# THE ADNAMS PENSION FUND TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

REGISTERED NUMBER. 10012201 YEAR ENDED 31 MARCH 2019

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### **TRUSTEES AND ADVISERS**

**TRUSTEES** 

**Employer nominated:** 

BF. McIntyre S. Lofthouse

Member nominated:

K. Wells\*
J. Bates

\* Deferred member of the Fund

**ADMINISTRATOR** 

Aviva Fund Management (until 30 April 19) Surrey Street, Norwich, Norfolk, NR1 3UZ

Email: Ipadmin@aviva.co.uk

First Actuarial LLP (from 1 May 19) First House, Minerva Business Park, Lynch Wood, Peterborough, PE2 6FT

Email: peterborough.admin@firstactuarial.co.uk

**SCHEME ACTUARY** 

David Giles F.I.A (until 30 April 19) Neal Thompson F.I.A (from 1 May 19)

**PENSION CONSULTANTS** 

Buck (until 30 April 19) First Actuarial LLP (from 1 May 2019) **INDEPENDENT AUDITORS** 

Ensors Accountants LLP

**LEGAL ADVISORS** 

Gowling WLG (UK) LLP

PRINCIPAL EMPLOYER

Adnams PLC

**BANKERS** 

Barclays Bank PLC

**INVESTMENT MANAGERS** 

Aviva Fund Management

**ENQUIRIES** 

Enquiries about the Fund should be addressed to Sadie Lofthouse at Adnams PLC, Sole Bay Brewery, Southwold, Suffolk, IP18 6JW

Email: Sadie.lofthouse@adnams.co.uk

TRUSTEES' REPORT
For the period ended 31 March 2019

#### Introduction

The Trustees present their report and audited accounts of the Fund for the year ended 31 March 2019. The accounts have been prepared and audited in accordance with the Occupational Pension Scheme (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

#### Constitution

The Adnams Pension Fund is constituted as a Trust. The operation of the Fund is governed by a definitive trust deed dated 25 July 1960, with subsequent amendments. The registration number of the Fund with the Registrar of Occupational Pension Schemes is shown on the front page of the report.

Changes to the Fund and Fund Rules were made during 2008 to bring the Fund in line with the introduction of Pension Simplification on the 6 April 2006.

The Fund adopted the default revised rules issued by Aviva Defined Benefit which came into effect on the 6 April 2006 and also the Trustees became the Fund Administrator defined by the new legislation.

With effect from 6 April 2006, the rule relating to the calculation of tax-free cash was amended, allowing members to withdraw 25% of the value of their benefits as permitted under the Pensions Simplification. In addition, the commutation rates were amended in line with the actuary's guidance, this also came into effect on the 6 April 2006.

The Fund provides retirement and death benefits for its members. The Fund has a Defined Benefit (DB) Section which was closed to new entrants on 1 April 2002 and closed to future accrual on 1 July 2005 and a Defined Contribution (DC) Section. The DC Section was formerly shares held in an employee trust for members and 'paid out' when the member retired. In 2005/6 these were brought into the trust of the Fund and divided between the members to sit alongside their DB benefits, in the form of an investment only plan.

No rule changes were agreed during the year.

#### **Trustees**

The appointment and removal of Trustees are decided by the board of Directors of Adnams Plc at their discretion. The Trustees are shown on page 1 of the accounts.

The Fund Trust Deed contains provisions for the appointment and removal of Trustees. Under the provisions of the Pensions Act 2004, all active and pensioner members of occupational pension schemes are entitled to nominate one third of the Trustees of their pension scheme. The Trustees' Member Nominated Trustees process also includes deferred members of the DB Section where employed by Adnams PLC.

The term of service for Kevin Wells, the member nominated trustee, ends in January 2023. Joy Bates was elected as a member nominated trustee on 17 April 2018.

The Trustees held four formal meetings during the year.

# TRUSTEES' REPORT For the period ended 31 March 2019

## **Change of Scheme Actuary**

David Giles F.I.A., Aviva, the Scheme Actuary, resigned on 30 April 2019 and was replaced by Neal Thompson F.I.A. of First Actuarial LLP.

Following the resignation of David Giles F.I.A., he reported that there were no circumstances connected with his resignation which in his opinion significantly affected the interests of the members of, or beneficiaries under the Scheme.

#### **Scheme Actuary**

Mr N Thompson performs the function of Scheme Actuary as required by the provisions of the 1995 Pensions Act.

#### **Taxation status**

The Adnams Pension Fund is an exempt approved scheme under the provisions of Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988 and as such is a Registered Pension Scheme under the provisions of Schedule 36 of the Finance Act 2004. Accordingly, under the provisions of sections 186 and 187 of the Finance Act 2004 its income and investment gains are free of taxation. However, income from a trading activity is not investment income and so will be assessed for tax in the normal way.

#### Membership Analysis

#### **DB** Section

<u>Membership</u>	4 - 21 - 44 1		
Membership at 1.4.2018 (restated)	Active Members -	Pensioners 129	Deferred members 161
Leavers	-	-	-
Deaths	-	(2)	-
Retirements	: <b>H</b> :	5	(5)
Beneficiaries	-	1	3 <b>4</b>
Members at 31.3.2019		133	156
	=		===

The total pensioners at 31 March 2019 include 102 paid direct from the Fund, 29 paid directly from annuities purchased from Aviva in previous years and a further 2 paid directly from other annuity providers.

# TRUSTEES' REPORT For the period ended 31 March 2019

#### **DC Section**

	===	===	===
Members at 31.3.2019	≅	Ě	65
Retirements	-	# 	(3)
<b>D</b> ::			
Membership at 1.4.2018 (restated)	Active Members -	Pensioners -	Deferred members 68
Membership			

### **Financial Development**

The financial statements of the Fund for the year ended 31st March 2019, as set on pages 19 to 32 have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

#### **Summary of Contributions**

As required by Practice Note 15 (Revised) by the Financial Reporting Council, a summary of contributions, together with the Auditors Statement of Contributions, is included on pages 33 and 34.

#### **Actuarial Valuation**

A full actuarial valuation was prepared as at 1 April 2016 and signed on 17 January 2017. A revised Schedule of Contributions was signed on 6 January 2017, with contributions remaining unchanged as £40,000 per month with effect from April 2017.

The actuary's formal statements prepared in accordance with the Occupational Pension Schemes (Scheme) Funding Regulations 2005 are reproduced on pages 35 to 39 of this report.

### **Pension Increases**

In accordance with the rules of the Fund, pensions in payment and deferred pensions were increased by 4% pa compound for service before 6 April 1997. For service from 6 April 1997 to 30 September 1999, a rate of 5% compound, or in line with Retail Price Index if less (subject to a minimum of 4%) each year. For service from 1 October 1999, at a rate of 5% compound, or in line with the Retail Price Index if less, each year. For service from 6 April 2005, at a rate of 2.5%, or in line with the Retail Price Index if less, each year.

#### Transfer values

Cash equivalents paid during the year with respect to transfers out have been calculated and verified in a manner prescribed by the Pensions Schemes Act 1993 and do not include discretionary increases.

#### **Investment Management**

The management of the invested assets of the Fund has been delegated to the managers listed on pages 1 of this report. A consolidated investment manager's report (as required under the Statement of Recommended Practice) for the period ended 31 March 2019 for all of the Fund's investment managers is set out on pages 5 to 9.

TRUSTEES' REPORT
For the period ended 31 March 2019

#### **Additional Voluntary Contributions (AVCs)**

The AVC Funds are individual policies for the benefit of specific members. These were closed to further contributions when the Fund closed to further accrual in June 2005.

#### **Money Purchase Entitlements**

Some Fund members are entitled to lump sum money purchase pension entitlements alongside their defined benefit entitlements. These arose as a result of the closure of the Adnams Employee Trust in 2005; the Trust was also an authorised pension scheme. Members with these entitlements are able to select their investments from a range of Aviva-managed funds, though a default arrangement is offered. No further contributions can be made to this Fund. Entitlements are generally used to fund part of tax-free lump sums payable on retirement.

#### **INVESTMENT REPORT**

The Trustees have continued with an unchanged asset allocation approach during the year. Investments are held with the following funds:

Aviva Balanced Managed Fund	68%
Aviva Corporate Bond Fund	8%
Aviva High Alpha Gilt Fund	8%
Aviva Index Linked Gilt Fund	11%
Aviva Property Fund	5%

#### **INVESTMENT PERFORMANCE**

The Investment performance and distribution of the underlying assets of the pooled funds are taken from the Investment Managers Report and are set out below:

	1-year return	3-year return	5-year
	% p.a.	% p.a.	return
			% p.a.
Balanced Managed Fund to March 2019	4.58%	8.43%	7.07%
Composite Index Benchmark	4.19%	7.39%	5.89%
Relative Performance	0.37%	0.97%	1.11%
Corporate Bond Fund to March 2019	3.81%	4.88%	5.76%
Composite Index Benchmark	3.68%	4.67%	5.43%
Relative Performance	0.13%	0.20%	0.31%
High Alpha Gilt Fund to March 2019	3.74%	3.60%	5.40%
Composite Index Benchmark	3.71%	3.57%	5.49%
Relative Performance	0.03%	0.03%	-0.09%
Index Linked Gilt Fund to March 2019	6.32%	9.39%	10.16%
Composite Index Benchmark	5.68%	9.09%	9.87%
Relative Performance	0.61%	0.28%	0.26%
Property Fund to March 2019	3.42%	5.07%	7.90%
Composite Index Benchmark	4.80%	6.15%	9.07%
Relative Performance	-1.38%	-1.08%	-1.17%

# TRUSTEES' REPORT For the period ended 31 March 2019

# Aviva Balanced Managed Fund Asset Distribution as at 31 March 2019

	Benchmark	Actual
Equities	63.99%	66.96%
UK Fixed Interest	8.96%	9.83%
International Bond	12.45%	9.42%
Property	0.42%	4.76%
Cash	6.08%	6.81%
Other	8.10%	2.22%
	100.0%	100.0%

The investments have increased in value by £1,509,068.

