



# **Crossroads Commercials Limited Retirement Benefits Scheme**

## **Chair's Statement**

1 July 2021 to 30 June 2022

# 01 Introduction

## **This is the Chair's Statement for the Crossroads Commercials Limited Retirement Benefits Scheme ('the Scheme') covering the period 1 July 2021 to 30 June 2022.**

As the Chair of the Trustee Board ('the Trustee'), I provide you with a yearly statement which explains the steps taken by the Trustee, with help from our professional advisers, to meet the required governance standards. The law sets out what information has to be included in my Statement and this is designed to help members achieve a good outcome from their pension savings.

The Scheme is a trust based occupational pension scheme which commenced on 1<sup>st</sup> February 1980. It is a hybrid arrangement containing Defined Benefit ("DB") and Defined Contribution ("DC") benefits. It was contracted out on a GMP basis from 1 June 1988 until April 1997 and then subsequently on a Protected Rights basis until June 2001 after which it contracted in.

The Scheme has a default investment option, and this is explained further in Section 2.

### **01.01 Queries**

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If you have any questions about anything that is set out below, suggestions about what can be improved, or queries about your Scheme's benefits, please do contact Royal London using the details below:

The Trustees of Crossroads Commercials Ltd Retirement Benefits Scheme  
Pheasant Drive  
Birstall  
WF17 9LR

# 02 Default Investment Strategy

## Statement of Investment Principles (SIP)

A copy of the SIP, which sets out the objectives for the Plan's investment strategy, can be found in Appendix A

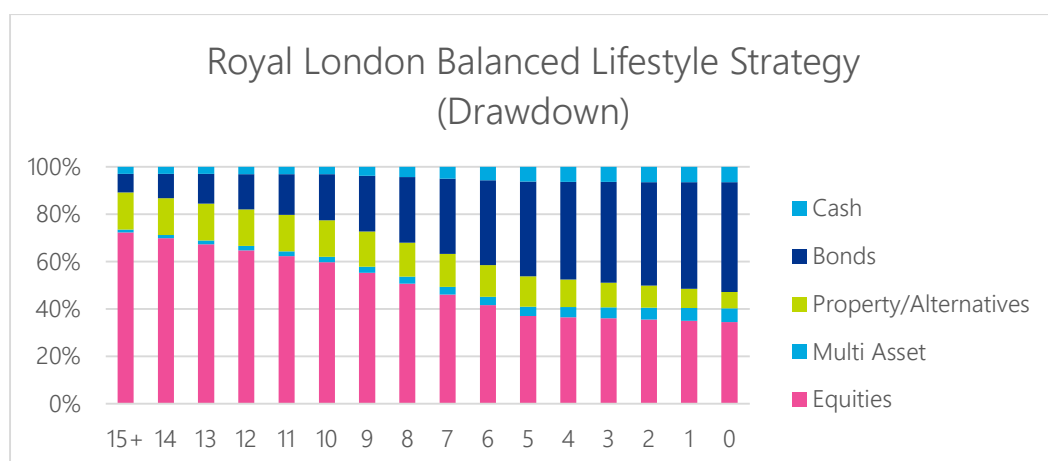
### 02.01 The default investment arrangement

If members do not make their own investment choices in the Scheme, their funds are invested in the default investment strategy.

The current default investment strategy is the Royal London Balanced Lifestyle Strategy which targets income drawdown at retirement and uses the Royal London Governed Portfolio Range of investment funds.

The default strategy invests in a range of largely growth focused investments, when a member is 15 years or more away from retirement. This higher exposure to equities and other return seeking assets allows for a greater opportunity to grow the savings, while having enough time left before retirement to make up for any falls in value. Members' savings are then gradually (and automatically) moved over the last 15 years before their chosen retirement date into more diverse and lower-risk assets such as bonds and cash, in order to protect the value of the pot.

This is shown in the graph below.



Source: Royal London. XPS calculations

Members can opt out of the default investment option and invest in any other funds offered by the Trustee, however any requests to self-select or switch funds must be approved by the Trustee.

# Default Investment Strategy

## continued

### 02.02 Reviewing the default investment arrangement

The Trustee is required to review the default strategy and performance at least every three years, or immediately following any significant change in investment policy or in the Scheme's member profile.

The Trustee considered the default investment strategy on 3 November 2021. During this review, the Trustee, working with their investment consultant, decided to change the default investment strategy from Royal London Balanced Lifestyle Strategy Target Cash, to target Drawdown. In making this decision, the Trustee considered the member profile, approach to investment risk and return, and the manner in which members are likely to take their benefits at retirement. The key aim for the change was to improve member outcomes rather than members being invested in a cash fund for a number of years prior to retirement. This change was implemented in February 2022.

Members were contacted over a 3-month period prior to this change to allow them to opt out of the proposed changes to the default if they wished.

### 02.03 Investment Performance

Changes to legislation introduced in October 2021 require trustees of relevant occupational pension schemes to report on the net investment returns for the default arrangement and for each fund which scheme members are, or have been able to, select, and in which scheme members are invested during the scheme year.

Net investment returns refer to the returns on funds after the deduction of all transaction costs and charges and including them in this Statement is intended to help members understand how their investments are performing.

### 02.04 Fund Performance

Royal London provides the Trustee with regular investment performance information to monitor the Default strategy, which it reviews in Trustee meetings.

