classed as financially material. The Trustees have considered these risks when setting the investment strategy and ultimately the choice of funds and lifestyle strategies made available to members. The Trustees understand that this is not an exhaustive list of all the risks that members of the Scheme face.

## 4. Investment Strategy

### 4.1 Range of Funds

The Trustees believe, having taken expert advice, that it is appropriate to offer a range of investment funds and lifestyle strategies to allow members to tailor their own investment strategy.

The provider of the investment fund options is Aviva.

The Trustees determine the range of funds and lifestyle strategies to be made available to meet a range of member needs taking into account the risks set out above. More information on the fund range is detailed in the Appendix to this Statement.

The Trustees have considered both actively and passively managed fund options in the design of the investment strategy. The Trustee has offered some actively managed fund options but the majority of funds, including those in the default option, are passively managed to mitigate the risk of active manager underperformance.

The Trustees regularly review the suitability of the funds provided and from time to time may change funds or introduce additional investment options.

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. They also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances. The Trustees regard its duty to be to make available a range of investment options sufficient to enable members to tailor, to their own needs, their investment strategy.

The Trustees also recognise that members may not believe themselves qualified to make investment decisions. As such the Trustees make available a default investment option.

The full range of funds offered to members, with associated charges is shown in the Appendix to this Statement.

## 4.2 Default Investment Option

The Trustees will review the choice of the default option over time, taking into consideration retirement experience and changes in member demographics as well as expected member outcomes. The Trustees have factored this in when deciding on the structure of the default. In selecting the default option, the Trustees have been mindful of the nature of this membership.

The default option aims to generate investment returns, in a risk-controlled manner, and has been designed for members who are expected to take their savings as a tax free cash lump sum at retirement. The default option, the "My Future Target Cash Lump Sum option" is a pre-built solution provided by Aviva. Aviva will govern over this strategy separately.

Lifestyle strategies are designed to meet the conflicting objectives of maximising the value of the member's assets at retirement and protecting the member's accumulated assets in the years approaching retirement.

The charge for being invested in the default option is 0.65% p.a.

The objectives of the default option, and the ways in which the Trustees seek to achieve these objectives, are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.

*If the member is fifteen years or more away from their expected retirement date, contributions will be invested in the My Future Growth Fund which invests mostly in equity markets but also in corporate bonds and gilts.*

- To provide a strategy that reduces investment risk for members as they approach retirement.

*As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate.*

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to use their savings in the Scheme to take their savings as a cash lump sum at retirement.

*From 15 years from their expected retirement, members' accumulated savings in the default option will be gradually moved to the Aviva My Future Consolidation Fund, which invests mainly in corporate bonds and gilts, with a smaller allocation to equities.*

*From 5 years from their expected retirement, members' accumulated savings in the default option will be gradually moved to the Aviva My Future Cash Lump Sum Fund, which invests mainly in corporate bonds and gilts, including an allocation to cash.*

The Trustees' policies in relation to the default option are detailed below:

- The default investment option manages investment risks through a diversified strategic asset allocation consisting of mainstream asset classes. Risk is not considered in

isolation, but in conjunction with expected investment returns and outcomes for members. In selecting the default investment option, the Trustees have explicitly considered the trade-off between risk and expected returns.

- Assets in the default investment option are invested in the best interests of members, taking into account the profile of members.
- Members do not have to take their retirement benefits in line with those targeted by the default option; the target benefits are merely used to determine the investment strategy held pre-retirement. Options are available to target other methods of taking benefits are available to members.
- Assets in the default investment option are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are accessed on a platform that is provided by Aviva.
- Likewise, the investment managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

#### 4.3 Structure of the Default Option

Years to Retirement Date	Aviva My Future Growth Fund	Aviva My Future Consolidation Fund	Aviva My Future Cash Lump Sum Fund
15 and over	100%	0%	0%
14	90%	10%	0%
13	80%	20%	0%
12	70%	30%	0%
11	60%	40%	0%
10	50%	50%	0%
9	40%	60%	0%
8	30%	70%	0%
7	20%	80%	0%
6	10%	90%	0%
5	0%	100%	0%
4	0%	80%	20%
3	0%	60%	40%
2	0%	40%	60%
1	0%	20%	80%
0	0%	0%	100%

#### 4.4 **Alternative Lifestyle Options**

The Trustees recognise that the default option is not a perfect match for any individual member's circumstances and members may wish to target their benefits at retirement differently. Two alternative lifestyle options are made available to members, the "My Future Target Drawdown option" and the "My Future Target Annuity option".

The "My Future 'Target Drawdown' option" is specifically designed for members who wish to access their benefits through drawdown at retirement. From 15 years from their expected retirement, members' accumulated savings in this option will be gradually moved from the My Future Growth Fund to the Aviva My Future Drawdown Fund, which invests mainly in corporate bonds and gilts, including an allocation to equities. The charges for being invested in the Target Drawdown option is 0.65% p.a.

The "My Future 'Target Annuity' option" is specifically designed for members who wish to access their benefits through the purchase of an annuity at retirement. From 15 years from their expected retirement, members' accumulated savings in this option will be gradually moved from the My Future Growth Fund to the Aviva My Future Consolidation Fund. From 5 years from their expected retirement, members' accumulated savings in the option will be gradually moved to the Aviva My Future Annuity Fund, which invests mainly in gilts, including an allocation to cash. The charges for being invested in the Target Annuity option is 0.65% p.a.

These options are also governed by Aviva, who are able to change the components of the options without Trustees' consent. The Trustees have delegated this responsibility to Aviva.