The Trustees agreed an updated Statement of Investment Principles on 9th October 2018, a copy of the statement is appended.

### **Investment Background**

The commentary below is an overview of the asset class that the Fund currently invests in through Aviva Investors Pension Limited.

## 12-month Rolling Report to end March 2019

#### **UK Equities**

UK shares were fairly volatile in the 12 months ending 31 March 2019, but added value in the year as a whole. The FTSE All Share Index returned 8.2%, buoyed by the receipt of dividends. The market was able to make progress in spite of persistent Brexit-related concerns. For now, share market investors appear to have looked through the uncertainty and focused on generally buoyant corporate earnings growth. UK companies continue to benefit from accommodative policy settings. Interest rates were raised by 0.25 percentage points in August, but with inflation having come off the boil few commentators are forecasting any further increases in the near term. Some of the UK's large mining-related stocks fared relatively well, benefiting from rising commodity prices. Energy-related stocks also added value, even though the oil price was little changed over the year.

## **Overseas Equities**

Most major equity markets registered gains in the year ending 31 March 2019, though there was a fair divergence in regional performance. US shares were the standout performers, supported by a period of strong economic growth and improvements in corporate profitability. Some other markets were hampered by export-related concerns.

The FTSE North America Index returned 19.5% in the year ending 31 March 2019. The impressive performance was largely attributable to an improvement in corporate earnings and strong economic growth. Consumer confidence – an important driver of spending in the economy and, in turn, company profitability – was supported by rising employment and quickening wage growth. Unemployment in the US is currently close to 50-year lows. Another important development during the year was the introduction of tariffs on goods imported into the US. By increasing the cost of overseas goods, the intention is to support and protect US businesses. It will be interesting to see whether this controversial policy has its desired effect in the years ahead.

European share markets made progress, though returns lagged those in the UK, US and Asia Pacific. The FTSE Europe ex-UK Index returned 4.4% during the year. The underperformance relative to global peers

# TRUSTEES' REPORT For the period ended 31 March 2019

was partly attributable to a downturn in regional economic indicators. The tone of economic data deteriorated during the year, resulting in the European Central Bank announcing the introduction of new stimulus measures in March to stabilise the slowing economy. This was an unexpected development, coming just three months after the previous support program had been withdrawn. On the political front, there was ongoing concern over the budget position in Italy, in particular, as well as the ongoing Brexit issue in the UK. These issues helped ensure investor sentiment remained fragile throughout the year. The threat of tariffs being introduced on goods exported to the US was also a key concern for investors. Manufacturing activity in Germany, for example, has slowed sharply and the introduction of tariffs on a broad range of European exports presents an additional threat.

Japanese shares edged higher in the year ending 31 March 2019, with the FTSE Japan Index adding 0.9%. This was a disappointing outcome given the higher returns from global shares and those in the broader Asia Pacific region. Economic indicators worsened during the year, suggesting the Bank of Japan's ongoing efforts to stabilise the economy are not working as effectively as anticipated. A survey of activity levels in the manufacturing sector nosedived during the year, for example, suggesting businesses are holding back on capital expenditure. Consumer confidence has also fallen sharply, declining to its lowest level in more than two years in February. This does not augur well for spending. Offshore demand

for Japanese goods has also weakened, with exports in December, January and February below corresponding levels from a year ago. Inflation in the economy has declined to just 0.2% year-on-year, well below target and a concern for policy makers.

There was a significant variance in returns from Asian stock markets in the year ending 31 March 2019, but markets added value collectively. The FTSE Asia Pacific ex-Japan Index returned 5.8% in sterling terms. Markets including Australia, China and Hong Kong fared reasonably well, though returns in Singapore were more muted. Some other markets – such as South Korea and Malaysia – lost ground over the year. Most countries in the region continued to enjoy a reasonable level of economic growth, though future forecasts have been revised lower. Chinese officials have recently downgraded GDP growth expectations for 2019, for example, to between 6.0% and 6.5%. The lower end of this range would represent the slowest growth in China for nearly 30 years. The downgraded forecasts are partly due to the anticipated impact of tariffs that have been introduced on goods exported to the US. This has dampened export demand and affected manufacturers in the region.

Emerging market shares edged higher, though returns were hampered by ongoing concerns about export demand. Developing countries rely particularly heavily on exports to drive growth, so the introduction of tariffs on goods imported into the US had an adverse influence on sentiment towards emerging markets. There were periods of geopolitical uncertainty too, which further affected investor sentiment. In the middle of 2018, for example, Turkey faced a period of extreme currency pressure, while there were changes in leadership in some Latin American countries that attracted scrutiny among international investors. The oil price was volatile too. WTI Crude traded above US\$75 a barrel in October, but plummeted to below US\$45 a barrel in December. This kind of price movement influences the fiscal position of oil exporters and can adversely affect confidence in the emerging market complex as a whole.

#### **Aviva Investors: Internal**

### **Gilts**

UK bonds performed well in the six months ending 31 March 2019, appreciating by nearly 9%. This offset weakness from earlier in 2018 and ensured returns were positive on a 12-month view. The FTA FTSE Actuaries UK Conventional Gilts All Stocks Index – a good barometer of performance of government bonds in the UK – added 5.5% over the year. The improved performance primarily reflected moderating inflationary pressures and, in turn, evolving expectations for interest rates. As recently as late 2017,

### TRUSTEES' REPORT For the period ended 31 March 2019

inflation was running above the Bank of England's 2% to 3% target range. Price pressures moderated throughout 2018, however, and by early 2019 the annual inflation rate had fallen below 2%. Consensus expectations suggest this will prevent the Bank of England from raising interest rates in the near term. Gilt yields have fallen against this background, helping to support returns from UK government bonds.

#### Credit

Like gilts, corporate bonds have benefited from the move lower in UK government bond yields. The iBoxx £ Non-Gilts Index, which measures the performance of the domestic credit market, returned 5.5% in the year ending 31 March 2019. The fact that corporate bonds performed in line with comparable government bonds – despite carrying greater default risk – suggests investors are wary about the outlook for UK companies. This is unsurprising given ongoing Brexit-related uncertainty; nobody really knows how the process will play out, though some scenarios could be negative for UK businesses. Those who import or export goods will likely be particularly affected if trade deals need to be renegotiated and if exchange rates become more volatile. Aside from Brexit, there are some broader concerns about the economic outlook in the UK. A slowdown in GDP growth could feed through to lower profitability for UK firms; likely eroding confidence in the creditworthiness of corporate bond issuers.

#### Real Estate

The UK property market continues to show positive returns above 5% on an annual basis, but appears to be losing momentum. Capital values are under pressure and rental growth has started to tail off.

Conditions are particularly challenging in the retail sub-sector. The valuation of shopping centre assets fell by more than 2% in February alone, reflecting subdued spending and the increased popularity of online shopping. In the retail sub-sector as a whole, total returns have been negative for the past six consecutive months – this is dragging down returns from the overall property sector. Pleasingly, conditions are rather more stable in the office sub-sector, which has consistently generated positive returns over the past 12 months. In February, for example, offices generated a total return of 0.5%; an appealing monthly return for investors seeking relatively stable and reliable income streams. Industrial properties in the UK remain the standout performers – regionally, assets in the South East of England have recently been performing the best, although the sub-sector has generated favourable results on a national basis over the past year. Note: property sector returns are available with a one-month lag – March data will be available during April.

### **Custodial Arrangements**

The investment manager provides a custodial service in respect of the investments of the Fund. All investments are registered in the name of the Fund and the Trustees obtain confirmation from the investment advisers periodically that this remains the case. The investment manager has outlined the system of internal control in place within the organisation to secure safe custody of the Fund's assets, and the Trustees are satisfied with these arrangements.

### **Employer related investment**

The Fund did not hold any investments in the Principal Employer for the period 1 April 2018 to 31 March 2019.

#### **Remuneration and Investment Charges**

Investment management charges are invoiced to the Fund on a quarterly basis, as disclosed in note 8 to the accounts.

# TRUSTEES' REPORT For the period ended 31 March 2019

The Fund charges are now as follows:

#### Basic Annual Fund Charge

Administration Services £36,000 per annum

#### Fund Specific Charge (which varies for each of the available funds)

Balanced Managed Fund	0.25%
Corporate Bond Fund	0.20%
High Alpha Gilt Fund	0.25%
Index Linked Gilt Fund	0.20%
Property Fund	0.50%

### General data Protection regulation (GDPR)

The Trustees and Scheme Actuary hold personal information on members and beneficiaries under the Fund and are regarded as Data Controllers for the purposes of GDPR. The information held is to enable the Trustees to administer the Fund efficiently and for the purposes of calculation and settlement of benefits as and when due and to determine contribution levels.

#### Other information

Copies of the Trust Deed and Rules, the latest Actuarial Valuation Report, the Statement of Investment Principles, the Fund's member booklet and the Trustees' Annual Report and Financial Statements are available to members, beneficiaries, spouses and prospective members upon application to the Trustees. A charge may be made for providing some of these items.

