

THE SLAUGHTER AND MAY PENSION SCHEME

TRUSTEE'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2020

(The Pensions Regulator – Registered Number: 10158285)

THE SLAUGHTER AND MAY PENSION SCHEME

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DETAILS OF PRINCIPAL EMPLOYER, TRUSTEE AND ADVISERS

Principal Employer	Slaughter and May
Participating Employers	Slaughter and May Services Company Slaughter and May Limited
Trustee*	Slaughter and May Pensions Trustees Limited
Directors of the Trustee	Mr. C.F.G. Girling (Chairman) Mr. H.J. Gittins Mr. P.R. Linnard Mr. C.J. Martin Mr. S. Maudgil Ms. A. Nassiri Ms. S.E. Twigger Mr. W.N.C. Watson Mr. O.J. Wicker
Scheme Actuary	Mrs. J. Curtis
Investment Advisers	Aon Limited
Independent Auditor	Moore Kingston Smith LLP
Solicitors	Slaughter and May Sacker and Partners LLP
Bankers	National Westminster Bank Plc
Investment Managers	Phoenix Wealth Limited Legal & General Investment Management Limited Legal & General Assurance Society Limited
AVC Providers	Utmost Life and Pensions Limited Phoenix Wealth Limited

* The partners of Slaughter and May (the "Firm") may remove the Trustee, appoint a new Trustee or Trustees in its place or appoint an additional Trustee or Trustees.

Trexco Limited and Trucidator Nominees Limited, as equal joint shareholders of Slaughter and May Pensions Trustees Limited, may appoint and remove any director of that company provided the appointment or removal is consistent with the Member Nominated Director arrangements.

THE TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Trustee of the Slaughter and May Pension Scheme (the "Scheme") presents its annual report together with the investment report, the Auditor's report, the financial statements and the most recent Actuarial Certificate available to the Trustee. The financial statements have been prepared and audited in accordance with regulations made under section 41(1) and (6) of the Pensions Act 1995.

Constitution of the Scheme

The Scheme is governed by a Fourth Definitive Trust Deed and Rules dated 19 August 2013 as amended by deeds of amendment dated 27 August 2013, 29 October 2013, 28 March 2014, 23 March 2016, 5 April 2018, 8 January 2019 and 26 May 2020.

The Scheme is a registered occupational pension scheme under Part 4 of the Finance Act 2004 (previously approved under Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988). The Trustee is not aware of any reason why registration should be withdrawn.

The Scheme is registered with the Pension Scheme Registry under Scheme Reference Number 10158285.

The Money Purchase Scheme 2001 ("MPS") and the Final Salary Scheme ("FSS") are each separate benefit sections of the Scheme but the trust assets (excluding those due to individual members) in relation to the Scheme are a single undivided fund.

The Trustee of the Scheme

In accordance with the Pensions Act 1995, the Trustee has put in place arrangements under which at least one-third of the directors of the Trustee are nominated by the active members and pensioner members of the Scheme and The Slaughter and May 1988 Money Purchase Scheme (together the "Schemes"). These are called Member Nominated Directors ("MNDs"). The remaining directors are selected by the partners of Slaughter and May (the "Firm").

The Trustee of the Scheme is Slaughter and May Pensions Trustees Limited. There are currently nine directors. Five directors of the Trustee are partners of the Firm, Mr. P.R. Linnard, Mr. S. Maudgil, Ms. A. Nassiri, Mr. W.N.C. Watson and Mr O.J. Wicker. Mr. C.F.G. Girling is the independent trustee director and Chairman. Ms. S.E. Twigger, Mr. C.J. Martin and Mr. H.J. Gittins are MNDs. Ms. E.R. Hart retired as a director on 9 January 2019. Mr. J.M. Fenn retired as a director on 30 April 2019. Mr. P.R. Linnard, Mr. H.J. Gittins and Mr. W.N.C. Watson were appointed on 9 May 2019. In the past year, the Trustee met four times.

Auditor

The Scheme's appointed auditor is Moore Kingston Smith LLP.

Statement of Trustee's Responsibilities

The following statement is made at the request of the Auditor to comply with International Standards on Auditing (UK and Ireland). It must not be construed as imposing any liability on the Trustee which would not have been imposed if that statement had not been made.

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

THE TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2020 (contd.)

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee is required to act in accordance with the Trust Deed and Rules of the Scheme within the framework of pension and trust law and, subject to these parameters, the Trustee has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time revising, a schedule of contributions showing the rates of contributions (other than voluntary contributions) payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions and the Scheme rules. Where breaches of the schedule occur, the Trustee is required by the Pensions Act 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

Covid-19

On 11 March 2020, Covid-19 was declared a pandemic by the World Health Organisation. The pandemic brought unprecedented difficulties to UK businesses and communities, causing disruption to life and work but the Trustee has ensured that the necessary changes to working practices and inevitable communication delays did not materially undermine the governance of the Scheme. The disruption to economic activity has been reflected in global stock market fluctuations and, in turn, in the valuation of Money Purchase Scheme assets. The liability hedging strategy of the FSS has operated effectively to limit the impact on the FSS Scheme assets, and the employer covenant has been largely unaffected. The Trustee continues to keep the impact of Covid-19 under review to ensure that the high levels of Scheme governance are maintained.

THE TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2020 (contd.)

Report on Actuarial Liabilities

Section 222 of the Pensions Act 2004 and the Occupational Pension Schemes (Scheme Funding) Regulations 2005 require the Scheme to have:

- sufficient and appropriate assets to meet the FSS's technical provisions (present value of the benefits members are entitled to based on pensionable service to the valuation date), known as the Statutory Funding Objective ("SFO");
- a Statement of Funding Principles ("SFP") covering the policy in relation to funding and the method and assumptions by which the technical provisions are determined. The SFP is available to members on request;
- an actuarial valuation at least every 3 years with interim reports for intervening years.

The Scheme Actuary has carried out the latest formal valuation under the scheme-specific funding regulations as at 31 March 2018. This showed on that date:

The value of the Technical Provisions was	£185.7 million
The value of the assets was	£200.4 million

The Actuarial Valuation showed that the assets of the FSS were sufficient to meet the FSS's technical provisions at the valuation date. The surplus was £14.7m, corresponding to a funding level of 107.9%. There was no deficit recovery plan as the FSS was in surplus. The Firm will directly meet the expenses of the FSS and the MPS.

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions are laid out in the Appendix to the Statement of Funding Principles):

<u>Method</u>	Projected unit method
<u>Assumptions</u>	
RPI	Bank of England RPI Curve
CPI	RPI inflation less 0.8% p.a.
Pension increases	Derived from RPI price inflation assumption
Pre-retirement discount rate	Bank of England Yield Curve plus 0.5% p.a.
Post-retirement discount rate	Bank of England Yield Curve plus 0.5% p.a.

Mortality: for the period in retirement, standard base table S2PxA with a scaling factor of 92% for male deferred members and 91% for male pensioner members; and a scaling factor of 94% for female deferred pensioners and 99% for female pensioner members. Post retirement future improvements in mortality are based on CMI 2017 core projections with a smoothing parameter of 8.0% and a long-term improvement rate of 1.75% for males and females.

A copy of the latest Actuarial Certification of the Schedule of Contributions confirming the adequacy of contributions for the purposes of the Statutory Funding Objective is shown on page 46.

The next full actuarial valuation as at 31 March 2021 is not due for completion until 30 June 2022.

THE TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2020 (contd.)**Automatic Enrolment and Salary Sacrifice**

In 2013, the Scheme was amended to enable it to be the eligible pension scheme for Slaughter and May employees under the automatic enrolment regulations. The staging date for Slaughter and May was 1 September 2013 and, after applying a 2 month postponement, the first employees were automatically enrolled on 1 November 2013. At the same time Slaughter and May amended the MPS so that members' contributions were replaced by salary sacrifice unless the member specifically opted not to participate in salary sacrifice. Slaughter and May shares 50% of its National Insurance saving with the members of the Scheme and this is paid into members' pension accounts monthly.

Since 6 April 2018, all new UK employees of Slaughter and May have been immediately automatically enrolled without applying a postponement period. This simplifies the joining process. Exercises were undertaken at both 6 April 2018 and 6 April 2019 to apply the increase in the Government's minimum contribution levels to all affected jobholders.

The closure of the FSS to future accrual

Following a consultation between the Firm and the active members of the FSS, the FSS closed to future accrual on 28 February 2011. All 225 affected members joined the MPS2001 from 1 March 2011. Death-in-service and incapacity benefits were unaffected and remain payable through the FSS for those members while they remain employed by the Firm. Certain concessions were made and additional contributions were paid by the Firm into the MPS for the affected members for a transitional period ending on 31 October 2013.