This table shows how the Default strategy has performed for members at three different ages, over the last one and five years with a normal retirement age of 65.

	1 year (01/07/2021 – 30/06/2022)	5 years annualised (01/07/2017 – 30/06/2022)
<b>Current default strategy (targeting Drawdown)</b>	<b>% p.a</b>	<b>% p.a</b>
Age 25	0.89	4.93
Age 45	0.89	4.93
Age 55	-1.05	4.13
<b>Legacy default strategy (targeting Cash)</b>	<b>% p.a</b>	<b>% p.a</b>
Age 25	0.89	4.93
Age 45	0.89	4.93
Age 55	-0.42	4.16

Source: Royal London. Figures are as at 30/06/2022 and are net of fees.

## Default Investment Strategy continued

The table above discloses returns at different ages in accordance with the Pension Regulator's guidance for lifestyle strategies. It is worth noting that the change in strategy from the Default strategy targeting Cash to the Default strategy targeting Drawdown provides members with the opportunity for greater growth in the last 5 years to retirement. Following this change in strategy, as more return information and member experience in the new strategy becomes available, returns for periods closer to retirement could be provided.

### 02.05 Self-Select Funds

For Self-Select funds performance is shown for 5-years (annualised) and for the last Scheme Year:

	1 year (01/07/2021 – 30/06/2022)	5 years annualised (01/07/2017 – 30/06/2022)
Self-select funds	% p.a.	% p.a.
Royal London Managed	-0.40	4.17
Royal London Property	16.38	5.54
Royal London Deposit	-0.64	-0.53
Royal London Worldwide	-4.60	7.92
Royal London Corporate Bond	-11.25	0.61

Source: Royal London. Figures are net of fees. Past performance is not a reliable indicator of future results. The value of investments may go down as well as up and members may get back less than they invest.

### 02.06 Royal London Profit Share

In addition to any investment returns, members also benefit from the Royal London Profit Share Award, where a bonus is applied annually to members plans to reflect a level of mutual profits that Royal London wish to share with members. For 2022, this was announced to be 0.15% of the value of member plans.

The historic profit share rates are as follows:

2021	2020	2019	2018	2017
0.15%	0.15%	0.18%	0.18%	0.18%

Source: Royal London

# 03 Charges and transaction costs

Members may self-select their investment strategy, investing in any of these funds in whatever proportions they choose

## 03.01 Investment Manager Charges

The Trustee has selected a range of funds which it believes to be appropriate for members of the Plan. Each of these the funds are provided by Royal London. Members may self-select their investment strategy, investing in any of these funds in whatever proportions they choose, or select the default investment option. Alternatively, if they do not make a choice, their funds will be invested in the default investment option.

Irrespective of the funds they are invested in, members will pay two annual charges in respect of their DC pension benefits. These are as follows:

### Ongoing Charges Figure

Members meet what is known as the Ongoing Charges Figure ('OCF') in respect of their individual pension pots. This is comprised of a Fund Management Charge ('FMC') and other indirect fees which are incurred, and for administration services of Royal London. The OCF is calculated as a percentage of all applicable assets under management.

The OCF does not include other costs of running the Scheme including governance, professional advisor costs and some communication costs - these charges are met by the Employer.

### Transaction costs

Transaction costs are costs associated with the buying and selling of investments and include for example stamp duty and brokerage fees. Transaction costs may be incurred both within the investment funds and when contributions are invested, on switching between funds and when selling investments to take benefits.

The OCF and transaction costs are detailed below for the year to 30 June 2022.

The default investment strategy consists of 4 funds. When members are 15 or more years away from retirement, they are 100% invested within the Royal London Governed Portfolio 4. As members move to 10 years to retirement, their benefits are automatically moved to the Royal London Governed Portfolio 5, followed by Royal London Governed Portfolio 6 at 5 years to retirement. Once a member reaches their normal retirement date, their benefits will be wholly invested within the Royal London Governed Retirement Income Portfolio 3.

## Charges and transaction costs continued

	OCF (% p.a.)	Transaction costs* (%)
<b>Default Strategy</b>		
Royal London Governed Portfolio 4	0.55	0.084
Royal London Governed Portfolio 5	0.55	0.069
Royal London Governed Portfolio 6	0.55	0.059
Royal London Governed Retirement Income Portfolio 3	0.55	0.027

The total expense ratio ('TER') of the default option is 0.55%. this has been discounted by 0.45%, via negotiation with the Administrator and Investment Manager Royal London, from a normal OCF for the same strategy of 1%. As all funds used within the Default strategy are single priced, changes to the underlying funds within the Default strategies as members move closer to retirement does not change the OCF levied.