#### **Pensions Ombudsman**

The Pensions Ombudsman, whose address is given below, investigates complaints of injustice caused by maladministration and disputes of fact or law with trustees, managers or employers.

Pensions Ombudsman Service 10 South Colonnade Canary Wharf E14 4PU

(Tel: 0800 917 4487 or web: www.pensions-ombudsman.org.uk)

#### **Pension Tracing Service**

From 6 April 2005, The Pension Service has been providing the Pension Tracing Service, which aims to re-unite people with any unclaimed pension benefits. It has access to a database of over 200,000 occupational and personal pension schemes and can be used, free of charge, to search for a scheme. You can request a pension trace by completing an appropriate form. This can be obtained by contacting the Pension Service at the following address:

Pension Tracing Service The Pension Service 9 Mail Handling Site A Wolverhampton, WV98 1LU

(Tel: 0345 6002 537 or web: www.gov.uk/find-pension-contact-details)

## TRUSTEES' REPORT For the period ended 31 March 2019

#### The Pension Advisory Service

This is an independent voluntary organisation. It is established to provide free advice to pension fund members and their dependants who have problems concerning pension rights. In the first instance, members are asked to address their complaint to the Trustees. If, however, they are not satisfied by the information or explanation given by the Trustees, members can consult the Pensions Advisory Service.

The Pensions Advisory Service
11 Belgrave Road
London, SW1V 1RB

(Tel: 0800 011 3797 or web: www.pensionsadvisoryservice.org.uk)

#### The Pensions Regulator

The Pensions Regulator can intervene in the running of pension schemes where trustees, employers or professional advisers have failed in their duties.

The Pensions Regulator can be contacted at:

The Pensions Regulator Napier House Trafalgar Place Brighton East Sussex, BN1 4DW

(Tel No: 0345 600 7060 or web: www.thepensionsregulator.gov.uk

# STATEMENT OF TRUSTEES' RESPONSIBILITIES For the period ended 31 March 2019

The audited Financial Statements which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) are the responsibility of the Trustees. Pension scheme regulations require trustees to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year, and
- contain the information specified in the Schedule to The Occupational Pension Schemes (Requirement
  to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement
  whether the financial statements have been prepared in accordance with the Statement of
  Recommended Practice 'Financial Reports of Pension Schemes'

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgments on a reasonable and prudent basis. They are also responsible for making available each year, commonly in the form of a Trustee's annual report, information about the Fund prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

The Trustees also have certain responsibilities in respect of contributions which are set out in the statement of Trustees' responsibilities accompanying the Trustees' summary of contributions.

The Trustees have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

The Trustees are responsible under pension legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable towards the Fund by or on behalf of the employer and the dates on or before which such contributions are to be paid.

The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Fund and for adopting risk-based processes to monitor whether contributions that fall due to be paid into the Fund in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

## STATEMENT OF TRUSTEES' RESPONSIBILITIES (continued) For the period ended 31 March 2019

### **Further Information**

Requests for additional information about the Fund generally, or queries relating to members' own benefits, should be made to the contact listed on page 1.

Approval

The Trustees' report was approved by the Trustees on ... 30 0 choles 19, and signed on their behalf by:

## CHAIRMAN'S ANNUAL DC GOVERNANCE STATEMENT For the period ended 31 March 2019

In accordance with the requirements of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 ('the Regulations'), the Trustees are required to provide a statement relating to the governance of the defined contribution benefits within the Fund. This statement covers the period from 1 April 2018 to 31 March 2019 and has been prepared by the Chair of the Trustees - Bridget McIntyre.

## Background to the Fund's DC benefits

The Fund provides retirement and death benefits for its members. The fund has a Defined Benefit (DB) Section which was closed to new entrants on 1 April 2002 and closed to future accrual on 1 July 2005 and a Defined Contribution (DC) section.

The DC section was formerly shares held in an employee trust for members and 'paid out' when members retired. In 2005/6 these benefits were brought into the trust of the DC section of the Fund and divided between the members to sit alongside their DB benefits, in the form of an investment only plan. Therefore, no further DC contributions are being made to the Fund. At retirement, members are able to use their DC funds towards their tax-free cash before exchanging any DB pension.

#### Governance of the default investment fund

As at 1 April 2019, the defined contribution funds under management were:

#### Aviva Mixed Investments Annuity Lifestyle Approach:

Aviva Deposit Pension Standard (Series 06)	£56,997
Aviva Long Gilt S6 Pension Standard (Series 06)	£124,469
Aviva Mixed Investment (0-35% shares) S6 Pension Standard (Series 06)	£362,725
Aviva Mixed Investment (40-85% shares) S6 Pension Standard (Series 06)	£609,082
Aviva Self Select fund(s):	
Aviva Invested Global Strategic Equity S7	£4,195
Total	£1,157,468
Aviva With-Profit (NU)	
Aviva With-Profit (NU) Pension Standard (Series 01)	£4,863
Aviva With-Profit Guaranteed (NU) Pension Standard (Series 01)	£14,099
Total	£18,962

# CHAIRMAN'S ANNUAL DC GOVERNANCE STATEMENT (continued) For the period ended 31 March 2019

The DC section of the Fund has a designated default investment fund for members who do not make an investment choice as to where contributions are allocated. This is the 'Aviva Mixed Investments Annuity Lifestyle Approach'. The lifestyle strategy entails members' assets being switched between funds in the 5 years before their retirement date. Members are contacted prior to the commencement of the switching to a more appropriate investment strategy should the default strategy no longer fit with their retirement plans.

For members who wish to self-select, there is a range of over 60 fund options covering all of the major asset classes.

The Trustees have prepared a Statement of Investment Principles (SIP) which sets out the Trustees' aims and objectives relating to investment strategy and default fund as well as providing details of all investment options that are available to members. A copy of this SIP is appended to this statement (Appendix A).

The Trustees appreciate the need to consider the Fund's investment strategy to ensure the funds made available (default and self-select options) are appropriate for members. The Trustees are keen to ensure that assets are invested in the best interests of members. Whilst a formal investment review has not yet taken place, a review of design and suitability will have been undertaken by 31 March 2020.

The review will consider the available information about the investment performance of the funds in which members of the Fund are invested and the investment performance (net of fees) remains consistent with the stated objectives for these funds.

#### Charges and transaction costs

The 'Aviva Mixed Investments Annuity Lifestyle Approach' default fund being used by members of the DC Section is subject to an ongoing investment management charge of 0.5% per annum.

In addition to these explicit member charges, members may also incur transaction costs (incurred as a result of buying, selling, lending or borrowing investments).

The Trustees are aware that, in February 2018, the DWP issued guidance for trustees of occupational schemes regarding the disclosure of costs and charges information with effect from April 2018. Information in relation to the charges and transaction costs for the 'Aviva Mixed Investments Annuity Lifestyle Approach' is detailed in the table overleaf.

Fund	Total Expense Ratio (TER)	Transaction costs (%)
Aviva Deposit Pension Standard (Series 06)	0.50%	0.00%
Aviva Long Gilt S6 Pension Standard (Series 06)	0.50%	0.00%
Aviva Mixed Investment (0-35% shares) S6 Pension Standard (Series 06)	0.50%	0.01%
Aviva Mixed Investment (40-85% shares) S6 Pension Standard (Series 06)	0.50%	0.02%
Aviva Investec Global Strategic Equity S7	1.15%	0.09%

The Trustees have not been able to obtain the charges and transaction costs on the Aviva with-profit (NU); however, steps are being taken to obtain these in order for them be covered in next year's Chairs' Statement.

# CHAIRMAN'S ANNUAL DC GOVERNANCE STATEMENT (continued) For the period ended 31 March 2019

Adnams pension Fund accounts will be published on <a href="www.Adnams.co.uk">www.Adnams.co.uk</a> and members will be notified in line with the requirements.

In addition to the above member-borne costs and charges, the sponsoring employer meets the cost of ongoing governance and some administration services. In assessing value-for-money, the Trustees have only considered the costs and charges met by members.

The Trustees wish to ensure that the Fund provides good value for members. Previously, regulators and other stakeholders have focused on charging structure, with less attention given to other elements that determine value, such as the robustness of member governance, communications and support, customer service, fund management, performance of funds within the context of the investment objectives and efficiency of administration services. Within its latest draft DC Code of Practice however, the Pensions Regulator has set out its expectations of trustee boards in several areas including the assessment of value for members.

The Trustees have taken these expectations into account when reviewing value for members of the Fund. Based on the above definition, the Trustees are satisfied that the Fund does provide value for members compared to similar schemes of a comparable size.

Administration costs are currently met by the employer, with members meeting the annual fund charges. At 31 March 2019, the investment charge for the default fund stood at 0.5% of the value of the fund per annum, therefore this is below the Government's charge cap of 0.75% of a member's fund per annum.

#### **Cumulative costs and charges**

The Trustees have conducted an analysis of the cumulative impact of the member-borne costs and charges for typical members invested in the constituent funds of the 'Aviva Mixed Investments Annuity Lifestyle Approach', which are set out in Appendix B.

#### Core financial transactions

Administration on the Fund is reduced by the fact that no new contributions are being made.

Given the small number of transactions that are carried out, the Trustees receive, and review reports from the administrators on an exception basis as and when transactions are carried out in order to monitor the level of administration services being provided to members.

The processing of core financial transactions is monitored against the service level agreement (SLA) in place with the administrators, who have implemented internal control procedures to help ensure that such transactions are processed more promptly and accurately. These activities include procedures to ensure the accuracy of benefit calculations and settlements (including a relevant review process), to ensure bank accounts are monitored daily, all investment transactions are checked, and any inconsistencies identified are resolved promptly.