Pensionable Salary Cap

In June 2008, the Firm announced a change to the FSS. The change restricts the extent to which pay increases awarded after 1 May 2008 are pensionable for FSS purposes to the lesser of inflation (as measured by the Retail Prices Index "RPI") and 5%. Following the closure of the FSS to future accrual on 28 February 2011, the change will continue to affect the death and incapacity benefits of those FSS members who remain employed by the Firm.

Membership and Beneficiaries

	<u>31 March 2020</u>			<u>31 March 2019</u>		
	<u>FSS</u>	<u>MPS</u>	<u>Total</u>	<u>FSS</u>	<u>MPS</u>	<u>Total</u>
Active Members	-	1,111	1,111	-	1,062	1,062
Deferred Pensioners	378	1,637	2,015	400	1,524	1,924
Pensioners and Beneficiaries*	494	-	494	477	-	477
Life Assurance Only Members	-	16	16	-	19	19
	<u>872</u>	<u>2,764</u>	<u>3,636</u>	<u>877</u>	<u>2,605</u>	<u>3,482</u>

*Beneficiaries are those receiving pensions as a result of the death of an Active Member, Deferred Pensioner or Pensioner.

Increases to Pensions

All pensions in payment which are attributable to pensionable service completed after 5 April 1997 and before 6 April 2005 must, subject to certain exceptions, be increased by 5% a year or, if less, the increase in the RPI. All pensions in payment which are attributable to pensionable service completed after 5 April 2005 must, subject to certain exceptions, be increased by 2.5% a year, or if less, the increase in the RPI. Any other increases to pensions in payment are entirely at the Trustee's and the Firm's discretion.

THE TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2020 (contd.)

In July 2010, the Government announced that statutory minimum pension increases were to be linked to CPI rather than RPI. However, the Government subsequently decided that there would be no statutory override to a scheme's rules. Accordingly, the statutory increases to pensions in payment in the FSS remain linked to RPI.

The increase in the RPI over the year to 31 July 2019 was 2.8%. Backdated with effect from 1 July 2018, tranches of pensions in payment for service accrued between 6 April 1997 and 5 April 2005 subject to statutory minimum increases were increased by 2.8%. Tranches of pension for service accrued after 5 April 2005 subject to statutory minimum increases were increased by 2.5%. All other tranches of pensions in payment that were subject to discretionary increases only (with certain minor exceptions) were increased by 2.1%. A proportionately smaller increase was given to members who had been retired for less than one year.

Following the Firm's decision that it would no longer fund for future discretionary pension increases as part of the Actuarial Valuation, the Firm made a contribution of £840,000 on 8 November 2019 to fund the discretionary element of the pension increases awarded in the year. The value of the contribution was calculated by the Scheme Actuary.

Members of the MPS are responsible for making their own arrangements to pay pensions for themselves at retirement whether through cash withdrawal, the purchase of an annuity or the transfer of benefits to a flexi-access drawdown facility. These arrangements are made by members in their own names and will discharge the Scheme from the liabilities to pay pensions.

Cash Equivalent Transfer Values

Members leaving service can normally transfer the cash value of their benefits in the FSS (their "cash equivalent transfer value") to a new employer's scheme or to a suitably approved insurance policy or to the personal pension scheme of their choice. The Trustee, under the advice of the Actuary, set the basis for calculating transfer values under new legislation at its meeting on 11 June 2019. The CETV factors are updated to reflect market conditions every six months or more frequently if the Scheme Actuary determines the market movements warrant it. The last update of CETV factors was made on 6 May 2020. No allowance is made for discretionary benefits and discretionary increases to pensions.

There were three transfers of FSS benefits and two transfers of AVCs to other pension arrangements made in the year ended 31 March 2020, totalling £761,928 and £219,450 respectively.

Revaluation of deferred benefits

Deferred pensions from the FSS arising on or after 1 January 1986 are subject to statutory revaluation. For revaluation up to 31 December 2010, in relation to service completed up to 5 April 2009, revaluation is calculated by reference to the increase in the RPI subject to a maximum of 5.0% p.a. compound; in relation to service completed after 5 April 2009 the RPI increase maximum is 2.5% p.a. compound.

From 1 January 2011 the basis of the revaluation of pensions in deferment is by reference to CPI rather than RPI. However, the firm amended the rules of the Scheme such that the revaluation of pensions in deferment will be linked to capped RPI for employed deferred members for so long as they remain employed by the firm. Employed deferred members are those who become deferred members at 28 February 2011 when the FSS was closed to future accrual. Once an employed deferred member leaves the employment of the firm, the revaluation of the pension in deferment will be linked to capped CPI in the same way as members who left the firm before 28 February 2011.

THE TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2020 (contd.)**Data Protection Statement**

The Trustee holds personal data provided by members of the Scheme (and, where appropriate, by third parties such as the Firm and Participating Employers or medical advisers) for the purpose of calculating and providing members' benefits and members' survivors' benefits under the Scheme.

All personal information collected by the Scheme is processed on the grounds that such processing is necessary to further the Trustee and the firm's legitimate interest in the effective administration and management of members' benefits under the Scheme. Both the firm and the Trustee will comply with their relevant data protection obligations when processing this information. There may be occasions when members' personal information will need to be shared with other individuals and organisations. The Trustee has prepared a Pension Schemes Privacy Policy which sets out, amongst other things, how the Trustee obtains, uses, shares and protects the personal information that it collects. It also sets out members' rights in relation to their information.

If any member wishes to know more about the information held by the Trustee or the purposes for which it is held or to obtain a copy of the Pension Scheme's Privacy Policy, please contact the Staff Pensions Team.

Enquiries about the Scheme or Benefit Entitlement

Any enquiries about the Scheme generally or about entitlement to benefits under the Scheme should be made to the Staff Pensions Team, Slaughter and May, One Bunhill Row, London, EC1Y 8YY (Tel: 020 7090 4142/4101). Email: staffpensionsteam@slaughterandmay.com.

Signed for and on behalf of
Slaughter and May Pensions Trustees Limited

..... Director

..... 29 September 2020

THE INVESTMENT REPORT

1. FINAL SALARY SCHEME AND MONEY PURCHASE SCHEME 2001

Statement of Investment Principles

The Trustee's Statement of Investment Principles (the "Statement") is reviewed at least annually. Copies are available from the Trustee on request.

The Statement, which was prepared after obtaining advice from Aon Limited ("Aon") and after consulting the Firm, sets out the Trustee's policy concerning:

- the nature of investments which are suitable for the Scheme to hold, having regard to investment risk and the need for diversification of investments as appropriate;
- the selection of investments, suitable investment managers and instructions restricting certain types of investment activity, including self-investment;
- procedures for regular review of the investment strategy, having regard to the Scheme's actuarial liabilities and the need for realisation of investments;
- objectives for investment performance of the Scheme and review of investment management performance;
- procedures to ensure safe custody of the Scheme's assets and for monitoring compliance with the Trustee's policies by investment managers, custodians and administrators; and
- corporate governance.

The Trustee will continue to review the Statement annually to ensure the principles continue to be appropriate to the Scheme.

Responsible Investment

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to, where appropriate, engage with investee companies with the aim to protect and enhance the value of assets and exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

2. FINAL SALARY SCHEME ("FSS")

Investment Policy and Objective

The Trustee aims to invest the FSS assets prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustee first considered the lowest risk allocation that it could adopt in relation to the FSS liabilities and then selected a strategy that is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the FSS liabilities. In accordance with this, the investment strategy is reviewed regularly.

The asset allocation proportions chosen by the Trustee and the actual asset allocation proportions at the year end are as follows:

<u>Asset Class</u>	<u>Indicative Proportion</u>	<u>Actual Proportion at 31 March 2020</u>	<u>Value at 31 March 2020</u> £m
Equities	20.0%	18.8%	38.5
Gilts and cash	50.0%	52.0%	106.1
Bulk annuity	<u>30.0%</u>	<u>29.2%</u>	<u>59.6</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>204.2</u>

The bespoke portfolio of LGIM gilt funds was specifically selected in March 2017 under the advice of Aon to better match the liabilities of the Scheme in terms of interest rate and inflation exposure, a form of liability driven investment (LDI). A separate exercise to rebalance the gilts portfolio was commissioned by the Trustee following the purchase of the bulk annuity and some adjustments to the portfolio were made in November 2019.

The Trustee reviews the asset allocation on a quarterly basis and rebalances the Equities proportion as and when it feels necessary.