	OCF (% p.a.)	Transaction costs* (%)
<b>Self-select funds</b>		
Royal London Managed	0.55	0.069
Royal London Property	0.55	0.154
Royal London Deposit	0.55	0.023
Royal London Worldwide	0.55	0.000
Royal London Corporate Bond	0.55	0.000

(Source: Royal London)

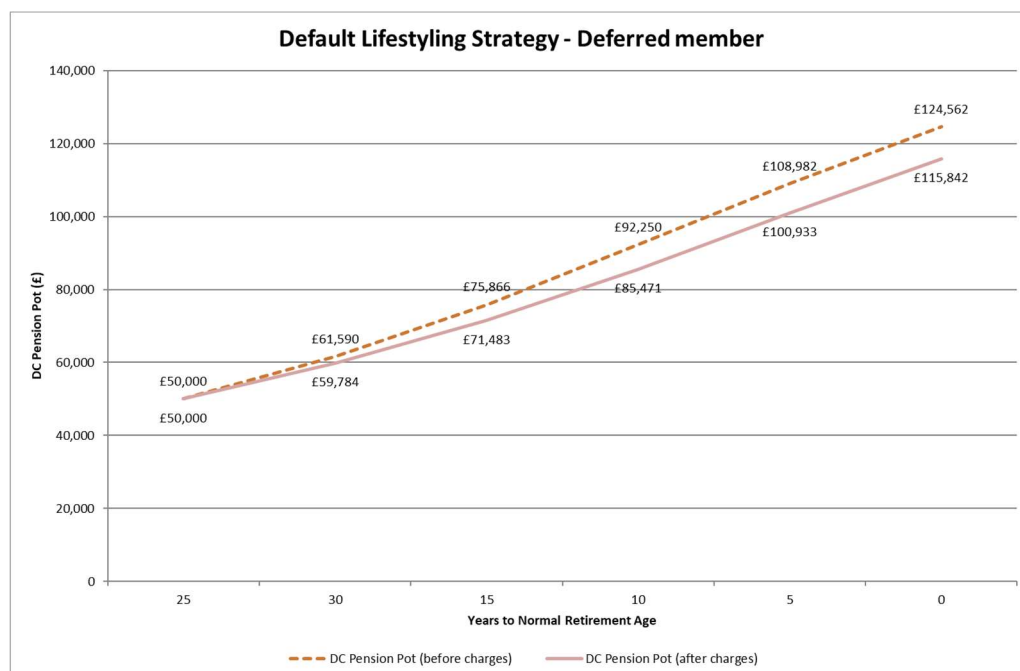
\*The zeros shown is due to the impact of an anti-dilution offset applied by the manager. This is an adjustment made by the manager so that the cost of buying and selling fund units is met by those transacting. Where the anti-dilution offset meets or outweighs the other sources of transaction costs resulting in a gain, this has been reported as a zero (i.e. no gain) as transactions typically result in a cost, rather than a gain.

# Charges and transaction costs

## continued

### 03.02 An illustration of the charges levied on members

Below you can find an illustration of the effect of the OCF and transaction costs met by active members on an example pension pot in the default investment option over time.



This is for illustration purposes only. The actual returns received are likely to differ over time as will individual member's pension pot sizes. This illustration is based on:

- > The Scheme's default investment option
- > Member is 25 years from retirement
- > An initial pension pot of £50,000
- > Net (after charges and inflation) returns estimated as 6.23% p.a. for the Governed Portfolio 4, 5.9% p.a. for the Governed Portfolio 5, 5.23% p.a. for the Governed Portfolio 6 and 5.13% p.a. for the Governed Retirement Income Portfolio 3. These estimated returns have been prepared by XPS using internally calculated assumptions.
- > Inflation of 2.5% p.a.
- > Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- > Projections are estimated values only and are not guaranteed.

Comparison figures if members were invested in the lowest or highest charging funds are shown in Appendix B.



# Charges and transaction costs

## continued

### 03.03 What are the assumptions based on?

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In preparing these illustrations, the Trustee has had regard to:

- > The Department for Work and Pensions' 'Reporting of costs, charges, and other information: guidance for trustees and managers of relevant occupational schemes' – effective from 1 October 2021;
- > Actuarial Standards Technical Memorandum 1 (AS TM1 v4.2) issued by the Financial Reporting Council;
- > The Financial Conduct Authority (FCA) Transaction cost disclosure in workplace pensions Policy Statement PS17/20; and
- > The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018).

# 04 Core financial transactions

## 04.01 Assessing Core Transactions

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During the year the Trustee ensured the requirements of Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 were met and that the Scheme's core financial transactions were processed promptly and accurately by:

- > Having an agreement in place with Royal London as Scheme administrator, committing them to defined service level agreements ('SLAs'). This covers, amongst other matters, the accuracy by:
  - Investment switches;
  - Processing retirements;
  - Processing transfers out of the Scheme; and
  - Processing death claims

Under the current SLA, Royal London aims to accurately complete all financial transactions generally within 5 working days.

- > Monitoring Royal London performance and reviewing that performance and querying variances at the Trustee's meetings.
- > Holding regular meetings (in the normal course of events) three times a year to review financial transactions (with ad-hoc meetings as needed)

Royal London do not prepare administration management information on a scheme level. Administration reports are however available across all Royal London clients. This is fairly common for small legacy arrangement like this Scheme. The Royal London service is however monitored by the Secretary to the Trustee who reports to the Trustee at regular meetings.