There have been significant delays experienced with production of retirement quotations within the year. Aviva are now being chased for quotations in advance of members reaching their retirement date. Previously, Aviva were unwilling to provide AVC quotations prior to disinvestment, therefore the process has now been changed to ensure a greater level of transparency for members.

#### Value for members

The Trustees wish to ensure that the Fund provides good value for members. Within its latest draft DC Code of Practice, the Pensions Regulator has set out its expectations of trustee boards in a number of areas including the assessment of value for members. The Trustees have taken these expectations into account when considering value for members of the Fund.

# CHAIRMAN'S ANNUAL DC GOVERNANCE STATEMENT (continued) For the period ended 31 March 2019

A review is planned to be carried out by March 2020 to assess the costs of those benefits/services which are met by members.

The Trustees are aware of the requirement to engage with members in order to assess their priorities and thus feed into the value for money assessment so will also be reviewing the communication strategy at this time.

#### Trustee Knowledge & Understanding

It is important that the Trustees continue to have sufficient knowledge and understanding to fulfil their duties. All new Trustees are expected to undertake training following their appointment, including use of the Pensions Regulator's Trustee Toolkit.

The Trustees are supported by independent and professional advisers, who ensure that they are kept abreast of the latest legislative, regulatory and market developments that apply to the Fund. These advisory appointments are also periodically reviewed.

Appropriate and relevant training is delivered during Trustee meetings when the Trustees are considering issues that require additional knowledge and understanding. This is supported by external training and attendance at conferences to broaden overall knowledge.

All training received is recorded in a Trustee Training Register for each Trustee. Alongside regular self-assessments from the Trustees, these Registers are regularly reviewed by the Trustees to identify any gaps in knowledge, and ensure training is up to date.

Trustees have a working knowledge of the Trust Deed and Rules, the SIP and current policies and law relating to pensions and trusts. They also have the sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes.

As a result of the training activities that have been completed and taking account of the professional advice available to the Trustees, it is my opinion that they are able to fulfil their role to the required standard.

#### How to contact the Trustees

If you have any further queries regarding the Fund, please contact:

Sadie Lofthouse at Adnams PLC, Sole Bay Brewery, Southwold, Suffolk, IP18 6JW

Email: Sadie.lofthouse@adnams.co.uk

**B F McIntyre** 

Chair of the Trustee of The Adnams Pension Fund

Date 30/10/19

# INDEPENDENT AUDITORS' REPORT to the Adnams Pension Fund

We have audited the financial statements of the Adnams Pension Fund for the year ended 31 March 2019 which comprise the Fund account, the Net Assets Statement and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

#### Opinion on the financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2019
  and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay
  pensions and benefits after the end of the year; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 and 3 A of and the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

#### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustee's have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITORS' REPORT to the Adnams Pension Fund (continued)

#### Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 11, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair

view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee's either intend to wind up the scheme or to cease operations, or have no realistic alternative but to do so.

### Auditors responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <a href="https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx">https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance-for-auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx</a> This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the Trustees, as a body in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Fund Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Ensors Accountants LLP
Chartered Accountants
Statutory Auditor
Ipswich

Date: 39.10 .19

# FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2019

		2019	2019	2019	2018
		Defined Benefit	Defined Contribution	Total	Total
		£	£	£	£
Contributions and benefits					
Employer contributions		480,000		480,000	480,000
Total contributions	3	480,000	-	480,000	480,000
Other Income	4	15,953		15,953	23,374
		495,953	-	495,953	503,374
Benefits payable	5	1,012,449	56,497	1,068,946	1,271,417
Net (withdrawals)/ additions from dealing members	ngs with	(516,496)	(56,497)	(572,993)	(768,043)
Return on investments					
Investment income	7	208,146	-	208,146	245,288
Investment management fees	8	(127,444)	-	(127,444)	(126,318)
Change in market value	10	1,465,480	43,588	1,509,068	759,472
Net return on investments		1,546,182	43,588	1,589,770	878,442
Net increase/ (decrease) in the fund dur year	ring the	1,029,686	(12,909)	1,016,777	110,399
Net assets of the scheme as at 1st April 2018		37,360,442	1,189,339	38,549,781	38,439,382
Net assets of the scheme as at 31st March 2019		38,390,128	1,176,430	39,566,558	38,549,781

The notes on pages 21 to 32 form part of the financial statements.

## **NET ASSETS STATEMENT AS AT 31ST MARCH 2019**

	Notes	2019 £	2018 £
Defined Benefit Section			
Investment assets:	10		
Pooled investment vehicles	11	36,439,250	35,289,074
Insurance policies – annuities	10	1,881,000	2,039,000
		38,320,250	37,328,074
Current assets	17	101,684	76,107
Current liabilities	18	(31,806)	(43,739)
		69,878	32,368
Total net assets of defined benefit section		38,390,128	37,360,442
Defined Contribution Section			
Investment assets:	10		
Pooled Investment vehicles	11	1,157,468	1,171,040
AVC investments	12	18,962	18,299
		1,176,430	1,189,339
Current assets	17		24,494
Current liabilities	18	_	(24,494)
		) <u>-</u>	
Total net assets of defined contribution section		1,176,430	1,189,339
Total net assets of the scheme at 31st March 2019		39,566,558	38,549,781

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and other benefits which fall due after the end of the Fund period. The actuarial position of the Fund, which does take account of such obligations for the defined benefit section, is dealt with in the report on Actuarial Liabilities on pages 38 to 39 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 21 to 32 form part of the financial statements.

The financial statements on pag	es 19 to 32 were approved by the Trustees on 30th October 12 and signed  Trustee:
on their behalf by:	
Truston Mindle	Trustee: B McIntyre
S Lofthouse	B McIntyre

#### NOTES TO THE FINANCIAL STATEMENTS

#### 1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – the Financial Reporting standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised November 2014). ("the SORP").

#### 2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Functional currency**

The functional and presentational currency of the Fund is Sterling.

#### **Accruals concept**

The accounts have been prepared on an accruals basis with the exception of individual transfers, which are recognised when received or paid.

#### Contributions receivable

Employer's contributions are accounted for on an accruals basis at rates agreed between the Trustees and the employer based on the recommendation of the Actuary.

#### Benefits payable

Benefits payable represent all valid retirement and death benefit payments and are accounted for in the period in which they fall due for payment.

### **Transfers**

Transfer payments in respect of members transferred to and from the Fund during the year are included in the accounts on the basis of sums paid or received which is when the member liability is accepted or discharged.

#### Investment management expenses

Investment management expenses are accounted for in the period in which they fall due.

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

## 2. Accounting policies (continued)

#### Valuation of investments

Investments are included at fair value.

Pooled investment funds are stated at the closing bid price or the value quoted by the Investment Manager at the accounting date.

Insurance policies which fully provide the benefits for certain members have been valued by Aviva using a roll-forward approach from the 31 December 2013 valuation using the assumptions outlined in the Fund's current Statement of Funding Principles at the relevant dates.

Additional Voluntary Contributions are invested separately from the principal fund in separate personal policies, such funds are invested by Aviva. The AVC investments are stated at the closing bid price as advised by the Investment Manager.

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of the investments held at the period end.

#### Investment income

Investment income arising from the underlying investments of the pooled investment vehicles is reinvested within the pooled investment vehicles and reflected in the unit price. Thus, it is reported within "Change in market value".

Income arising from Insurance policies is included in investment income and the pensions paid are included in benefits payable.

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

3.	Contributions			
		2019		
		DB	DC	Total
	Employer:			
	Deficit funding	480,000	-	480,000
		480,000	-	480,000
		2018		
		DB	DC	Total
	Employer:			
	Deficit funding	480,000	-	480,000
		480,000	-	480,000

The Fund received deficit funding contributions of £480,000 (2018: £480,000) in the year in relation to the Recovery Plan commencing  $22^{nd}$  November 2013.

### 4. Other Income

	2019		
	DB	DC	Total
Transfers in from members AVCs and Investment-only plans	3,675	<del>§</del>	3,675
Refund of excess benefits	12,278	-	12,278
	15,953	•	15,953
	0040		
	2018 DB	DC	Total
Transfers in from members AVCs and Investment-only plans	23,374	-	23,374
	23,374	3	23,374

## NOTES TO THE FINANCIAL STATEMENTS (continued)

5.	Benefits			
		2019		
		DB	DC	Total
	Pensions	974,839	-	974,839
	Commutations and lump sum retirement benefits	33,935	56,497	90,432
	Other benefits payable	3,675	-	3,675
		1,012,449	56,497	1,068,946
		2018		
		DB	DC	Total
	Pensions	954,036	-	954,036
	Commutations and lump sum retirement benefits	155,748	138,259	294,007
	Other benefits payable	23,374	-	23,374
		1,133,158	138,259	1,271,417

## 6. Administrative expenses

The costs of administration are borne by Adnams PLC.

## 7. Investment income

	Di	3
	2019	2018
Annuity income	208,146	245,288
	208,146	245,288

#### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### 8. Investment management expenses

	DB	
	2019	2018
Administration & management	127,444	126,317
	127,444	126,317

#### 9. Tax

The Fund is an exempt approved Fund under the provision of Chapter 1 of part XIV of the Income and Corporation Taxes Act 1988 and as such under the provisions of Section 186 and 187 of the Finance Act 2004 its income and investment gains are free from taxation.