The Trustee's policy is to target a funding position whereby many of the risks inherent in the current technical provisions basis can be removed.

This target is 110% of solvency liabilities which provides a buffer for future uncertainties. The Trustee considers that the current investment strategy is appropriate to meet this target and has adopted a de-risking strategy that will gradually move the portfolio out of equities and into bonds as progress towards this target is made. These moves will be driven by a number of de-risking trigger points linked to the Scheme's solvency ratio, as provided by the Scheme Actuary. The next de-risking trigger point is when the solvency funding position reaches 100%. At that point, the proportion of Equities will be reduced from 20% to 10%.

The Investments

At both 1 April 2019 and 31 March 2020, the assets of the FSS were invested with Legal & General Investment Management Limited ("LGIM") and Legal & General Assurance Society Limited (LGAS), in the funds and indicative proportions listed below:

<u>Fund Name</u>	<u>Proportion</u>
All World Equity Index Fund	20.0%
Bespoke LDI Gilts portfolio and cash	50.0%
Bulk annuity	<u>30.0%</u>
	<u>100.0%</u>

Income generated by the LGIM All World Equity Index Fund and the gilts portfolio is invested in the LGIM Liquidity Fund to assist with cashflow management.

On 12 March 2019, the Trustee entered into a bulk annuity contract (pensioner buy-in) with Legal & General Assurance Society Limited (LGAS). The Trustee passed assets of c. £60m to LGAS in exchange for monthly cashflows back to the Trustee in respect of a specific cohort of pensioners. The payment of the pensions remains the responsibility of the Trustee but the longevity risk of these pensioners has been successfully hedged by this bulk annuity. The assets transferred in-specie to LGAS were predominantly Corporate Bonds supplemented by Gilts and cash.

Investment Fees

The fees for the LGIM funds were as follows:

<u>Asset Class</u>	<u>Fund Fees</u>
World Equity	0.158%
Gilts Portfolio	0.035%
Cash	0.125%

Custodial Arrangements

All of the assets of the Scheme (with the exception of the bulk annuity and any cash required to meet day to day expenses and the payment of benefits) are held in pooled funds by third parties and therefore the Scheme does not require a direct Custodian. Cash held by the Trustee is on deposit with National Westminster Bank Plc. The bulk annuity is with Legal & General Assurance Society Limited.

Performance

The Trustee employs the services of Aon to provide independent assessments and to help it review the funds' performance. A summary of the investment returns achieved is given below:

<u>Fund Name</u>	<u>Period</u>	<u>Fund</u> <u>%</u>	<u>Benchmark</u> <u>%</u>	<u>Diff</u> <u>%</u>
Global Equities	1 year	(10.8)	(10.9)	0.1
	3 years % pa	0.9	0.9	0.0
2047 Gilt Fund	1 year	11.9	11.9	0.0
	3 years % pa			
2049 Gilt Fund	1 year	5.9	5.9	0.0
	3 years % pa	n/a	n/a	n/a
2055 Gilt Fund	1 year	19.9	19.9	0.0
	3 years % pa	8.5	8.5	0.0
2060 Gilt Fund	1 year	22.7	22.8	(0.1)
	3 years % pa	9.3	9.3	0.0
2065 Gilt Fund	1 year	18.0	18.1	(0.1)
	3 years % pa	n/a	n/a	n/a
2068 Gilt Fund	1 year	7.8	7.8	0.0
	3 years % pa	n/a	n/a	n/a
2071 Gilt Fund	1 year	24.1	24.1	-0.1
	3 years % pa	n/a	n/a	n/a
2035 Index-Linked Gilt Fund	1 year	2.4	2.4	0.0
	3 years % pa	n/a	n/a	n/a
2037 Index-Linked Gilt Fund*	1 year	2.3	2.3	0.0
	3 years % pa	n/a	n/a	n/a
2040 Index-Linked Gilt Fund	1 year	3.7	3.7	0.0
	3 years % pa	3.5	3.5	0.0
2042 Index-Linked Gilt Fund	1 year	1.9	1.9	0.0
	3 years % pa	n/a	n/a	n/a
2047 Index-Linked Gilt Fund	1 year	0.7	0.6	0.1
	3 years % pa	n/a	n/a	n/a
2050 Index-Linked Gilt Fund	1 year	1.7	1.7	0.0
	3 years % pa	3.0	3.0	0.0
2055 Index-Linked Gilt Fund	1 year	2.2	2.2	0.0
	3 years % pa	n/a	n/a	n/a
2058 Index-Linked Gilt Fund	1 year	0.7	0.7	0.0
	3 years % pa	2.3	2.2	0.1
2062 Index-Linked Gilt Fund	1 year	(0.3)	(0.3)	0.0
	3 years % pa	1.7	1.7	0.0
2068 Index-Linked Gilt Fund	1 year	(1.1)	(1.1)	0.0
	3 years % pa	1.5	1.5	0.0
Total Fund	1 year	4.1	4.7	(0.6)
	3 years % pa	4.2	5.7	(1.5)

Source: LGIM, consolidated performance benchmark estimated by Aon

A summary of the performance of the FSS for the previous eight financial years is given below:

<u>Year</u>	<u>Fund</u> <u>Return</u>	<u>Benchmark</u> <u>Return</u>	<u>Diff</u>
2013	12.7	12.7	-
2014	2.9	2.7	0.2
2015	18.6	18.5	0.1
2016	0.1	0.2	(0.1)
2017	20.9	21.0	(0.1)
2018	7.8	7.9	(0.1)
2019	5.0	5.1	(0.1)
2020	4.1	4.7	(0.6)

No part of the FSS's assets is invested in employer-related investments. All the assets of the FSS (excluding the bulk annuity) are invested in assets which the Trustee believes are readily marketable.

Additional Voluntary Contributions

Until 31 March 2001, Additional Voluntary Contributions ("AVCs") could be invested only in a with-profits fund of The Equitable Life Assurance Society ("Equitable Life") and/or its Managed Pensions Fund, a unit-linked fund. At 31 March 2020, there were 20 members who had AVCs with Utmost Life and Pensions Limited (formerly Equitable Life).

As from 1 April 2001, the Trustee appointed Deutsche Asset Management Life & Pensions Ltd. ("Deutsche Life") as an additional investment manager for the Scheme's AVCs. As from 23 December 2004, the Trustee appointed Phoenix Wealth Limited (formerly Axa Wealth Limited and before that Winterthur Life U.K. Limited) as an additional investment manager for the Scheme's AVCs. On 28 March 2006, all remaining funds were transferred from Deutsche Life to Axa Wealth. Thirteen investment funds are available for investment on a defined contribution basis. Following the closure to future accrual on 28 February 2011 no further AVCs can be paid into the FSS.

Details of the Phoenix Wealth AVC funds performance can be seen in part 3. MONEY PURCHASE SCHEME 2001 below.

In addition, certain members who started paying AVCs before 1 January 1990 could secure an additional formula pension. The final member with these benefits retired on 29 June 2018.

Equitable Life transfer to Utmost Life and Pensions

Since 1 January 2020, the "Equitable" AVC benefits have been held for members by the Trustee under an insurance policy with Utmost Life and Pensions Limited ("Utmost Life and Pensions"). The benefits are invested in Utmost Life and Pensions' range of managed funds. Until 31 December 2019, the benefits were secured by a with-profits group policy and a unit-linked fund arranged by the Trustee with The Equitable Life Assurance Society ("Equitable Life") and held for individual members.

The Equitable Life policyholders (including the Trustee) voted in favour of increasing the capital distribution on with-profits policies from 35% to over 70% for the removal of the policy guarantee. The policyholders also voted in favour of the transfer to Utmost Life and Pensions resulting in the crystallisation of this increased capital distribution. The High Court approved the transfer of Equitable Life's business to Utmost Life and Pensions on 4 December 2019 and the transfer was completed on 1 January 2020.

The Trustee wrote to all members prior to the transfer inviting them to select their own investment strategy for their funds on the transfer to Utmost Life and Pensions. For members with investments in the Equitable Life with-profits fund who did not respond, the Trustee selected the Investing-by-Age strategy as the default investment option. Members with investments in the Equitable Life managed fund who did not respond were automatically transferred to the Utmost Life and Pensions managed fund. Members may change their investment choices if they wish by contacting the Staff Pensions Team.