# Core financial transactions continued

## 04.02 Administration

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The Trustee recognises that good administration often correlates with positive member outcomes. Administration is a standing agenda item for each Trustee's meeting and the Trustee reviews the following:

- > Performance against the documented service level agreement 'SLA'. The Trustee and Adviser monitor performance against SLA agreements at Trustee governance meetings, although it is noted that due to the limited Royal London reporting on performance, this is reliant on the general oversight of performance by the Advisor and Trustee
- > Membership compliments and complaints during the period of review. If a complaint is received, then the Trustee is provided with the background to the case and what has been done to resolve the issue with the member. The Trustee will also take this opportunity to discuss whether a member complaint is the result of an underlying issue regarding the Scheme's design.
- > Whether there have been any data breaches that would be reportable to the Information Commissioner Office ("ICO") under the General Data Protection Regulation ("GDPR").
- > Any cases that require trustee discretion. Such examples would include the payment of discretionary benefits to a partner or dependant on the death of a member, or where a formal complaint has been made under the Scheme's dispute resolution process.
- > Any forthcoming legislation or guidance that will have an impact on the administration of the Trust.

As advisor to the Scheme, Purple Wealth has confirmed that it has no reasonable reason to believe that the core financial transactions have not been actioned promptly and accurately.

The Trustee has concluded that core financial transactions were processed promptly and accurately in the period covered by this Statement.

# 05 Value for Members

## 05.01 Assessment of Value

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The Trustee has reviewed 'Value for Members' considering the latest guidance from the Pensions Regulator and Department for Work & Pensions for Relevant Schemes such as the Scheme. The Trustee has also taken advice from XPS Pensions on the VfM requirements and received a report from XPS Pensions in January 2023 considering whether the Scheme provides good value, which the Trustee reviewed in January 2023. The Trustee's assessment has included the consideration of the member borne costs and charges and the net returns for the Scheme's investment options (net of all costs and charges) against three alternative arrangements and undertaken discussions with one comparator on accepting the benefits of the Scheme should it be wound-up (as required by regulation). The Trustee has concluded that the Scheme provides good value for members, for reasons including:

- > Net returns and charges provide good value when compared against three other 'Comparator' arrangements as set out in regulations;
- > Administration and Governance provide good value when compared against the regulations as shown by:
  - The processes that are in place to ensure the efficient administration and governance of the Scheme (which include those explained in the 'Core financial transactions' and the 'Knowledge and understanding of the Trustee' sections of this Statement);
  - The quality of communications and other services, such as administrative support, delivered to members on both an annual and ad-hoc basis provide members with clear and coherent information on their benefits and the options available to them.
- > The direct cost to members relates to the Royal London investment and administration charges. As explained throughout this Statement, the Trustee feels that these costs are reasonable for schemes of this size.
- > There is a clear, documented investment strategy which is reviewed regularly. The recent change to the default investment strategy is evidence of this.

# 06 Trustee Knowledge and understanding

## 06.01 Knowledge and understanding of the Trustee

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The Trustee is required to have appropriate levels of knowledge and understanding. This includes a working knowledge of the Scheme's Trust Deed and Rules, Statement of Investment Principles and documents setting out the Trustee's current policies. Further, they must have sufficient knowledge and understanding of the law relating to pensions and trusts; and the principles relating to the funding and investment of occupational schemes.

The Trustee is satisfied that they have complied with the knowledge and understanding requirements set out in section 248 of the Pensions Act 2004, for the following reasons:

- > Trustee Directors are required to take personal responsibility for keeping up to date with relevant developments and consider training requirements.
- > The Trustee receives advice from professional advisers and the relevant skills and experience of those advisers is key in the selection of advisers to the Scheme. The financial adviser to the Scheme attends all Trustee meetings.
- > Training is documented and provided for the Trustee Board at Trustee meetings by the Scheme Secretary.
- > New Trustee Directors are required to complete the Pensions Regulator Trustee Toolkit within six months of taking up office. No new trustees were appointed during the period of review.

The Trustee also had investment training as part of their discussions with their adviser in respect of the investment review, and training on new upcoming changes in respect of new regulatory developments introduced as part of the Pension Schemes Act 2021; including but not limited to the Pension Regulator's stronger powers, criminal offences in relation to Scheme Administration, responsibilities around climate change, and pension transfer processes.

Based upon these actions taken individually and as a Trustee Board with professional advice available to them, the Trustee considers that they have the sufficient skills and resources to properly exercise their function as a Trustee and have done so over the Scheme Year.

# 07 Conclusion

## 07.01 Conclusion

In conclusion, with the continual monitoring and the reviews detailed here, I am pleased to be able to submit this report in accordance with the Chair's Statement requirements, in the belief that the Scheme was operated and governed appropriately during the reporting period, and the Scheme provided good value to members.

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**Signature**

**Date**

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**Name**

David Crowley

**Qualification**

Chair of the Trustee Board

# Appendix A

## Statement of Investment Principles

Crossroads Commercials Limited  
Retirement Benefits Scheme

### Statement of Investment Principles 2022

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# Statement of Investment Principles

## continued

### 1 Introduction

The Trustees of the Crossroads Commercials Ltd Retirement Benefits Scheme ("the Trustees") have drawn up this Statement of Investment Principles ("SIP") to set out their policy on various matters governing decisions about the investments of The Crossroads Commercials Ltd Retirement Benefits Scheme ("the Scheme").

The Scheme is a hybrid arrangement holding a mixture of defined benefit and defined contribution elements. The defined benefit element consists only of Guaranteed Minimum Pensions (GMP) accrued up to 5 April 1997. In preparing the Statement, therefore, the Trustees have taken account of both elements.