#### 10. Reconciliation of net investments

	Value as at 01 April 2018	Purchases	Sales	Change in Market Value	Value as at 31 March 2019
		£	£	£	3
DB Section					
Pooled investment vehicles	35,289,074	-	(486,269)	1,636,445	36,439,250
Insurance policies	2,039,000	208,146	(195,181)	(170,965)	1,881,000
Net DB investment assets	37,328,074	208,146	(681,450)	1,465,480	38,320,250
DC Section					
Pooled Investment vehicles	1,171,040	-	(56,497)	42,925	1,157,468
AVCs	18,299	-	-	663	18,962
Net DC investment assets	1,189,339		(56,497)	43,588	1,176,430
	.,		(55, 107)	.0,000	1,170,700
Total Investment Assets	38,517,413	208,146	(737,947)	1,509,068	39,496,680

The change in market value of investments during the period comprises all increases and decrease in the market value of investments held at any time during the period, including profits and losses realised on sales of investments during the period. The companies operating the pooled investment vehicles are all registered in the UK.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

11.	Pooled Investment Vehicles (PIVs)		
	The DB holdings of PIVs are analysed below:	DB	
		2019	2018
	Equity funds	24,533,029	23,929,835
	Fixed interest	9,938,138	9,481,736
	Property funds	1,968,083	1,877,503
		36,439,250	35,289,074
	The DC holdings of PIVs are analysed below:	DC	
		2019	2018
	Fixed Interest	426,745	400,988
	Fixed Interest UK Equities	426,745 248,838	400,988 242,589
	UK Equities	248,838	242,589
	UK Equities Overseas Equities	248,838 288,419	242,589 364,544
	UK Equities Overseas Equities Property	248,838 288,419 46,516	242,589 364,544 44,154

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

## 12. Additional Voluntary Contributions (AVCs)

The Trustees hold assets invested separately from the main DB fund to secure additional benefits on a money purchase basis for those DB members electing to pay AVCs. The aggregate amount of AVC investments are as follows:

The DC holdings of AVCs are analysed below:	DC	
	2019	2018
Fixed Interest	5,404	4,447
UK Equities	4,077	3,477
Overseas Equities	6,637	7,960
Property	2,712	2,342
Cash	132	73
,	18,962	18,299

#### 13. Insurance Policies

The Trustees hold insurance policies with Aviva PLC and Generali which provide annuity income to other pensions for certain members.

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

## 14. Investment Fair Value Hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability)

The Fund's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	Level 1	Level 2	Level 3 £	Total £
At 31 March 2019				
DB Section Pooled investment vehicles Insurance policies – annuities	E	36,439,250	1,881,000	36,439,250 1,881,000
_	-	36,439,250	1,881,000	38,320,250
DC Section Pooled investment vehicles AVC	-	1,157,468 18,962	- :-	1,157,468 18,962
		1,176,430		1,176,430
At 31 March 2018				
DB Section Pooled investment vehicles Insurance policies – annuities	-	35,289,074 - 35,289,074	2,039,000	35,289,074 2,039,000 37,328,074
-		00,200,011	2,000,000	07,020,071
DC Section Pooled investment vehicles AVC	-	1,171,040 18,299	-	1,171,040 18,299
_	-	1,189,339	_	1,189,339

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### 15. Investment Risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will
  fluctuate because of changes in market prices (other than those arising from interest rate risk or
  currency risk), whether those changes are caused by factors specific to the individual financial
  instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees determine their investment strategy after taking advice from professional investment advisors. The Fund has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustees' Report. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits. Limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Trustees by regular reviews of the investment portfolio.

Further information on the Trustee's approach to risk management and the Fund's exposures to credit and market risks are set out below. In relation to investments underlying defined benefit entitlements the position is as follows:

The Fund is exposed to credit risk as it invests in bonds and has cash deposits. The Fund also invests in pooled investment vehicles giving it direct exposure to the credit risk of the pooled investment vehicle and indirect exposure to the credit risk of the financial instruments held by the pooled investment vehicle.

Credit risk is mitigated by dealing with established pooled investment vehicles. This direct credit risk is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Fund is exposed to the indirect risk of these arrangements in relation to the underlying investments. This risk is mitigated by investing in pooled investment vehicles which invest predominantly in investment grade financial instruments. This is the position at the year end.

Cash is held with financial institutions which are at least investment grade credit rated. This is the position at the year end.

The Fund is exposed to currency risk through investments held in overseas markets. The exposure to currency risk is determined by the investment managers based on their evaluation of global markets in the context of the investment strategy of each particular fund.

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

## 15. Investment Risks (continued)

The Fund is exposed to interest rate risk through its investment in fixed interest securities held in pooled investment vehicles. The value of fixed interest securities vary owing to a number of factors including interest rates. Movements in interest rates affects the value of fixed interest securities which move in part to hedge movement in the Fund's obligations which are also affected by movements in interest rates. At the year end, 33% of the Fund's investments were represented by fixed interest security funds.

The Fund is exposed to other price risk as a result of return seeking assets such as property. Given the nature of the Fund's liabilities, this only represents a minority of the Funds investments. At the year end, 8% of investments were represented by this investment class.

Defined contribution monies are invested at the discretion of the members owning the relevant fund. A default option is available, and The Trustees seek to ensure that investment risks within this option are managed in a comparable manner to those relating to the defined benefit investments. At the end of the year 37% of the defined contribution investments were represented by fixed interest funds and 4% by property investments.

#### 16. Concentration of Investments

Investments accounting for more than 5% of the net assets of the Fund were:

	2019		2018	
	Value	%	Value	%
<b>-</b>				
Defined Benefit investments				
Aviva Balanced Managed fund	24,533,029	64.0	23,929,835	64.1
Aviva Corporate Bond fund	2,948,927	7.7	2,840,912	7.6
Aviva High Alpha Gilt fund	2,863,710	7.5	2,760,521	7.4
Aviva Index Linked Gilt fund	4,125,501	10.8	3,880,302	10.4
Aviva Property fund	1,968,083	5.1	1,877,503	5.0
Aviva Insurance Policies - Annuities	1,881,000	4.9	2,039,000	5.5

### **Defined Contribution investments**

The defined contribution investments do not exceed 5% of the net assets of the Fund.

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

17.	Current Assets		
		2019 Total	2018 Total
		£	3
	DB Section		
	Cash at bank	101,684	76,107
		101,684	76,107
		2019	2018
		Total	Total
		3	£
	DC Section		
	Cash at bank		24,494
		-	24,494
8.	Current Liabilities		
		2019	2018
		Total	Total
	DB Section	3	£
	Sundry creditors	31,806	43,739
		31,806	43,739
		2019	2018
		Total	Total
		3	3
	DC Section		
	Sundry creditors	-	24,494
			24,494

## 19. Related Party Transaction

All administration costs and death in service premiums are borne by the employer. One of the four Trustees at the year end is a member of the fund and BF McIntyre is a director of the employer company. R Lee, who retired as a trustee during the year ended 31 March 2018 is a member of the fund.

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### 20. Contingencies & Commitments

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension Schemes. The judgement concluded the Schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pensions benefits. The issues determined by the judgement arise in relation to many other defined benefit pension Schemes. The Trustees of the Scheme are aware that the issue will affect the Scheme and will be considering this at future meetings, and decisions will be made as to the next steps.

There were no contingent assets or liabilities at 31 March 2019 or at 31 March 2018.

### 21. Subsequent Events

There were no subsequent events requiring disclosure in the financial statements.

#### INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS

Under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustees of the Adnams Pension Fund.

We have examined the summary of contributions to the Adnams Pension Fund for the year ended 31st March 2019 which is set out on the following page.

#### Respective responsibilities of Trustees and Auditors

As described in the Statement of Trustees' responsibilities on page 11, the Fund's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer of the Fund. The Trustees have a general responsibility for procuring that contributions are made to the Fund in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions to the Fund and to report our opinion to you.

#### Scope of work on Statement of Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the Schedule of Contributions,

#### Statement about contributions

In our opinion contributions for the year ended 31st March 2019 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the actuary on 17th January 2017.

## Use of our report

This statement is made solely to the Trustees, as a body in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Funds Trustees those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustees as a body, for our work, for this statement, or for the opinions we have formed.

Ensors Accountants LLP **Chartered Accountants** Statutory Auditor

Ipswich

Date: 30.10.19

### **SUMMARY OF CONTRIBUTIONS**

This Summary of Contributions has been prepared by, and is the responsibility of, the Trustees. It sets out the Employer and member contributions payable to the Fund under the Schedule of Contributions certified by the actuary on 17<sup>th</sup> January 2017 in respect of the Fund year ended 31<sup>st</sup> March 2019. The Fund Auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

### Contributions payable under the schedule in respect of the Fund year

	DB				DC			
Formlesson	ER	EE		Total	ER	EE	Total	
Employer Normal contributions	8		-	-		-	-	-
Deficit funding contributions	480,000	)	-	480,000		-	-	-
TOTAL	480,000	)	-	480,000		-	-	

Approved by the Trustees on 301 October 19 and signed on their behalf by:

Trustee S Lofthouse

#### **SCHEDULE OF CONTRIBUTIONS**

#### Schedule of Contributions

Name of scheme: Adnams Pension Fund

#### Status

This Schedule of Contributions has been prepared by the trustees, after obtaining the advice of the Scheme Actuary, David Giles.

#### Contributions to be paid towards the scheme

Contributions by the employer for the period covered by the Schedule will be:

Period	Contributions
1 January 2017 to 1 January 2022	£40,000 per month until 31 August 2020 and then Aviva's administration fees

Contributions will be passed to the trustees on a monthly basis. This will be no later than the 19th day of the calendar month following the month in which the contributions are due to be paid.