3. MONEY PURCHASE SCHEME 2001 ("MPS")

The Investment Manager

At the inception of the Scheme in April 2001, the investment manager was Deutsche Life. In October 2004, Deutsche Life gave notice to the Trustee of its intention to close its passive funds. Phoenix Wealth (formerly Axa Wealth and before that Winterthur Life) was appointed by the Trustee on 23 December 2004 to manage the four passive funds. Following concerns over the Deutsche Life active funds, all funds were moved to AXA Wealth on receipt of specific change instructions from each member. The final switch occurred on 28 March 2006.

The group insurance policy with Phoenix Wealth is an arrangement under which the Trustee, through a single source, can offer members access to a range of different investment funds, operated by different fund managers. This arrangement allows the Scheme, and therefore members, to have access to investment managers who might not otherwise be available to the Scheme because the amounts being invested may be insufficient to justify the Scheme being a customer on its own.

The MPS offers "white-labelled funds" whereby the member elects to invest in a particular asset class, and is invested in whichever underlying fund or funds that the Trustee selects, from time to time, to be the fund or funds for that class. If the Trustee decides to replace that fund with another, the member's investment funds are automatically reinvested in the replacement fund and any contributions which the member then pays are invested in the replacement fund.

The Trustee may select additional or substitute funds offered by different investment managers.

Changes in the Year and Subsequent to the Year End

There are currently thirteen funds in which members may invest their pension accounts. There were no changes of underlying fund managers during the year.

Due to the impact of Covid-19 on property markets, on 20 March 2020 the underlying managers for the Property Fund suspended their funds. Since that date no investments or disinvestments have been permitted into or out of the Property Fund. Active members with investments in the Property Fund were contacted and asked to provide alternative instructions for that proportion of their monthly contributions with the default option being to invest that proportion of the monthly contributions into the Cash Fund. The Property Fund remains suspended at the date of signing these financial statements.

Investment Fees

The MPS invests in units which are priced net of fees. The rates charged are dependent on the nature of the Fund in which the units are invested and are shown in the table below. Phoenix Life renegotiated the fees of some of the passively managed funds leading to some fee reductions. These reductions took effect from 1 May 2019.

Custodial Arrangements

There are no custodial arrangements as the MPS investment takes the form of an interest under a life insurance policy.

Investment Policies, Objectives and Scheme Activities

The investment policies, objectives and activities are dependent on the nature of the fund in which the units are invested. Specific information on the current funds and their performance and fees is available from the FDS website (<https://digital.feprecisionplus.com/slaughterandmay>).

Performance (before deduction of fees)

Fund Name	Period	Fund %	Bench -mark %	Diff %	Fees %
Passive Funds					
UK Equity Tracker	1 year	(18.6)	(19.1)	0.5	0.10
BlackRock	3 years % pa	(4.2)	(4.6)	0.4	
World Equity Tracker	1 year	(6.0)	(6.1)	0.1	0.13
Legal & General	3 years % pa	2.3	2.3	0.0	
Global Equity (50:50) Tracker	1 year	(12.8)	(12.8)	0.0	0.10
BlackRock	3 years % pa	(1.6)	(1.5)	(0.1)	
Overseas Equity Tracker	1 year	(4.4)	(4.3)	(0.1)	0.10
BlackRock	3 years % pa	3.1	2.8	0.3	
Long Dated Gilts Tracker	1 year	17.9	17.6	0.3	0.09
BlackRock	3 years % pa	8.0	8.0	0.0	
Index-Linked Gilts Tracker	1 year	2.4	2.4	0.0	0.10
Legal & General	3 years % pa	2.9	2.9	0.0	
Pensions Converter Fund	1 year	6.2	5.8	0.4	0.13
Legal & General	3 years % pa	4.2	3.9	0.3	
Shariah Compliant Fund	1 year	6.5	7.4	(0.9)	0.35
HSBC	3 years % pa	9.0	9.3	(0.3)	
Active Funds					
UK Equity Fund	1 year	(19.9)	(18.5)	(1.4)	0.65
Baillie Gifford and Majedie	3 years % pa	(4.9)	(4.2)	(0.7)	
Global Equity Fund	1 year	(12.2)	(5.8)	(6.4)	0.74
MFS and Dodge & Cox	3 years % pa	(1.2)	2.2	(3.4)	
Property Fund	1 year	(1.9)	0.0	(1.9)	0.82
Aviva and Legal & General	3 years % pa	4.4	4.8	(0.4)	
Diversified Growth Fund	1 year	(3.0)	4.3	(7.3)	0.60
BlackRock DDGF and Blackrock DAAF	3 years % pa	1.8	4.1	(2.3)	
Cash Fund	1 year	0.7	0.5	0.2	0.10
Legal & General	3 years % pa	0.5	0.4	0.1	

There are no employer-related investments.

Signed for and on behalf of Slaughter and May Pensions Trustees Limited

Notes

Source: Axa Wealth.

Performance shown is gross of fees.

Performance is calculated based on the unit prices of the underlying managers and therefore may be subject to discrepancies as prices swing from bid to offer.

Some performance is calculated on the fund the day after the benchmark to provide a suitable comparison with the index.

S Maudgil Director

29 September 2020

CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE FOR THE YEAR ENDED 31 MARCH 2020

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustee to include a statement regarding governance in the annual report. The governance requirements apply to all defined contribution ("DC") pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement relates to the Defined Contribution (DC) benefits in the Slaughter and May Pension Scheme (the Scheme), which are provided from both the DC section of the Scheme and from the DC Additional Voluntary Contribution (AVC) arrangement within the Final Salary section of the Scheme. The statement issued by the Trustee covers the period from 1 April 2019 to 31 March 2020 and is signed on behalf of the Trustee by the Chairman.

This statement covers governance and charge disclosures in relation to the following:

1. The Default arrangement
2. Processing of core financial transactions
3. Member borne charges and transaction costs, including illustrations of the cumulative impact on members' benefits
4. Value for Members assessment
5. Trustee knowledge and understanding

The Trustee has also taken actions required to manage the Scheme in light of the COVID-19 pandemic and has incorporated additional commentary into this statement regarding these actions.

1. The Default arrangement

The Trustee is required to design the default arrangement in members' interests and keep it under review. The Trustee needs to set out the aims and objectives of the default arrangement and take account of the level of costs and the risk profile that are appropriate for the Scheme's membership.

The Scheme is used as a Qualifying Scheme for auto-enrolment purposes.

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangement, the Default Investment Option (DIO).

Members of the DC section of the Scheme who do not make an explicit choice regarding the investment of their funds use the DIO.

The objective of this arrangement is to provide investment growth by investing in return seeking assets in a diversified portfolio with a moderate risk profile, with a gradual switching of assets over the fifteen years before the member's expected retirement date, through a lower risk diversified growth fund, towards a final position of 25% cash and 75% gilts.

The DIO invests in a series of funds managed by Phoenix Corporate Investment Services (Phoenix Wealth, formerly Axa Wealth Limited) and external managers, which meet the requirements for social, environmental and ethical considerations set out in the Trustee's Statement of Investment Principles.

By investing in this manner, the Trustee expects to deliver growth over the member's lifetime within the Scheme without excessive risk taking, with an increased focus on the final fifteen years of reducing volatility to enable members approaching retirement to make financial plans for the period after retirement. The Trustee considers this approach to be in the best interests of relevant members and relevant beneficiaries.

Investment strategy review

The Trustee, with assistance from its investment advisers, undertook a general review of the Scheme's investments during the period, including formally reviewing the DIO. The review concluded on 11 June 2019. The objectives and principles of the DIO (as set out above) were considered as part of this review. The Trustee concluded that the objectives and principles remained appropriate for the different groups of members invested in the DIO, and so the decision was taken to maintain the current strategy.

Following the Government's introduction of the new retirement flexibilities, one area that was considered as part of the 2019 review was what constituted an appropriate default investment option given that many members may not be taking annuities at retirement. Although the Trustee agreed at that time that the existing DIO was still suitable in its current form, it was noted that de-risking from age 50 could become less valuable to members going forward, depending on their choices at retirement.

With this in mind, the Trustee agreed that annual reviews of the default strategy will continue to be undertaken, with the Scheme's developing experience in regard to members' retirement choices to continue to be considered as part of these reviews.

The Scheme's current Statement of Investment Principles, which includes further details on the DIO, is appended to this statement.

Performance Monitoring

The Trustee reviews the performance of the DIO against its aims and objectives on a quarterly basis. This review includes an analysis of fund performance to check that the risk and return levels meet expectations. Performance is reviewed against target benchmarks that have been agreed with the investment managers.