#### 5. **Day-to-Day Management of the Assets**

The Trustees delegate the day-to-day administration and management of the assets to the Provider and the underlying investment managers. The Trustees have taken steps to satisfy themselves that the Provider and underlying fund managers have the appropriate knowledge and experience for managing the Scheme's investments and they are carrying out their work competently.

The Trustees regularly review the continuing suitability of the Scheme's investments including the appointed Provider and the funds and lifestyle strategies utilised, and these may be amended from time to time.

#### 6. **Socially Responsible Investment**

The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole – which in turn may have a positive impact on member outcomes.

As the assets of the Scheme are invested in pooled funds, the Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments.

The Trustees will consider climate change in fund selection and strategy from the ratings provided by their consultant, where possible, but the prominent weighting on decisions will be the expectations on future performance and the impact on member outcomes. The Trustees may be limited in what can be achieved in isolation, noting the size of assets and the investments via pooled funds. The Trustees will take into account the level of member demand in selecting funds.

The Trustees will review ESG ratings on an annual basis and will consider how to cater for members who might engage on ESG matters, where there is material demand from members.

## **7. Corporate Governance, Voting and Activism**

The Trustees believe that good corporate governance is important and they expect their investment managers to have developed a policy which promotes the concept of good corporate governance and, in particular, a policy of exercising voting rights.

As the assets of the Scheme are invested in wholly insured arrangement with investments in pooled vehicles the Trustees accept that the assets are subject to the investment fund managers' own policies on corporate governance, voting and activism.

The Trustees have given appointed investment managers, underlying the Aviva funds, full discretion in evaluating ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to the investments.

The Trustees are able to encourage them to exercise those rights on behalf of members' interests when they believe there could be a potential financial impact on the funds, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

## **8. Realisation of assets**

The Investment Managers have responsibility for the realisation and trading of the underlying assets. The day-to-day activities which the Investment Managers carry out for the Trustees are governed by the arrangements between the Investment Managers and the Provider. All funds available are daily priced and trade daily.

## **9. Implementation and Engagement Policy**

### **9.1 Aligning Manager Appointments with Investment Strategy**

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. These characteristics will differ for each asset class so appointing a single manager may not be the most appropriate approach.

The Trustees will seek guidance from the Investment Consultant, where appropriate, for their forward looking assessment of a manager's ability to perform over a full market cycle. This view will be based on the Investment Consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme offers to its members. The Investment

Consultant's manager research ratings assist with due diligence and are used in decisions around selection, and retention of manager appointments.

The Trustees will review an appointment if the investment objective for a manager's fund changes to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

The Trustees invest in pooled investment vehicles so they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

Investment managers will be indirectly aware, given that the Trustees access funds via a platform, that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to review the appointment.

## **9.2 Evaluating Investment Manager Performance**

The Trustees receive investment manager performance at least annually using information provided by Aviva. The Trustees review the absolute performance and relative performance against a suitable index or benchmark.

The Trustees focus on long term performance but, as noted above, may review a manager's appointment if:

- There are sustained periods of underperformance
- There is a change in the portfolio manager or the team responsible;
- There is a change in the underlying objectives or process of the investment manager;
- There is a significant change to the investment consultant's rating of the manager.

## **9.3 Portfolio Turnover Costs and Manager Turnover**

The Trustees monitors portfolio turnover costs, which are incorporated in the annual costs and charges, on an annual basis as part of its annual value for members' assessment.

The Trustees are long-term investors and are not looking to change the investment arrangements on a frequent basis and so will therefore retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The basis on which the manager was appointed changes materially (e.g. manager fees or investment process);
- The manager appointed has been reviewed and a decision is taken to terminate the mandate.

**10. Compliance with this Statement**

The Trustees will monitor compliance with this Statement regularly, and in any event will review this Statement at least once every three years or sooner if there is any significant change in investment strategy. The Statement will also be reviewed in response to any material changes to any aspects of the Scheme and its finances, which are judged to have a bearing on the stated investment policy. Any such review will be based on written expert investment advice and will be in consultation with the Trustees and Sponsoring Company.

**Signed on behalf of the Trustees of The Professional Golfers' Association 2001 Retirement and Death Benefits Scheme**



**Signed by:**

**Name in block letters: ROBERT SPENCER-SMITH**

**Title or Position: CHAIR OF TRUSTEES**

**Date: 27<sup>TH</sup> JULY 2021**

**Appendix: List of Self Select Fund Options Offered to Members**

Fund Name	Total Expense Ratio (p.a.)
Aviva My Future Target Drawdown	0.65%
Aviva My Future Target Annuity	0.65%
Aviva BlackRock Aquila (50:50) Global Equity Index (Aquila C)	0.65%
Aviva BlackRock Aquila UK Equity Index (Aquila C)	0.65%
Aviva Managed Fund	0.65%
Aviva Stewardship Managed Fund	0.65%
Aviva Property Fund	0.65%
Aviva BlackRock Over 15 Year Corporate Bond Fund (Aquila C)	0.65%
Aviva BlackRock Over 5 Year Index Linked Gilt Index Fund (Aquila C)	0.65%
Aviva Pre-retirement Fixed Interest	0.65%
Aviva Cash Fund	0.65%
<p data-bbox="193 1234 1161 1305">Aviva With-Profits Fund (closed for new investment but remains in the range for monitoring purposes due to size of assets invested)</p> <ul data-bbox="252 1346 869 1417" style="list-style-type: none"> <li data-bbox="252 1346 798 1379">• With Profits Fund (NGP Demutualisation)</li> <li data-bbox="252 1379 869 1417">• With Profits Fund (NGP Series 1) (NGP Series 3)</li> </ul>	

Source: Aviva.

Further information on these fund options can be found on the following link:

<https://library.aviva.com/aepen358c.pdf>