The first month in which contributions are due to be paid is January 2017.

Contributions will include/exclude the following items:

Contributions include	Contributions exclude
An allowance for Aviva's charges for the standard administration and actuarial services, anticipated to be £36,000 each year	Auditor's fees     Levies collected by the Pensions Regulator (including for the Pension Protection Fund)     Any premiums for insured death benefits     Other trustees' expenses

The items excluded from the contributions will be paid by the employer in addition.

Throughout the period covered by the Schedule the employer may, with the agreement of the trustees, make additional contributions.

After the period covered by the Schedule, Aviva's administration fees will be payable until the benefits for the last member are secured.

#### **SCHEDULE OF CONTRIBUTIONS (continued)**

#### Dates of review of this Schedule of Contributions

This Schedule of Contributions will be reviewed by the trustees and the employer no later than 15 months after the effective date of each actuarial valuation, due every three years.

This Schedule of Contributions has been agreed by the employer: (on behalf of Adnams PLC) Signed STEPHEN PUBLI Name Position Director / Company Secretary / Other (please state) Date This Schedule of Contributions has been agreed by the trustees: (on behalf of the trustees) Signed S LOFTHOUSE Name Position Trustee 4/1/17 Date

#### **ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS**

#### ACTUARIAL CERTIFICATE MADE FOR THE PURPOSES OF REGULATION 10(6) OF THE OCCUPATIONAL PENSION SCHEMES (SCHEME FUNDING) REGULATIONS 2005

Name of schame: Adnams Pension Fund

Adequacy of rates of contribution

 I hereby certify that, in my opinion, the rates of contribution shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 1 April 2016 to be met by the end of the period specified in the Recovery Plan.

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 6 January 2017.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were wound up.

Signature: D.A.G.C.

Date: 17 JANUARY 2017

Name: D A Giles

Qualification: Fellow of the Institute and Faculty of Actuaries

Address: Aviva Defined Benefit Pensions

PO Box 3238 NORWICH NR1 3UE

Name of employer: Aviva

#### REPORT ON ACTUARIAL LIABILITIES (FORMING PART OF THE TRUSTEE REPORT)

#### Appendix 6 - Report on Actuarial Liabilities

The Statutory Funding Objective, introduced under the Pensions Act 2004, states that the Trustees should hold sufficient and appropriate assets to cover the value of benefits accrued up to the valuation date (the technical provisions). The Statement of Funding Principles (SFP), agreed between the Trustees and the Employer, sets out the method and assumptions to be used in calculating the technical provisions.

The most recent full actuarial valuation of the scheme was carried out as at 1 April 2016 and was based on the SFP dated 4 Jan 2017. The results of this valuation, and the method and significant assumptions used, are set out below

Coverage of technical provisions

As at 1 April 2016 the financial status of the scheme, based on the method and assumptions set out below, was as follows:

Value of the Assets *	£33,228,000
Value of the Liabilities *	£34,846,000

 These are the assets and technical provisions as stated in the last Actuarial Valuation Report, but with the addition of the value of the annuity policies at that date (assets £2,929,000, liabilities £2,786,000).

#### Method

The method used to calculate the technical provisions is the Defined Accrued Benefit Method.

Key financial assumptions

A comprehensive list of assumptions adopted is set out in the appendix to the signed SFP.

Price inflation	3.3% per annum (RPI)
-----------------	----------------------

Discount interest rates:

Yield up to retirement
4.5% per annum
Yield after retirement
4.5% per annum

Key demographic assumptions

Mortality: Pre retirement In accordance with mortality tables

PMA08 and PFA08 using the CMI 2014 projection model with a long term rate of improvement of 2%. In accordance with mortality tables

Post retirement In accordance with mortality tables PMA08 and PFA08 using the CMI

> 2014 projection model with a long term rate of improvement of 2%. 15% of pension will be commuted

for cash.

FED62509 Adnams Pension Fund

Cash at retirement

Aviva: Confidential

31 March 2019

#### REPORT ON ACTUARIAL LIABILITIES (FORMING PART OF THE TRUSTEE REPORT) {continued}

Pensions bought out in trustees' name

These policies do not have to be included when valuing the technical provisions for an actuarial valuation and therefore were excluded in the last full actuarial valuation. However, a value does need to be placed on them in order to comply with the Statement of Recommended Practice (SORP) which sets the requirements for this Report on Actuarial Liabilities.

The pensions bought out in the trustees' name have been valued, for both the assets and liabilities, on a solvency basis. This basis has been derived from the Pension Protection Fund's Section 179 assumptions, but without the application of any benefit restrictions.

#### **APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES**

#### The Adnams Pension Fund

Statement of Investment Principles

October 2018

#### **APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES (continued)**

#### Contents

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	Regulatory requirements and considerations
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#### APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES (continued)

#### 1 Introduction

#### Fund background

- This Statement of Investment Principles (the "Statement") details the principles
  governing investment decisions for the Adnams Pension Fund (the "Fund").
- The Fund:
  - operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries,
  - provides benefits calculated on a defined benefit (DB) basis and a defined contribution (DC) basis.

Both the DB and DC sections are closed to new entrants.

Buck is investment consultant to the Trustees.

#### Regulatory requirements and considerations

- This statement covers the requirements of, and the Fund's compliance with, the
  provisions of the Pensions Act 1995 (as amended) and the Occupational Pension
  Schemes (Investment) Regulations 2005 as well as additional non-statutory
  information recommended to be included following the Myners review of
  "Institutional Investing in the UK", the results of which were first published in 2001
  (referred to as the "Myners Principles").
- The Myners Principles require Trustee Boards to act in a transparent and responsible manner. The information set out in this document helps ensure that the Trustees are complying with this requirement.
- In respect of the DC Section and additional voluntary contributions provided on a
  money-purchase basis within the Fund, the Trustees have taken into account the
  requirements and recommendations within the Pension Regulator's DC code and
  regulatory guidance. Information on the Trustees' approach to investment
  matters within the DC Section, and in particular in setting the default
  arrangement, are included within this document.

#### APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES (continued)

#### 2 Statement of Investment Principles

#### Introduction

- This section of the Statement covers the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005. It is divided into three sub-sections:
  - General Section
  - DB Section
  - DC Section
- In accordance with section 35 of the Pensions Act 1995, the Trustees have reviewed and considered written advice from the investment consultant prior to the preparation of this Statement and have consulted the Sponsoring Employer.
- The Trustees will review this Statement, in consultation with the investment
  consultant and the Sponsoring Employer, at least once every three years, or
  more frequently if there are any significant changes in the Fund's circumstances.
  However, ultimate power and responsibility for deciding investment policy lies
  solely with the Trustees.

#### General Section

 This section of the Statement contains information relating to both the DB and the DC Sections.

#### Kind of investments to be held

- The Trustees have full regard to their investment powers under the Fund's Trust Deed and Rules and the suitability of the various types of investments, the need to diversity, the custodianship of assets and any self-investment.
- The Fund may invest in quoted and unquoted securities of UK and overseas
  markets including equities, fixed interest and index-linked bonds, cash, property,
  private equity, hedge funds and pooled investment vehicles considered
  appropriate for tax-exempt registered occupational pension schemes. The
  Trustees have considered the attributes of the various asset classes (including
  derivative instruments), these attributes being:
  - security (or quality) of the investment,
  - yield (expected long-term return),
  - spread (or volatility) of returns,
  - term (or duration) of the investment,
  - exchange rate risk,

#### APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES (continued)

- marketability/liquidity (i.e., the tradability on regulated markets),
- taxation.
- The Trustees consider all of the stated classes of investment to be suitable to the circumstances of the Fund.

#### Realisation of investments

In the event of an unexpected need to realise all or part of the assets of the
portfolio, the Trustees require the investment manager(s) to be able to realise the
Fund's investments in a reasonable timescale by reference to the market
conditions existing at the time the disposal is required and subject to the best
interests of the Fund. The majority of the assets are not expected to take an
undue time to liquidate.

#### Social, Environmental and Ethical Issues

- The Trustees' objective is to ensure that the investment managers have the
  financial interests of the Fund members as their first priority when choosing
  investments. They may take social, environmental or ethical considerations into
  account only when these factors do not contradict the primary objective or where
  these considerations are specified within the mandate of the funds used.
- The Trustees have reviewed the investment managers' policies in respect of Socially Responsible Investment and are satisfied that it is consistent with the above approach.

#### Voting Rights attaching to Investments

The Trustees' policy is to delegate responsibility for the exercising of rights
(including wating rights) attaching to investments to the investment managers and
to encourage the managers to exercise those rights. The investment managers
is/are expected to provide regular reports for the Trustees detailing their voting
activity. The Trustees will take corporate governance policies into eccount when
appointing and reviewing such investment managers.

#### **Investment Decisions**

- All investment decisions are taken by the Trustee Board as a whole. The
  Trustees believe that collective responsibility is the appropriate structure, given
  the size of the board. The Trustees will examine regularly whether additional
  investment training is desirable for any individual Trustee.
- All investment decisions relating to the Fund are under the Trustees' control
  without constraint by the Sponsoring Employer. The Trustees are obliged to
  consult with the Sponsoring Employer when changing this Statement.
- All day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension schame portfolios. Investment management agreements and/or an insurance contract have been exchanged with the investment managers, and are reviewed from time-to-time to ensure that the manner in which they make investments on the Trustees' behalf is suitable for the Fund, and appropriately diversified.

#### APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES (continued)

#### **DB Section**

This section of the Statement contains information relating only to the DB Section of the Fund

#### Investment Objectives and Suitability of Investments:

- The Fund's investment strategy has been agreed by the Trustees having taken advice from the investment consultant and takes due account of the Fund's triability profile along with the level of disclosed surplus or deficit.
- The Trustees' agreed investment strategy is based on an analysis of the Fund's liability profile, the required investment return and the returns expected from the various asset classes over the long-term. Long-term returns from equities are expected to exceed the returns from bonds and cash, although returns and capital values may demonstrate higher volatility. The Trustees are prepared to accept this higher volatility in order to aim to achieve the overall investment objectives.
- The Trustee's primary objectives are:
  - to provide appropriate security for all beneficiaries,
  - to achieve long-term growth sufficient to provide the benefits from the Fund,
  - to achieve an appropriate because between risk and return with regards to the cost of the Fund and the security of the benefits.
- The Trustees have translated their objectives into a suitable strategic asset allocation for the Fund, details of which are included in the appendices.
- In accordance with the Financial Services & Markets Act 2000, the Trustees are
  responsible for setting the general investment policy, but the responsibility for all
  day-to-day investment management decisions has been delegated to an
  investment manager authorised uncer the Act. Details are included in the
  appendices.
- The Trustees are responsible for reviewing the Fund's asset allocation and wider investment strategy as part of each actuarial valuation in consultation with the Fund's investment consultant. The Trustees may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.
- The Trustees consider the Fund's current strategic asset allocation to be consistent with the current financial position of the Fund. This assessment will be updated with reference to the Technical Provisions set out in the Fund's Statement of Funding Principles once the next actuarial valuation has been completed. "Technical provisions" is the value of the Fund's liabilities for funding purposes as at the latest available Fund-specific actuarial valuation date.

#### Diversification

- The Trustees, after seeking appropriate investment advice, have selected a strategic asset allocation for the Fund (see Appendix 1).
- Subject to their respective benchmarks and guidelines (shown in Appendix 1) the investment managers are given full discretion over the choice of stocks and are expected to maintain diversified portfolios.

#### APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES (continued)

- The Trustees are satisfied that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.
- Given the size and nature of the Fund, the Trustees have decided to invest the Fund's assets on a pooled fund basis. All such investments are effected through direct agreements with the investment managers and/or through an insurance contract.
- The Trustees are satisfied that the range of vehicles in which the Fund's assets are invested provides adequate diversification.

#### Balance between different kinds of investments

 The appointed investment managers will hold a diversified mix of investments in line with their agreed benchmark and within their discretion to diverge from the benchmark. Within each major market each manager will maintain a diversified portfolio of securities.

#### Risk

- The Trustees consider the main risk to be that of the assets being insufficient to meet the Fund's flabilities as they fall due. The Trustees have assessed the likelihood of undesirable financial outcomes arising in the future.
- Investment policies are set with the aim of having sufficient and appropriate assets to cover the Fund's Technical Provisions, and with the need to avoid undue contribution rate volatility.
- In determining their investment strategy, the Trustees received advice from the
  investment consultant as to the likely range of funding levels for strategies with
  differing levels of investment risk relative to the Scheme's liability profile. Taking
  this into account, along with the expected returns underlying the most recent
  actuarial valuation, the strategy outlined in Appendix 1 of this Statement has been
  adopted.
- Although the Trustees acknowledge that the main risk is that the Fund will have insufficient assets to meet its liabilities, the Trustees recognise other contributory risks, including the following. Namely the risk:
  - associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors.
  - of the Fund having insufficient liquid assets to meet its immediate liabilities,
  - of the investment managers failing to achieve the required rate of return.
  - due to the lack of diversification of investments,
  - of failure of the Fund's Sponsoring Employer to meet its obligations.
- The Trustees manage and measure these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.
- The Trustees undertake monitoring of the investment managers' performance against their targets and objectives on a regular basis.
- Each fund in which the Fund invests has a stated performance objective by which
  investment performance will be measured. These are shown in Appendix 1.

#### APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES (continued)

Within each asset class, the investment managers are expected to maintain a portfolio of securities (or funds), which ensures that the risk being accepted in each market is broadly diversified.

 The divergence of the actual distribution of the investments from the benchmark weighting will be monitored by the trustees, with assistance from the investment consultant as required. Any deviation from the target asset allocation will be discussed periodically with the investment consultant.

#### **Expected return on investments**

 The investment strategy is believed to be capable of exceeding, in the long run, the overall required rate of return assumed in the Scheme Actuary's published actuarial valuation report in order to reach a fully funded status under the agreed assumptions.

#### Investment Manager Monitoring

- The Trustees will assess the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant.
- All investment decisions, and the overall performance of the investment managers, are monitored by the Trustees with the assistance of the investment consultant.
- The investment managers will provide the Trustees with quarterly statements of the assets held along with a quarterly report on the results of the past investment policy and the intended future policy, and any changes to the investment processes applied to their portfolios. The investment managers will also report orally on request to the Trustees.
- The investment managers will inform the Trustees of any changes in the internal
  performance objective and guidelines of any pooled funds used by the Fund as
  and when they occur.
- The Trustees will assess the quality of the performance and processes of the investment managers by means of a review at least once every three years in consultation with the investment consultant.
- Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

#### **Performance Monitoring**

- Each of the funds in which the Fund invests has a stated performance objective against which the performance is measured,
- The Trustees will review the performance of the investment managers from time to time, based on the results of their performance and investment process.
- The investment managers are expected to provide written reports on a quarterly basis.
- The Trustees receive an independent investment performance monitoring report from their investment consultant on a quarterly basis.

#### APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES (continued)

#### Additional Voluntary Contributions (AVCs)

- The Fund includes both traditional member AVCs and a separate Money Purchase Arrangement which arose out of a historic employee share benefit arrangement.
- The Trustees have full discretion as to the appropriate investment vehicles made available to members of the Fund for their voluntary contributions. Only investment vehicles normally considered suitable for voluntary contributions will be considered by the Trustees, having taken appropriate written advice from properly qualified and authorised financial advisers.
- The Trustees make available a range of funds with Aviva in respect of the money purchase arrangements
- In selecting this range of funds offered the Trustees have taken advice from their professional advisers on:
  - the risks faced by members in investing on a money purchase basis, and
  - the Trustees' responsibilities in the selection and manitoring of the investment options offered.
- The Trustees will continue to manage the AVC arrangements having taken professional advice on these matters.
- . The Trustees will monitor the performance of AVC providers periodically.
- Members are directed to seek independent financial advice when considering their AVC arrangements.

#### **APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES (continued)**

#### DC Section

This section of the Statement contains information relating only to the DC Section
of the Fund.

#### Investment Objectives and Sultability of Investments

- The Trustees believe that fund selection is an important decision for all members since it is likely to have an important influence on the risk taken and return achieved on members' pension savings.
- However, the Trustees also recognise that in practice many members do not actively make an investment choice and are instead invested in the default option. The Trustees therefore recognise the importance of designing an appropriate default strategy for the Fund's membership.
- Whilst the Trustees believe the chosen default option is a reasonable choice for a
  lot of the membership, ultimately each member should take into account their
  own personal circumstances when determining whether the default option or an
  alternative strategy would best meet their needs.
- The objective of the default strategy is to provide a balanced investment strategy for members who do not make an active investment choice while also recognising the changing needs of members as they approach refirement. The strategy alms to produce a material level of return (net of fees) that a member could expect to receive from the Fund over the course of their working lifetime, while reducing the risk of them having income provision in retirement significantly below what may reasonably be expected.
- The Trustees recognise that members using the default strategy are likely to be less financially aware than those using self-select options and have taken this into account in the strategy design.
- Details of the default option are shown in the appendices.
- The objective of the atternative investment options available is to allow members to tailor their investments based on their individual investment requirements. The range should assist members in achieving the following:
  - maximising the value of retirement benefits, to ensure a reasonable standard of tiving in retirement,
  - protecting the value of benefits in the years approaching retirement against equity market falls and (should they decide to purchase an annuity) fluctuations in annuity costs, and
  - tailoring a member's investments to meet his or her own needs, and to how the member intends to make use of their benefits at and through retirement.
- The Trustees are satisfied that the funds offered to members and the appointed investment managers are consistent with the objectives of the Fund, particularly in relation to diversification, risk, expected return and figuidity.

#### APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES (continued)

#### Balance between different types of investments

- The investment manager(s) will maintain a diversified portfolio of stocks or bonds within each of the funds offered under the Fund (both within the dutault and selfselect options).
- In addition, the design of the default strategy provides further diversification through the use of multiple funds throughout a member's working lifetime.

#### Risk

- The Trustees have considered risk from a number of perspectives. These are the risk that:
  - the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate retirement income,
  - Investment market movements in the period prior to retirement lead to a substantial reduction in the anticipated level of pension or other retirement income.
  - investment market movements in the period just prior to retirement lead to a substantial reduction in the anticipated cash lump sum benefit,
  - the default option is not suitable for members who invest in it, and
  - fees and transaction costs reduce the return achieved by members by an inappropriate extent.
- The investment strategy for the default option has been chosen with the aim of reducing these risks. The self-select funds available have been chosen to provide members with the flexibility to address these risks for themselves.
- To help address these risks, the Trustees also review the default option used and the fund range offered at least every three years, taking into account changes to the membership profile, developments within DC markets (including both product development and trends in member behaviour) and changes to legislation.

#### **Expected return on investments**

The default option is expected to provide an appropriate return on members' investments, based on the Trustees' understanding of the Fund's membership and having taken into account the risk considerations set out above. Assumptions around expected returns for each asset class are derived in a similar way as within the DB Section.