The performance of the component funds of the default arrangement over a 1 year, 3 year and 5 year rolling period to 31 March 2020 is shown below:

Fund name	Cumulative performance (net of fees) (%)		
	1 year	3 years	5 years
Benchmark			
Pension Converter Tracker	6.9	13.5	27.2
<i>Weighted average of Corporate Bonds and Fixed Interest Gilts</i>	5.7	12.0	27.0
World Equity Tracker	-4.4	6.8	40.5
<i>FTSE AW World</i>	-6.0	6.9	42.0
Diversified Growth Fund	-3.5	3.7	3.0
<i>Bank of England Base Rate + 3.5%</i>	4.3	12.8	21.9
Cash Fund	0.6	1.3	1.9
<i>LIBOR LIBID GBP 1 week</i>	0.5	1.3	1.8

The Trustee reviews that took place in the year concluded that the DIO was performing broadly as expected. Since March, the uncertainty surrounding the COVID-19 pandemic has meant that

financial markets have been more volatile. However, the DIO is especially designed with the long-term in mind.

The Trustee will continue to monitor the investment strategy quarterly, which will enable it to identify any investment related issues and respond quickly, which it considers especially important at the current time.

2. Processing of core financial transactions

The Trustee has a specific duty to ensure that core financial transactions relating to the Scheme's DC section and the Scheme's DC AVC arrangements are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members.

These transactions are undertaken on the Trustee's behalf by the Scheme's in-house administrator (the Staff Pensions Team of the Principal Employer, Slaughter and May), who work closely with the Scheme's DC Investment Manager (Phoenix Wealth). In relation to the DC AVC arrangements, some core financial transactions are carried out by Utmost Life and Pensions (previously Equitable Life) on the Trustee's behalf.

The Staff Pensions Team reports on the administration of the Scheme at each quarterly Trustee meeting. The Trustee has reviewed the content of this reporting and concluded that the reporting provides them with the high-level management information that they require, recognising that due to the size of the Staff Pensions Team and the limitations of the administration system used, it is not currently possible or appropriate to report on performance against Service Level Agreements.

The Staff Pensions Team's quarterly reporting includes a declaration that agreed procedures have been followed to ensure the prompt and accurate processing of all transactions over the quarter. Amongst other things, these procedures include:

- processing all transactions in a timely manner, in particular ensuring that monthly contributions are invested as promptly as possible (and always within statutory timescales);
- performing a monthly reconciliation of the contributions paid to the Scheme;
- performing a monthly reconciliation of the units in each fund to the Phoenix unit statements;
- performing a monthly reconciliation of the Scheme bank account;
- following comprehensive money handling procedures and controls for all transfers to/from the Scheme, with two signatures required for all such transactions;
- regularly reviewing authorised signatory lists; and
- closely monitoring any transactions carried out by Utmost Life and Pensions (previously Equitable Life), which, due to the legacy nature of the Utmost Life AVCs, generally only involves processing retirements or transfers.

As part of the quarterly reporting, the Staff Pensions Team raises any administrative issues or member complaints that require referring to the Trustee for discussion.

The Trustee has reviewed the quarterly administration reports over the reporting year and is satisfied that these demonstrate that the core financial transactions have been carried out promptly and accurately over the period.

In addition to the quarterly reporting, on an annual basis the Trustee considers the Scheme's processes and controls as part of their review of the risk register. These processes and controls are also independently reviewed each year as part of the Scheme audit. No issues were reported to the Trustee from the audit for the year covered by this statement.

In the light of the above, the Trustee considers that the requirements specified in the Administration Regulations for processing core financial transactions promptly and accurately have been met over the reporting year.

3. Member borne charges and transaction costs

The Trustee is required to regularly monitor the level of costs and charges borne by DC Section members and AVC members through the investment funds. These comprise:

- **Charges:** these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;
- **Transaction costs:** these are not explicit and are incurred when the Scheme's fund manager buys and sells assets within investment funds but are exclusive of any costs incurred when members invest in or sell out of funds.

The Trustee is also required to confirm that the charges on the DIO have not exceeded 0.75% p.a. (the charge cap) and produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

In addition to the DIO, the Trustee also makes available a range of 13 individual funds through the Phoenix Wealth platform, which may be chosen by members in any combination as an alternative to the DIO. These funds allow members to take a more tailored approach to managing their own pension investments. Information on the charges and transaction costs over the reporting year was supplied by Phoenix in relation to all DC Section funds offered by the Scheme.

Equitable Life and Utmost Life and Pensions provided information on the charges and transaction costs for the AVC funds that members were invested in over the reporting year.

Note that there can, on occasion, be a negative transaction cost (profit) as a result of the underlying trades in a fund. However, a floor of 0% p.a. has been used for all transaction costs to avoid potentially understating the total level of costs and charges.

The following table shows the charges for each of the funds available in the Scheme via Phoenix over the reporting year, as provided by Phoenix.

Fund	Total Expense Ratio (TER) % pa	Transaction Costs (TC) ³ % pa
DIO	0.12-0.60	0.0009 – 0.2867
Global Equity	0.74	0.0488
Global Equity (50:50) Tracker	0.10	0.0000
Long-Dated Gilts Tracker	0.09	0.0000
Overseas Equity Tracker	0.10	0.0000
Pension Converter Tracker ¹	0.13	0.0000
UK Equity	0.65	0.1152
UK Equity Tracker	0.10	0.3470
World Equity Tracker ¹	0.13	0.0021
Shariah Compliant Tracker	0.35	0.0402
Diversified Growth ¹	0.60	0.2867
Index- Linked Gilts Tracker	0.10	0.1225
Property	1.41 ²	0.2520
Cash ¹	0.10	0.0034

Notes:

¹ These funds are included in the DIO.

² This includes 0.59% pa in respect of the Property Expense Ratio which is the cost associated with the management and operation of the physical properties in the portfolio. This represents the weighted average over the period, based on a PER of 0.67% for the period 1 April 2019 to 30 September 2019 and 0.50% for the period 1 October 2019 to 31 March 2020.

³ Some transaction costs are negative, for these we have applied a floor of 0.0% to avoid potentially understating the level of costs.

The highest TER charge at any stage within the DIO is 0.60% pa, which is lower than the maximum permitted default fund charge of 0.75%

Equitable Life transferred its business to Utmost Life and Pensions with effect from 1 January 2020. The reporting in this statement covers a 9-month period with Equitable Life and a 3-month period with Utmost Life and Pensions.

Unless they elected to choose their own investments, members in the With-Profits Fund were transferred initially to the Secure Cash Fund. Following this, members' funds were gradually transitioned into the Investing By Age Strategy over the following month, so that they were fully invested in this strategy by 1 February 2020.

The following table shows the charges for each of the Equitable Life and Utmost Life and Pensions funds that members invested in over the reporting year, as provided by Equitable Life and Utmost Life and Pensions.

Investment option	Total Expense Ratio (TER) % p.a.	Transaction Costs (TC) % p.a.
Equitable Life (policy in place prior to 1 January 2020) ¹		
With Profits Fund	1.50 ⁴	1.04
Managed Fund	0.75	0.10
Utmost Life and Pensions (policy in place from 1 January 2020 onwards) ⁵		
Secure Cash Fund ²	0.50	0.07
Investing By Age Strategy ^{2,6}	0.50 – 0.75	0.01 – 0.36
Managed Fund ³	0.75	0.10

Notes:

1. The Equitable Life costs and charges relate to the 2019 calendar year.
2. The costs and charges for these funds relate to the period from 1 January 2020 (their inception) to 31 March 2020.
3. Transaction costs and charges for the Utmost Managed Fund relate to the 2019 calendar year as this is what Utmost Life and Pensions were able to provide.
4. This includes 0.50% p.a. for cost of guarantees.
5. The funds shown are the funds in which members currently invest. Further Utmost Life and Pensions funds are available for members to choose if they wish.
6. The Investing By Age Strategy is a lifestyle strategy, which invests in different underlying funds depending on the member's term to retirement.

Illustrations of the cumulative effect of costs and charges

Under the Administration Regulations, the Trustee is required to produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values.

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided the following illustrations of their cumulative effect on the value of typical Scheme members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members and investment strategies representative of the Scheme's membership, and are based on a number of assumptions about the future which are set out below.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme they are not a substitute for the individual and personalised illustrations which are provided to members in their annual Benefit Statements.

The majority of members have chosen to invest in the Global Equity fund. The tables below illustrate the effect of the costs and charges at different ages on members' projected retirement pots for a typical member invested in this fund, as well as in the DIO.

Active Members:**Example 1: an average active member**

For a typical active member, the estimated impact of charges on accumulated fund values in the DIO or in the Global Equity Fund is shown below. The amounts shown relate to a member aged 31 with a current fund value of £17,700 and current ongoing contributions of £9,420 p.a.