This SIP is designed to comply with the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act") the Pensions Act 2004 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005 ("the Investment Regulations") and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

As required under the Act, the Trustees have consulted Crossroads Truck and Bus Limited ("the Employer") and Purple Wealth Ltd (PWM Ltd) ("the Investment Adviser") for advice on preparation of the Statement. PWM LTD are authorised and regulated by the Financial Conduct Authority (FCA).

In preparing this Statement, the Trustees have taken into account current guidance from the Pensions Regulator.

### 2 Governance

The Trustees have ultimate responsibility for decision making on investment matters. The Trustees' investment powers are set out within the scheme's governing documentation.

In addition to the Trustees there are a number of parties with a level of responsibility in relation to the governance and operation of the scheme. These are as follows:

- The Employer – who makes contributions to the Defined Benefit section of the scheme and pays the associated costs of the Defined Benefit Scheme Management
- Scheme Actuary
- Platform/Pension Provider – provides access to a range of pooled investment funds. Retains records of members funds and calculates benefits
- Fund Managers – undertake the day to day management of the underlying funds' assets
- Investment Adviser – advises the Trustees on the Scheme's investments and preparation of this statement
- Members – should choose the investment option(s) in which their funds are invested

The Trustees and their Investment Advisers do not give advice to individual members on their fund selections. Members are encouraged to take independent financial advice when making and reviewing their individual investment choices.

Having taken advice from the scheme investment adviser, who is authorised by the FCA, the Trustees are satisfied that the selected investment managers have sufficient experience and expertise to carry out their role. The Trustees have delegated all day to day investment management decisions to the Platform Provider/Fund Managers authorised under the Financial Services & Markets Act 2000 (FSMA).



# Statement of Investment Principles

## continued

### 2.1 Fee Structures

Details of the current fees for the Scheme's service providers and funds are set out in Appendix A to this Statement.

## 3 Investment Objectives

The Trustees have considered their investment objectives after taking into account the various risks to which the Scheme is exposed, and these are;

- To maximise the return on investments without incurring undue risk,
- To ensure that we can meet our obligations to all beneficiaries of the Scheme,
- To pay due regard to the Employer's interests on the size and incidence of Employer's contribution payments,
- To achieve, over the longer term, a return on investments which is consistent with the long-term assumptions we have agreed with the Employer and the Actuary in determining the funding of the Scheme.

With regard to the defined contribution section of the Scheme,

- To provide members with a range of investment options to enable them to tailor an investment strategy to their needs and risk tolerances,
- To provide members with access to a default investment option that the Trustees believe to be reasonable for those members that do not wish to make their own investment decisions
- The Scheme's default option objectives are to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near the point at which they access their pot

The Trustees strategy to enable them to achieve these objectives is set out below.

## 4 Investment Design Considerations

### 4.1 Trustee Investment Beliefs/Principles

The Trustees have established a set of guiding principles that provides their framework for the delivery of the scheme investment strategy.

The principles are:

- Understanding the personal profiles and attitudes of the scheme membership is important to providing an appropriate investment strategy for both Defined Benefit and Defined Contribution Assets
- Working collaboratively with the Scheme Employer and understanding their views on the long term aims of the scheme is crucial to managing the risk to and investment of the scheme assets
- Investment risk is generally rewarded over the long term
- Asset Allocation is the key driver behind long term investment returns
- Active management must be undertaken by skilful managers in specific asset classes
- Investment charges should not be excessive and will impact upon long term returns for member investments
- Environmental, (including climate change risks), social and governance issues are a material factor for investment decision making

# Statement of Investment Principles

## continued

- Active portfolio management, where investment costs are managed, will lead to improved outcomes for members

### 4.2 The Views of Members and Beneficiaries (Non-Financial Considerations)

Given the size of the scheme the Trustee Board has a long standing, direct knowledge of member views and opinions. The Trustees seek to continually obtain this knowledge through personal interaction with existing employees.

As employees (or former employees) of a company rooted in the logistics industry the Trustees understand that the risks posed by climate change the requirement for energy transition will be important in the long term for both the Employer and the members of the scheme.

The Trustees look to understand the employer policy in relation to these risks over the long term, particularly in relation to the long-term financial strength and covenant of the employer.

Members are encouraged to express any views in relation to the investment options available to the scheme and these views will be discussed and considered by the Trustees in relation to the cost of implementation and availability within the current administration and investment structure.

### 4.3 Investment Risks

There are various risks to which any pension scheme is exposed, and the Trustees have set out their policy in Appendix B with regards to dealing with those risks.

### 4.4 Expected Return on Investments

The Trustees expected return on asset classes within the Scheme are set out in Appendix C.

## 5 Investment Strategy

In proportion with the size of the Scheme and that fact that it is closed to new members and future accrual the Trustees have agreed that the investment of both Defined Benefit and Defined Contribution Assets will be within pooled investment funds offered via the scheme investment Pension Provider. The Trustees have appointed Royal London (Pension Provider) to provide administration and investment services through an insurance policy. Royal London provide an appropriate range of pooled funds and investment strategies in which to invest the scheme's assets. Each fund has a defined benchmark or objective. The underlying managers of the funds are responsible for the choice of individual stocks and are expected to maintain a diversified portfolio within each fund.