#### Investment Manager Monitoring

- The investment managers will provide the Trustees with quarterly statements of the assets held along with a quarterly report on the results of the past investment policy and the intended future policy, and any changes to the investment processes applied to their portfolios. The investment managers will also report orally on request to the Trustees.
- The investment managers will inform the Trustees of any changes in the internal performance objective and guidelines of any pooled lunds used by the Fund as and when they occur.
- Appropriate written advice will be taken from the investment consultant before the
  review, appointment or removal of the investment managers.

#### **APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES (continued)**

#### Performance Monitoring

- Each of the funds in which the Fund invests has a stated performance objective against which the performance is measured.
- The Trustees will review the performance of the investment managers from time to time, based on the results of their performance and investment process,
- The investment managers are expected to provide written reports on a quarterly basis.
- The Trustees do not receive an independent investment performance monitoring report from their investment consultant.

#### Realisation of investments

 Investments within the DC section (including in the default option), are subject to the same realisation requirements as set out in the General Section of this Statement

#### Social, Environmental and Ethical Issues

Social, environmental and ethical issues for the DC section (including for the
default option) are considered as set out in the General Section of this Statement.

#### APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES - Appendix 1

#### 3 Appointments & Responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Fund.

#### **Trustees**

The Trustees' primary responsibilities include:

- preparation of this Statement, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The Statement will also be reviewed following a significant change to investment strategy and/or the investment rnanagers,
- appointing investment consultants and investment managers as necessary for the good stewardship of the Fund's assets,
- reviewing the investment strategy as part of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Fund's flabilities, taking advice from the investment consultant,
- assessing the processes (and therefore the performance) of the investment managers by means of regular, but not less than annual, reviews of information obtained (including investment performance),
- monitoring compliance of the investment arrangements with this Statement on a regular basis, and
- monitoring risk and the way in which the investment managers have cast votes on behalf of the Trustees in respect of the Fund's equity holdings.

#### Investment Consultant

The main responsibilities of the investment consultant include:

- assisting the Trustees in the preparation and periodic review of this Statement in consultation with the Sponsoring Employer,
- undertaking project work including reviews of investment strategy, investment performance and manager structure as required by the Trustees,
- advising the Trustees on the selection and review of the investment manager(s).
- providing training or education on any investment related matter as and when the Trustees see fit, and
- monitoring and advising upon where contributions should be invested or disinvested on a periodic basis.

#### APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES - Appendix 2

#### **Investment Managers**

The investment managers' main responsibilities include:

- investing assets in a manner that is consistent with the objectives set
- ensuring that investment of the Fund's assets is compliant with prevailing legislation and the constraints detailed in this Statement.
- providing the Trustees with quarterly reports including any changes to their investment process and a review of the investment performance,
- attending meetings with the Trustees as and when required.
- informing the Trustees of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Fund as and when they occur, and
- exercising voting rights on shareholdings in accordance with their general policy.

#### Custodian

The custodians used are responsible for the safe-keeping of the Fund's assets.

 The custod anship arrangements are those operated by the investment managers for all clients investing in their pooled funds.

#### **Administrators**

- The administrator's primary responsibilities are the day to day administration of the Fund and the submission of specified statutory documentation, as delegated by the Trustees.
- The Fund's administrator is Aviva Fund Management for both the DB and DC Sections.

#### Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- commenting on the suitability of the Fund's investment strategy given the financial characteristics of the Fund; and
- performing the triennial (or more frequently as required) actuarial valuation and advising on the Fund's funding level and therefore the appropriate level of contributions in order to aid the Trustees in balancing short-term and long-term investment objectives.

The Scheme Actuary is David Gites of Aviva.

#### APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES - Appendix 2

BRIDGET MCINTYRE Breight House
Name Signature

Date

Signed on behalf of the Trustees of the Fund:

#### **APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES - Appendix 2**

#### Appendix 1– DB Section -Strategic Benchmark and Objectives

#### Fund's asset allocation

The Fund's asset allocation as at 31 March 2018 is tabulated below:

Asset Type	Investment Style	Allocation (%)
Balanced Fund	Active	67.8
Property	Active	5.3
Return enhancing		73.1
Corporate Bonds	Active	8.1
Fixed Interest Gilts	Active	7.8
Index Linked Gills	Active	11,0
Risk reducing		26.9
Total		100.0

The Fund does not currently have an explicit target asset allocation; however the Fund's actual allocation is reviewed regularly by the Trustees, who consider whether this is still appropriate to the needs of the Fund.

#### Benchmarks & performance objectives

Benchmark indices and relative performance objectives for each of the funds in which the Fund is invested are outlined below. All performance targets are gross of fees and relate to rolling three-year periods.

Manager	Fund	Benchmark Index	Objective % p.a.
	Balanced Managed Fund	ABI Pension Mixed Investment 40-85% shares	*1.5
	Property Fund	IPD OPFI All Balanced Funds weighted average	+1.0
Avive	Corporate Bond Fund	iBoxx Sterling Non-Gilt All Stocks Index	+1.0
	High Alpha Gilt Fund	FTSE-A All Stocks Gilt Index	+1.5
	Index Linked Gilt Fund	FTSE-A over 5 year Index- linked Gilt Index	+0.5

#### **APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES - Appendix 2**

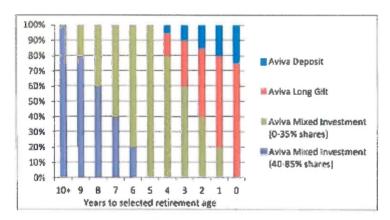
#### Appendix 2 – DC Section – Fund Range and Objectives

#### **Fund options**

#### Lifestyle strategy

The lifestyle strategy entails members' assets being switched between funds as they approach their target retirement date.

The lifestyle used is the Aviva Mixed Investments Annuity Lifestyle Approach; the switching profile is shown below:



Members using this strategy are contacted prior to the commercement of the phasing period and five years before their chosen retirement age and given the option to switch to a more appropriate investment strategy should the lifestyle strategy outlined above no longer fit with their retirement plans.

#### Self-Select fund options

There is a range of over 60 fund options covering all of the major asset classes.

#### Default option

The default option for members who do not make an investment choice is for their tunds to be invested in the lifestyle strategy.

#### APPENDIX A - STATEMENT OF INVESTMENT PRINCIPLES - Appendix 2

#### Appendix 3 - Fees

#### Investment manager tees

#### **DB Section**

Manager	Fund	Management Eee % p.a.
	Balanced Managed Fund	0.25
	Property Fund	0.50
Avva	Corporate Bond Fund	0.20
	High Alpha Gill Fund	0.25
	Index Linked G闭 Fund	0.20

#### DC Section

Members of the DC section pay a standard fee of 0.5% p.a. Additional fees are charged for some of the self-select fund range.

The Trustees have confirmed that the default option offered has total fees payable by members of less than the charge cap of 0.75% p.a. and will monitor compliance with this on an ongoing basis.

#### Investment consultancy fees

The investment consultant provides advice on a project-by-project basis. This is conducted on a time cost basis, subject to agreement of the scope and likely costs in advance.

The basis of remuneration is kept under review.

# APPENDIX B – Defined Contribution Chair's Statement Cumulative Costs and Charges

The Trustees have taken into account the statutory guidance when preparing these illustrations. The assumptions used to calculate the cumulative pension costs are based on actual scheme information.

				Projected !	Projected Pension Pot in todays money	ays money				
	Mixed Investment 40-85%	it 40-85%	Mixed Investme		Long	Long Gilt	Deposit	osit	Inve	Investec
		After all costs	Before	After all costs		After all costs	Before	After all costs	Before	After all costs
Years	Before charges	and charges	charges	and charges	Before charges	and charges	charges	and charges	charges	and charges
-	£18,010	£17,919	£17,638	£17,549	£17,402	£17,315	£17,402	£17,315	£18,139	£17,922
3	£19,021	£18,734	£17,867	£17,597	£17,160	£16,902	£17,160	£16,902	£19,434	£18,744
2	£20,089	£19,585	£18,098	£17,644	£16,920	£16,498	£16,920	£16,498	£20,820	£19,603
10	£23,027	£21,888	£18,691	£17,765	£16,336	£15,532	£16,336	£15,532	£24,735	£21,927
15	£26,395	£24,461	£19,302	£17,886	£15,772	£14,622	£15,772	£14,622	£29,386	£24,526
20	£30,256	£27,337	£19,934	£18,008	£15,228	£13,766	£15,228	£13,766	£34,912	£27,434
25	£34,682	£30,551	£20,586	£18,131	£14,702	£12,959	£14,702	£12,959	£41,476	£30,686
30	£39,755	£34,143	£21,260	£18,254	£14,195	£12,200	£14,195	£12,200	£49,275	£34,324
35	£45,571	£38,157	£21,955	£18,379	£13,705	£11,486	£13,705	£11,486	£58,540	£38,393
40	£52,237	£42,643	£22,674	£18,504	£13,232	£10,813	£13,232	£10,813	£69,547	£42,945

### Assumptions:

- 1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
  - 2. The starting pot size is assumed to be £17,525
- 3. Inflation is assumed to be 2.5% each year
- 4. Values shown are estimates and are not guaranteed
- 5. The projected growth rate for each fund are as follows:

Mixed Investment 40-85% 2.77% above inflation Mixed Investment 0-35% 0.65% above inflation cong Gilt -0.70% above inflation -0.70% above inflation

-0.70% above inflation -0.70% above inflation 3.51% above inflation

> Deposit Invested