Age	DIO			Global Equity Fund		
	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £
31	17,700	17,700	0	17,700	17,700	0
35	59,620	59,420	200	61,470	60,200	1,270
40	119,810	118,990	820	127,610	122,220	5,390
45	209,350	207,310	2,040	229,140	215,370	13,770
50	313,760	309,670	4,090	354,400	325,960	28,440
55	448,570	438,340	10,230	524,900	472,860	52,040
60	596,940	568,160	28,780	735,260	647,270	87,990
65	697,930	650,540	47,390	994,830	854,330	140,500

Example 2: a younger active member

For a younger active member, the estimated impact of charges on accumulated fund values in the DIO or in the Global Equity Fund is shown below. The amounts shown relate to a member aged 19 with a current fund value of £400 and current ongoing contributions of £2,156 p.a.

Age	DIO			Global Equity Fund		
	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £
19	400	400	0	400	400	0
20	2,580	2,570	10	2,590	2,580	10
25	14,510	14,450	60	15,050	14,680	370
30	31,310	31,090	220	33,380	31,950	1,430
35	55,210	54,680	530	60,440	56,800	3,640
40	83,090	82,010	1,080	93,820	86,310	7,510
45	122,790	120,860	1,930	142,420	128,600	13,820
50	169,090	165,880	3,210	202,390	178,810	23,580
55	227,590	221,040	6,550	282,310	244,230	38,080
60	291,470	275,570	15,900	380,910	321,890	59,020
65	331,610	306,720	24,890	502,580	414,100	88,480

Deferred Members:

Example 3: an average deferred member

For a typical deferred member, the estimated impact of charges on accumulated fund values in the DIO or in the Global Equity Fund is shown below. The amounts shown relate to a member aged 38 with current fund value of £27,200.

Age	DIO			Global Equity Fund		
	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £
38	27,200	27,200	0	27,200	27,200	0
40	28,920	28,850	70	29,590	29,130	460
45	33,730	33,440	290	36,500	34,590	1,910
50	39,340	38,750	590	45,040	41,060	3,980
55	45,610	44,340	1,270	55,580	48,750	6,830
60	52,140	49,110	3,030	68,570	57,870	10,700
65	54,080	49,500	4,580	84,610	68,710	15,900

Members are advised to consider both the level of costs and charges and the expected return on investments (i.e. the risk profile of the strategy) in making investment decisions.

The illustrations above have been carried out in line with the statutory guidance and assume the following:

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. Inflation is assumed to be 2.5% each year.
3. Contributions are assumed to increase in line with the core and matching age related contribution rates and in line with assumed earnings inflation of 2.5% each year.
4. The starting fund values and future contributions used in the projections are representative of the averages for the Scheme.
5. Data used is as at 31 March 2020.
6. Retirement age is assumed to be 65.
7. The projected growth rates for each fund (before charges) are as follows:

Fund	Growth rate (p.a.)
Pension Converter Tracker	0.50%
World Equity Tracker	5.70%
Diversified Growth	5.10%
Cash	0.50%
Global Equity Fund	6.90%

For the DIO, the projection takes into account the changing proportion invested in the different underlying funds.

8. Charges have been assumed to be in line with those over the reporting year as set out in the table above. The transaction costs have been averaged over a 2 year period in line with statutory guidance to reduce the level of volatility, and a floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.

4. Value for Members assessment

The Administration Regulations require the Trustee to make an assessment of charges and transaction costs borne by DC section members and members with DC AVCs and the extent to which those charges and costs represent good value for money for members.

There is no legal definition of "good value" or the process of determining this for Scheme members. Therefore, the Trustee has established a cost-benefit analysis framework in order to assess whether the member borne charges on the DC funds in which members' assets are invested deliver good value for members.

The costs have been identified as TERs and transaction costs and are set out in section 3 of this statement. The Trustee has compared the DC Section TERs to current market rates and concluded that they generally compare well. The Trustee has compared the DC AVC TERs to current market rates (for legacy schemes of a similar nature) and concluded that the charges are in line with comparable legacy arrangements. Since transaction cost disclosure is relatively new, there is no market benchmarking data available, so the Trustee has not been able to compare the transaction costs to the market. However, the Trustee has received confirmation from its advisers that the transaction costs associated with the arrangements are reasonable based on their general experience of similar funds on other schemes and, in the case of the Equitable Life With Profits Fund, the fact that this fund was being closed and its assets were moved to Utmost Life and Pensions as a cash transfer.

The Trustee has considered the benefits of membership under the following categories: Scheme governance and management, investments, administration and member communications.

For each category, the Trustee considered the Scheme's practices against the Pensions Regulator's expectations (as set out in the DC Code of Practice) and carried out benchmarking relative to other pension arrangements or industry best practice guidelines, concluding that the Scheme generally compared well.

The Trustee's beliefs formed the basis of the benefit side of the analysis. These are set out below, along with the main highlights of their assessment.

Scheme governance

- The Trustee believes in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members.
- The Trustee has built a suitable governance approach for the DC Section and AVC arrangements, whereby core financial transactions and other key governance factors are monitored quarterly and DC issues are included in the Scheme's risk register.
- Investment performance and strategy of DC funds is reviewed annually and the AVC funds are reviewed triennially.
- The Trustee considered the impact of the COVID-19 pandemic on the Trustee board and put in place appropriate plans to ensure that the board could continue to perform effectively during this time.

Investments

- The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes.
- The processes followed in regard to the DIO offered to DC Section members are discussed in section 1 of this statement. In addition to the DIO, the DC Section of the Scheme offers a variety of other funds covering a range of member risk profiles and asset classes. The investment funds available have been designed, following advice from the Trustee's investment adviser, with the specific needs of members in mind.
- The Trustee reviews the DC Section funds' performance and strategy annually and the AVC arrangements triennially.

Administration

- The Trustee believes that good administration and record keeping play a crucial role in ensuring that Scheme members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.
- The Trustee obtains information to regularly assess the standard of administration, and resulting member experience, through quarterly administration reports, feedback and discussions with the Staff Pensions Team, as Scheme administrator.

Member communications

- The Trustee believes that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.
- The Trustee makes use of a wide variety of communication media (including written correspondence, on-line materials/information, seminars and one-to-one support) to aid members throughout their membership.

The Trustee's assessment concluded that the charges borne by Scheme members represents good value for members relative to the benefits of Scheme membership. However, following the recent transfer of the AVC funds to Utmost Life and Pensions, the Trustee intends to consider whether there is potential to further improve value for AVC members.

5. Trustees' knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for the directors of the Trustee Company (the Trustee directors) to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as Trustee directors properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 07.

The comments in this section relate to the Trustee directors dealing with the whole Scheme and are not restricted to the DC benefits.

There is a comprehensive induction process in place for new Trustee directors. Over the year covered by this statement, three new Trustee directors were appointed to the Board. The new Trustee directors have been through the induction process: they have received a three hour induction training session, an induction pack and have also completed the Pensions Regulator's toolkit.

All of the existing Trustee directors have also completed the Pension Regulator's Trustee Toolkit and they have arrangements in place for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments in pensions. This includes the Trustee directors carrying out an annual self-assessment of their training needs.

The Secretary to the Trustee directors maintains a training log and arranges for training to be made available to individual Trustee directors or to the whole Trustee body as appropriate. The Trustee directors also receive agenda specific training and advice from their professional advisers, and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers. For example, during the year covered by this Statement, the Trustee directors have received training and regular updates on topical issues in pensions such as DC Master Trusts, Responsible Investment, Styles of Passive Investing and ESG considerations.

The Trustee directors have engaged with their professional advisers regularly throughout the year to ensure that they exercise their functions properly and take professional advice where needed. Exercising their functions has required knowledge of key Scheme documents such as the Trust Deed & Rules, Trustee Report & Accounts and Statement of Investment Principles. A few of the areas that support this statement are set out below. The Trustee directors have:

- held up to date versions of Scheme documents (including the Trust Deed & Rules and the Scheme booklets), to help maintain a working knowledge of the Scheme;
- made decisions on specific member cases, taking into account the requirements of the Scheme's governing documents (the Trust Deed & Rules), the Scheme's agreed policies/practices and also the wider law relating to pensions and trusts;
- carried out regular annual tasks, such as reviewing and signing off the Trustee Report & Accounts;
- reviewed and discussed an assessment of the Scheme against the Pension Regulator's DC Code of Practice, helping to maintain their knowledge of the law relating to (DC) pensions and trusts;
- carried out a review of the Scheme's investment strategy, in the relation to both the DC and Final Salary sections of the Scheme, to assess fund performance against benchmarks and funds against overall Scheme aims and objectives, as set out in the Statement of Investment Principles;
- regularly monitored the funding position of the Final Salary section of the Scheme and the investment performance of both the DC and Final Salary sections of the Scheme, using their knowledge to consider any options/actions with their professional advisers as appropriate (including the continued de-risking of the investment strategy of the Final Salary section of the Scheme);
- considered Equitable Life's proposals in relation to the transfer of AVC policies to Utmost Life and Pensions, together with their advisors, and took decisions on voting and investment options in relation to the transfer, helping to maintain and update their knowledge of the Scheme's AVC documentation and members' investment policies, including how these changed on transfer; and
- reviewed communications issued to members with AVCs in relation to the Equitable transfer to Utmost Life and Pensions.