These funds may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index linked bonds, cash, commercial and residential property, infrastructure and commodities through collective investment vehicles and derivatives to help mitigate investment risks or enhance investment returns.

The funds used are provided through an insurance company-based investment platform and so must comply with the FCA's "Permitted Links" rules, which place limits on the degree of leverage which a fund can use.



# Statement of Investment Principles

## continued

### 5.1 Defined Benefit Assets

The defined benefit assets of the scheme comprise of two funds – 1) The Trustee Contingency Fund and 2) the member Guaranteed Minimum Pension (GMP) contributions.

With regard to the liabilities of the scheme, the contributions made by the employer and the profile of the scheme membership the Trustees have adopted a 'Balanced' attitude to risk. The Trustees have reviewed the strategic asset allocation of different Balanced Asset Allocation models and have sought a model portfolio within the pension provider suite of investment that meets with a Balanced asset allocation – Governed Portfolio 5 (GP5). This Model Portfolio is replicated in the Royal London Managed Fund that is utilised for investment of the Trustee Contingency Fund.

The Trustees believe that Royal London Asset Management, have demonstrated an extensive track record of managing diversified portfolios, is best placed to provide an active management solution to meet with the Trustee risk attitude. We also have regard to the risks which may arise through a mismatch between the fund's assets and its liabilities and the risks which may arise from the lack of diversification of investments.

Our current long-term aim is to ensure that the Scheme assets which are used to meet the defined benefit liabilities are invested so that we can take advantage of investment opportunities in the UK and overseas and to allow for temporary anomalies in the investment markets.

The asset allocation of our chosen Model Portfolio for investment of Trustee Funds can be found in Appendix D

### 5.2 Defined Contribution Assets

Regarding the defined contribution assets, we have sought to provide a default investment arrangement that will meet the needs of members at different stages in their journey to retirement. Our default arrangement is the Royal London Balanced Lifestyle Strategy Target Drawdown. This strategy targets a transfer to the Royal London Governed Retirement Income Portfolio (GRIP) Risk Level 3 at the members' Normal Retirement Age. Members will be invested in a Balanced Model Portfolio which aims to deliver above inflation growth until they reach the point of being within 15 years of their Normal Retirement Age. It then gradually switches into less risky assets with the last 5 years prior to Normal Retirement Age introducing a higher level of the RL GRIP Level 3 Fund to being 100% invested in this fund in the last year of investment. The Trustees urge members to seek Independent Advice in relation to the investment of their pension funds to ensure that their investment strategy is appropriate to their needs and objectives.

In addition, we recognise that members have differing investment needs and that these may change during the course of members working lives. We also recognise that they have different attitudes to risk. We believe that members should have the option to make their own investment decisions based upon their own individual circumstances. For this reason, we have made a range of investment funds available sufficient to enable the members to tailor an investment strategy to meet their own needs. These funds are;

- Royal London Property Fund
- Royal London Deposit Fund
- Royal London Managed Fund
- Royal London Corporate Bond Fund
- Royal London Worldwide Fund

# Statement of Investment Principles

## continued

- **Royal London With Profits Fund**

In addition to the above listed funds members are also free to select from all risk profiles of the Royal London Governed Portfolio (GP) range (Risk Profiles 1-9). This suite of portfolios offer a Cautious Profile in Portfolios 1 – 3 with GP 1 for members with a long time horizon, GP 2 with Medium time horizon and GP 3 with a short time horizon. The Balanced Portfolios are GP4 to GP6, with GP4 being targeted at longer term investor. The Adventurous Portfolios are GP7 to GP9, with GP7 being targeted at the longer term, adventurous investors.

In addition members are also free to select the Royal London Balanced Lifestyle Strategy targeting the purchase of an annuity at retirement or 100% Cash at Retirement if they feel this would be more appropriate to their personal circumstances than the default Balanced Lifestyle Strategy Target Drawdown.

The investment managers are regulated by the Financial Conduct Authority, with whom day to day responsibility of the fund assets rests.

The Trustees may from time to time hold insurance policies or other assets which are earmarked for the benefit of certain members. These may include for example;

- Assets secured by Additional Voluntary Contributions (AVCs) or other arrangements made individually with the Trustees,
- Deferred or Immediate Annuity Policies purchased to match part or all of the fund's liabilities.

## **6 Realisation of Investments**

The investment managers have discretion over the timing of realisation of investment of the scheme within the Governed Portfolios that make up the default investment strategy and form the investment strategy for Defined Benefit Assets.

The Trustees recognise that the investment managers may at times impose restrictions on the timing of purchases and sales of funds (most notably investing in Property) in some market conditions to protect the interests of all investors in a fund.

### **6.1 Defined Benefit Considerations**

From time to time members may choose to accept a Cash Equivalent Transfer Value of their defined benefit assets or the Trustees may elect to pay GMP's via a pensioner payroll function as opposed to the purchase of annuities at the prevailing rate to secure benefits. For these purposes the Trustees maintain a cash deposit account equivalent to £50,000 plus the deficit value of any CETV's requested in the last three months. This avoids the requirement to access invested funds for these purposes.

### **6.2 Defined Contribution Considerations**

Funds need to be sold to make payments of benefits and to undertake investment switches in line with lifestyle and governed portfolio strategies. The Trustees expect the Pension Provider to be able to realise the Scheme's funds within a reasonable timescale.