The Trustee also considered the impact of the COVID-19 pandemic on the Trustee board and put in place appropriate plans to ensure that the board could continue to perform effectively during this time. Specifically, the Trustee has reviewed the regularity of the Trustee meetings and the format (virtual Trustee meetings will be held during this time), identified key person risks, Trustee decision making protocols, and approvals processes and taken steps to mitigate these

risks through appropriate identification of designated alternates on the Trustee board and all advisers and providers to ensure business continuity and appropriate Scheme governance during the pandemic.

The Trustee directors completed a self-evaluation survey in regard to their performance and effectiveness over the year, with the Trustees then participating in a group discussion in relation to the findings of the evaluation.

The Trustee board is made up of nine Trustee directors with a broad range of additional and complementary skills on which to draw, benefitting the combined knowledge of the board. Areas of expertise include Pensions law, Corporate law, Employment law, Tax law, Technology and Accountancy. As already noted above, in addition to the skills within the Trustee board, the Trustee directors have engaged with their appointed professional advisers regularly throughout the year. These advisers include Investment Consultants, Actuaries, Lawyers and Accountants.

Based upon the above comments, the Trustee directors consider that they meet the Pension Regulator's Trustee Knowledge and Understanding requirements and are confident that their combined knowledge and understanding, together with the support provided from both the Secretary to the Trustee and their professional advisers, enables them to properly exercise their functions as the Trustee of the Scheme.

DC Scheme governance – conclusion

The Trustee of the Scheme has reviewed and assessed that the systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's Code of Practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits, effective from 28 July 2016, and the accompanying guides.

Based on its assessment the Trustee believes that it has adopted the standards of practice set out in the DC code and DC regulatory guidance in force during the Scheme year. This helps to demonstrate the presence of good DC governance, which the Trustee believes will help deliver better outcomes for members at retirement.

The Statement was approved by the Trustee on 29 September 2020 and signed on its behalf by:

C F G Girling

C F G Girling
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE SLAUGHTER AND MAY PENSION SCHEME**Opinion**

We have audited the financial statements of The Slaughter and May Pension Scheme for the year ended 31 March 2020 which comprise the fund account, the net assets statement and 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, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2020 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;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for 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 Scheme trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Scheme's trustee has 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 Scheme's trustee is 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.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE SLAUGHTER AND MAY PENSION SCHEME (CONTINUED)

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.

Responsibilities of the Scheme's trustee

As explained more fully in the trustee's responsibilities statement set out on pages 2 and 3, the Scheme's trustee is 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 Scheme's trustee determines 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 Scheme's trustee is 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 Scheme's trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustee.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE SLAUGHTER AND MAY PENSION SCHEME (CONTINUED)

- Conclude on the appropriateness of the Scheme trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the Scheme's trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the trustee those matters we are required to state to it 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 Scheme's trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Moore Kingston Smith LLP

Moore Kingston Smith LLP
Statutory auditor

29 September 2020

Devonshire House
60 Goswell Road
London
EC1M 7AD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**FUND ACCOUNT**

For the year ended 31 March 2020

		2020			2019
		FSS	MPS	Total	Total
		£'000	£'000	£'000	£'000
Contributions and benefits					
Employer contributions		840	6,811	7,651	7,119
Employee contributions		-	3,475	3,475	3,008
Total contributions	4	840	10,286	11,126	10,127
Transfers in	5	-	61	61	195
Other income	6	145	97	242	838
		<u>985</u>	<u>10,444</u>	<u>11,429</u>	<u>11,160</u>
Benefits payable	7	(5,446)	(476)	(5,922)	(8,250)
Leavers	8	(981)	(4,945)	(5,926)	(5,310)
		<u>(6,427)</u>	<u>(5,421)</u>	<u>(11,848)</u>	<u>(13,560)</u>
Net (withdrawals)/additions from dealings with members		(5,442)	5,023	(419)	(2,400)
Returns on investments					
Investment income	9	3,441	-	3,441	3
Change in market value of investments	10	3,938	(13,807)	(9,869)	18,046
Net returns on investments		<u>7,379</u>	<u>(13,807)</u>	<u>(6,428)</u>	<u>18,049</u>
Net increase/(decrease) in the fund during the year		1,937	(8,784)	(6,847)	15,649
Transfer between sections		79	(79)	-	-
Net assets of the Scheme					
At 1 April 2019		<u>207,065</u>	<u>137,507</u>	<u>344,572</u>	<u>328,923</u>
At 31 March 2020		<u>209,081</u>	<u>128,644</u>	<u>337,725</u>	<u>344,572</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)**

As at 31 March 2020

	NOTE	2020			2019
		<u>FSS</u> <u>£'000</u>	<u>MPS</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Investment assets	10	208,221	127,702	335,923	343,176
Current assets	14	860	942	1,802	1,965
Current liabilities	15	-	-	-	(569)
Net assets of the Scheme at 31 March 2020		<u>209,081</u>	<u>128,644</u>	<u>337,725</u>	<u>344,572</u>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and other benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations for the defined benefit section, is dealt with in the report on actuarial liabilities on page 4 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 32 to 43 form part of these financial statements.

The financial statements were approved at a meeting of the Board of Directors of the Trustee held on 29 September 2020.

C.F.A. Airling.....)
) Directors of Slaughter and May
S. Maudgil.....) Pensions Trustees Limited
)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**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 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (FRC) and the guidance set out in the Statement of Recommended Practice (SORP) (revised 2018).

In June 2018, a revised SORP was issued which is effective for accounting periods commencing on or after 1 January 2019. The Trustee has adopted the revised SORP for the first time in these financial statements. The adoption of the revised SORP has had no material impact on the financial statements, although it has required certain additions to or amendments of disclosures in the financial statements.

2. Accounting Policies

The principal accounting policies are set out below:

(a) Contributions

Members' and employers' normal contributions are accounted for on an accruals basis at rates agreed by the Trustee and the Firm, as recommended by the Scheme Actuary.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are payable.

(b) Valuation of Investments

For managed and unitised funds that report bid and offer prices, the market values at the year end reporting date are calculated using the bid price as provided by the relevant fund manager. Single priced managed and unitised funds are valued at the closing price at the year end as advised by the relevant investment manager.

The value of the bulk annuity contract held with Legal & General Assurance Society Limited (LGAS) is determined at the year end, based on solvency assumptions as this closely reflects the market value of the insurance policies. The valuation is based on full membership data in years when an actuarial valuation takes place. It is updated in interim years by rolling forward the valuation in line with interest rates, adjusting for net cash movements and updating for market conditions at the date of the Scheme accounts.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and losses realised on sales of investments during the year.

(c) Investment income

Interest income from cash and short-term deposits, and income from unitised and managed funds, is accounted for on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
(contd.)

(d) Payments to members

Pensions in payment are accounted for in the period to which they relate. Transfer values take account of transfers where the trustees of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year end and the amount of the transfer can be determined with reasonable certainty.

Benefits and refunds of contributions which are payable when a member retires or leaves the Scheme but which depend on a choice made by the member are accrued on receipt of notice of the member's choice, or if there is no member choice, on the date of retiring or leaving.

(e) Expenses

Investment management expenses are recognised on an accruals basis.

(f) Currency

The Scheme's functional currency and presentational currency is pounds sterling (GBP).

3. Basis of Scheme

The Scheme is governed by the Fourth Definitive Trust Deed and Rules dated 19 August 2013 (as amended) and is a registered occupational pension scheme under Part 4 of the Finance Act 2004. The Trustee is not aware of any reason why registration should be withdrawn. Lump sum death-in-service benefits for both FSS and MPS members are fully insured. Dependants' pensions arising from the death-in-service of an MPS member are insured.