# Statement of Investment Principles

## continued

### **7 Monitoring**

With the assistance of the investment adviser, the Trustees monitor the performance of the chosen funds and portfolios at Trustee meetings which are held on a four-monthly basis. Fund and Portfolio performance is tracked against its stated objective and benchmark.

### **8 Environment, Social and Corporate Governance Factors**

As the Scheme's assets are invested in a selection of pooled funds, the Trustees accept the assets are subject to the investment manager's own policy on social, environmental or ethical investment and on corporate governance.

The Trustees undertake an annual review of the Platform Provider's policy in relation to these matters by an analysis of their 'Stewardship and Responsible Investment Activity Report'.

### **9 Exercise of Investment Rights**

The Trustees recognise their responsibilities as the owners of significant investment capital and believe that good corporate governance enhances shareholder value over the long term. As Investors in Pooled investment funds the Trustees cannot directly influence the managers' policies on the exercise of investment rights. Having reviewed the Stewardship Policy of Royal London Asset Management, the Trustees understand the investment managers' Corporate Governance policies reflect the recommendations of the UK Stewardship Code issued by the Financial Reporting Council.

Whilst there is no direct influence, if the Trustees felt that the policies of the investment managers were divergent with good Corporate Governance Practices they would implement a review of the Pension Provider in the wider market to ascertain if the assets of the scheme could be put to more effective use.



# Statement of Investment Principles

## continued

### 10 Review and Compliance of the Statement

In compliance with the requirements of Section 35 of the Pensions Act 1995 the Trustees will review this Statement at the very least on a three yearly basis to coincide with the Actuarial Valuation of the scheme and immediately after any significant change in investment policy. Any such review will be taken after receiving advice and will be in consultation with the Company.

It is the Trustees' working practise to monitor compliance of the Statement as part of the investment review at every Trustee meeting.

This Statement of Investment Principles was completed in March 2022.

**The Trustees of the Crossroads Commercial Retirement Benefits Scheme**



.....Date.....

David Crowley

Chair of Trustees

# Statement of Investment Principles

## continued

### 11 Appendix

#### 11.1 Appendix A: Fee Structures

All professional, advisory fees and trustee expenses are met entirely by the employer.

Investment management fees are paid via an AMC based on the value of funds across all types of investment asset – Defined Contribution Funds, Trustee Managed GMP Funds and the Contingency Fund. In agreeing the fee structure with the Platform Provider, the Trustees have negotiated discounts as follows on the published fund AMC.

Scheme Section	Scheme Code	Agreed Discount	Effective AMC if published AMC is 1%
Defined Contribution	60730	0.45%	0.55%
GMP Funds	60781	0.25%	0.75%
Contingency Fund	15996	0.6%	0.4%

The Trustees are satisfied that the total charges borne by the members over a 12-month period comply with the charge cap of 0.75%.

#### 11.2 Appendix B: The Trustee's policy with regard to risk

The Trustees recognise a number of risks involved in the investment of the Scheme's assets. The following table shows each type of risks along with the Trustees policy on how each risk is to be measured and managed.

Type of Risk	Measured by	Managed by
Mismatching	Value of liabilities and assets not moving in line with one another.	The Trustees adopt an investment strategy, which considers investments that 'best' match the Scheme's liabilities. The Trustees consider what extent to match the assets to the liabilities and the risk of mismatching. The Trustees accept that even where they decide to match, perfect matching is not possible and that there will be some residual mismatching risk. The degree of mismatching risk will be monitored periodically and at any time should there be a significant change in the financial strength of the sponsoring employer.
Solvency	Funding position on a solvency buy-out basis changing from one valuation to the next.	The Trustees accept that the assets are invested to match the liabilities on an ongoing basis and not a buyout solvency basis.  The Trustees will monitor the buyout position at the Triennial Actuarial valuation

# Statement of Investment Principles

## continued

Currency	The level of scheme asset exposure to foreign currencies leading to adverse influence on investment values arising from economic conditions affecting that currency	The Trustees may from time to time decide to hedge currency risks, though their default position is not to hedge such risks.
Liquidity	The level of cashflow required for the scheme over a specific period. Failure to meet benefits as they fall due, as a result of inability to realise assets.	The Trustees examine the projected cash flow of the Scheme and, if there is predicted to be a net outflow in a given year will ensure sufficient assets are held in cash or other liquid assets.
Diversification	Concentration of assets in any one investment fund or asset class leading to the risk of an adverse influence on investment values arising from poor performance of that fund or asset	The Trustee's investment policy is to invest in pooled investment funds, with the objective of achieving diversification.  In addition, the Trustees hold no employer related assets.
Fraud	Loss of assets as a result of fraud.	The appointed fund managers provide custody of the majority of the scheme's assets and each fund manager accepts responsibility should fraud be committed by their staff.  The Trustees have put in place strict controls on who can authorise the transfer of cash and the accounts to which transfers can be made.
Legislative	Impact of additional legislative requirements affecting either; <ul style="list-style-type: none"> <li>• An increase in the value of the liabilities, or</li> <li>• A fall in asset values or expected future returns.</li> </ul>	The Trustees have no control over this type of risk. If the risk emerges then Trustees will review the investment strategy with the guidance of their appointed advisers.
Political	The level of concentration in any one market leading to the risk of an adverse influence on investment values as a result of political action, such as; <ul style="list-style-type: none"> <li>• Change in government,</li> </ul>	The Trustees have no control over this type of risk however they expect the investment manager to take account of it in both their asset allocation strategy at both fund and portfolio level.



# Statement of Investment Principles

## continued

	<ul style="list-style-type: none"> <li>• Change in supply of gilts.</li> </ul>	
Funding	The funding level on the Statutory Funding Objective (SFO) falls below an acceptable level.	The Trustees invest the assets such that the risk of deterioration of the SFO funding level to below an acceptable level is balanced against the risk of not achieving the other objectives set out in this Statement and the Statement of Funding Principle.
Employer	The level, ability and willingness of the Employer to support the continuation of the Scheme and make good any current and future deficit	Trustees regularly monitor the Employer Covenant and take account of any changes in determining the asset allocation.
Investment Manager	Is measured by the expected deviation of the prospective risk and return as set out in the Manager objectives relative to investment benchmark.	Monitoring of the actual deviation of returns relative to the objective over the long term.
Inflation	Investment returns for members and Trustees not keeping pace with inflation and not producing adequate retirement benefits	<p>The Trustees have selected a diversified portfolio of assets for both Trustee managed and member selected accounts that are targeted to produce returns in excess of inflation over the longer term.</p> <p>Members are encouraged to review their investment selection with an Independent Financial Adviser</p>
Benefit Conversion	Adverse movements in investment values prior to realisation for specific members or at Trustee level	The Trustees have selected a default investment option that reduces risk in the 15 years running up to a member's normal retirement date
Climate Change	Considered to be a systemic risk	The Trustees review the Investment Managers approach to managing climate change concerns and are confident that they have a positive engagement approach to work with companies/institutions to reduce this risk over the longer term

### 11.3 Appendix C: Expected Return on Investments

The expected returns on the principal asset classes and fund types within the scheme are:

Asset	Return Characteristics
Equities	Strong positive return relative to inflation over the longer-term but tend to be the most volatile asset class over the shorter term
Property	Should achieve a positive return relative to inflation over the longer term which lower than that for equities but with a lower level of short-term volatility
Corporate Bonds	Should achieve a positive return relative to inflation over the longer term which lower than that for equities and property but with a lower level of short-term volatility
Gilts (Government Bonds)	Should achieve a positive return relative to inflation over the longer term which lower than that for equities, property and Corporate Bonds but with a lower level of short-term volatility
Index Linked Gilts	Should achieve a return in line with inflation over the longer-term but with a lower level of short-term volatility than equities, property and corporate bonds
Cash	Should achieve a positive return which may not always keep pace with inflation, while normally providing a minimal level of volatility and a high degree of capital security
Long Dated Bonds	Values should move broadly in line with financial factors influencing annuity rates
Multi-Asset Funds	Invest in a mix of asset classes with the objective of delivering a positive return relative to inflation over the longer-term, with lower level of volatility than equities

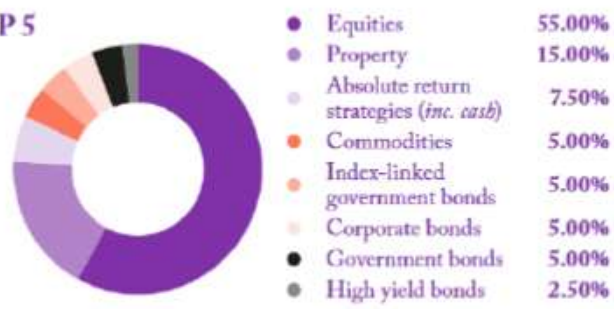
### 11.4 Appendix D: Defined Benefit Funds Asset Allocation

Based upon advice from the Investment Adviser and in proportion of the size of the defined benefit assets of the scheme the Trustees have elected to invest in an 'off the shelf' model portfolio provided by the platform provider.

This portfolio benefits from a monthly review of asset allocation and fund selection with automatic rebalancing to maintain the selected attitude to risk.

The current asset allocation of the Royal London Governed Portfolio 5 is as follows:

GP 5



# Appendix B

## Projections

The tables below show the example of the cumulative effect over time of the relevant costs and charges on the value of a member's benefits for the highest and lowest charging funds in which the members are invested.

Royal London Corporate Bond Lowest charging fund		
Investment return	4.66%	
Charges (p.a.)	0.550%	
Years to Normal Retirement Age	Pension pot, £ (before charges)	Pension pot, £ (after charges)
25	50,000	50,000
20	55,495	54,052
15	61,594	58,433
10	68,363	63,168
5	75,877	68,288
0	84,215	73,822

Royal London Property Highest charging fund		
Investment return	6.02%	
Charges (p.a.)	0.704%	
Years to Normal Retirement Age	Pension pot, £ (before charges)	Pension pot, £ (after charges)
25	50,000	50,000
20	59,207	57,267
15	70,109	65,590
10	83,018	75,123
5	98,305	86,042
0	116,407	98,547

### Assumptions

This illustration is based on:

- An initial pension pot of £50,000
- No further contributions
- Inflation of 2.5%



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**Registration**

XPS Pensions Consulting Limited, Registered No. 2459442.

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**Authorisation**

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).