4. Contributions

	<u>2020</u>			<u>2019</u>
	<u>FSS</u>	<u>MPS</u>	<u>Total</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Employers - normal	-	6,811	6,811	6,269
- augmentations	840	-	840	850
Members - normal	-	2,432	2,432	2,178
- AVCs	-	1,043	1,043	830
	<u>840</u>	<u>10,286</u>	<u>11,126</u>	<u>10,127</u>

Until 28 February 2011 when the FSS was closed to future accrual, members of the FSS were not required to make any contributions to secure their pension entitlements and death benefits. The FSS offered members the opportunity to make Additional Voluntary Contributions ("AVCs") which were invested through Winterthur Life on a money purchase basis. The facility to make AVC contributions to secure defined benefits was available only to certain members who started paying AVCs before 1 January 1990.

After 28 February 2011, no AVCs can be paid into the FSS. All active members at this date were invited to join the MPS from 1 March 2011.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
(contd.)

The actuarial valuation at 31 March 2018 was completed on 12 December 2018 and revealed a funding surplus of £14.7m. The Trustee and the Firm have agreed that as there is no deficit a Recovery Plan is not required.

Members of the MPS pay contributions, under salary sacrifice where selected, in accordance with the payment schedule and the Scheme rules.

5.	<u>Transfers in</u>	2020			2019
		<u>FSS</u> <u>£'000</u>	<u>MPS</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
	Individual transfers in from other schemes	<u>-</u>	<u>61</u>	<u>61</u>	<u>195</u>
6.	<u>Other income</u>	2020			2019
		<u>FSS</u> <u>£'000</u>	<u>MPS</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
	Insurance payments regarding deaths in service	<u>145</u>	<u>97</u>	<u>242</u>	<u>838</u>
7.	<u>Benefits payable</u>	2020			2019
		<u>FSS</u> <u>£'000</u>	<u>MPS</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
	Pensions	4,867	-	4,867	4,475
	Commutations of pensions and lump sum retirement benefits	579	158	737	2,551
	Pensions - five year guarantee	-	-	-	82
	Annuity purchases	-	104	104	646
	Lump sum death benefits	<u>-</u>	<u>214</u>	<u>214</u>	<u>496</u>
		<u>5,446</u>	<u>476</u>	<u>5,922</u>	<u>8,250</u>
8.	<u>Payments to and on account of leavers</u>	2020			2019
		<u>FSS</u> <u>£'000</u>	<u>MPS</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
	Individual and AVC transfers to other schemes	<u>981</u>	<u>4,945</u>	<u>5,926</u>	<u>5,310</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
(contd.)

9. <u>Investment income</u>	2020			2019
	<u>FSS</u> <u>£'000</u>	<u>MPS</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Annuity income	3,439	-	3,439	-
Interest on cash deposits	<u>2</u>	<u>-</u>	<u>2</u>	<u>3</u>
	<u>3,441</u>	<u>-</u>	<u>3,441</u>	<u>3</u>

10. (a) Investments - FSS

	<u>Value at</u> <u>1 April</u> <u>2019</u> <u>£'000</u>	<u>Purchases</u> <u>at cost</u> <u>£'000</u>	<u>Sale</u> <u>proceeds</u> <u>£'000</u>	<u>Change in</u> <u>market</u> <u>value</u> <u>£'000</u>	<u>Value at</u> <u>31 March</u> <u>2020</u> <u>£'000</u>
Pooled investment vehicles	140,955	-	(2,000)	5,640	144,595
Buy-in policy	61,300	-	-	(1,700)	59,600
Equitable/ Utmost Life AVCs	715	-	-	42	757
Phoenix Wealth AVCs	<u>3,544</u>	<u>-</u>	<u>(231)</u>	<u>(44)</u>	<u>3,269</u>
	206,514	-	(2,231)	3,938	208,221

(b) Investments - MPS

Pooled investment vehicles	136,662	10,171	(5,324)	(13,807)	127,702
Total Investments	<u>343,176</u>	<u>10,171</u>	<u>(7,555)</u>	<u>(9,869)</u>	<u>335,923</u>

The Scheme's income and chargeable gains are free from United Kingdom income and capital gains taxation.

Indirect transaction costs are incurred through the unit price of the investment funds. The amount of the indirect costs is not separately provided to the Scheme. No direct transaction costs have been incurred.

All investment managers and all AVC providers are registered in the United Kingdom.

The AVCs in respect of the MPS are included within the pooled investment vehicles fund and are not shown separately, as the AVC allocation is not readily available.

There were no employer related investments held during the year (2019 - nil).

The asset weightings of the managed funds in the FSS are shown on pages 9 and 10 of the Trustee's Report.

On 12 March 2019, the Trustee entered into a bulk annuity contract with Legal & General Assurance Society Limited (LGAS). The purchase cost of £60,485,000 was mainly funded by an in-specie allocation of the pooled investments held by LGAS.

The bulk annuity contract includes a 'true-up' arrangement whereby any final settlement premium due will be calculated once a full check of all the data has been undertaken. This exercise had not been completed by the scheme year end.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
(contd.)

(c) **Allocated and Unallocated Investments**

	<u>2020</u>			<u>2019</u>
	<u>FSS</u> <u>£'000</u>	<u>MPS</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Investments allocated to members	4,026	126,760	130,786	140,083
Investments not allocated to members	<u>204,195</u>	<u>942</u>	<u>205,137</u>	<u>203,093</u>
Total assets	<u>208,221</u>	<u>127,702</u>	<u>335,923</u>	<u>343,176</u>

Money purchase assets are allocated to provide benefits to the individuals on whose behalf the contributions are paid. Consequently the assets identified as allocated to members do not form a common pool of assets available for members generally. Members receive an annual statement confirming the contributions paid on their behalf and the value of their money purchase rights.

11. **Pooled Investment Vehicles**

The Scheme's investments in pooled investment vehicles at the year end comprised:

Defined Benefit Section

	<u>2020</u> <u>£'000</u>	<u>2019</u> <u>£'000</u>
Equity	38,446	43,122
Bonds	103,739	93,811
Other	<u>2,410</u>	<u>4,022</u>
	<u>144,595</u>	<u>140,955</u>

Defined Contribution Section

	<u>2020</u> <u>£'000</u>	<u>2019</u> <u>£'000</u>
Equity	103,113	112,702
Fixed income	11,759	10,956
Property	8,326	8,248
Cash	<u>4,504</u>	<u>4,756</u>
	<u>127,702</u>	<u>136,662</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
(contd.)

12. Fair Value Determination

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

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.
Level 3	Unobservable inputs for the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

The Scheme's investment assets and liabilities have been included at fair value using the above hierarchy categories as follows:

Investments - FSS

	<u>2020</u>			<u>2020</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Pooled investment vehicles	-	144,595	-	144,595
Buy-in policy	-	-	59,600	59,600
Equitable/Utmost Life AVCs	-	757	-	757
Phoenix Wealth AVCs	<u>3,269</u>	-	-	<u>3,269</u>
	<u>3,269</u>	<u>145,352</u>	<u>59,600</u>	<u>208,221</u>

Analysis for the prior year end is as follows:

	<u>2019</u>			<u>2019</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Pooled investment vehicles	-	140,955	-	140,955
Buy-in policy	-	-	61,300	61,300
Equitable/Utmost Life AVCs	-	314	401	715
Phoenix Wealth AVCs	<u>3,544</u>	-	-	<u>3,544</u>
	<u>3,544</u>	<u>141,269</u>	<u>61,701</u>	<u>206,514</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
(contd.)

Investments - MPS

	<u>2020</u>			<u>2020</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Pooled investment vehicles	<u>127,702</u>	<u>-</u>	<u>-</u>	<u>127,702</u>

Analysis for the prior year end is as follows:

	<u>2019</u>			<u>2019</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Pooled investment vehicles	<u>136,662</u>	<u>-</u>	<u>-</u>	<u>136,662</u>

13. **Investment Risks**

FRS102 requires the disclosure of information in relation to certain investment risks 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 the following three types of risk:
 1. Currency risk: this is the risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in foreign exchange rates.
 2. Interest rate risk: this is the risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market interest rates.
 3. Other price risk: this is the risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market prices (other than those due to interest rates and currency), 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 Trustee determines its investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to the above risks because of the investments it makes in following the investment strategy. Further details on the Trustee's investment strategy for the Final Salary Scheme and the Money Purchase Scheme 2001 are set out within the Investment report on pages 8 to 14. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment manager and monitored by the Trustee by regular reviews of the investment portfolio.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
(contd.)

The following table summarises the extent to which the various classes of investments are affected by the various risks:

Investment	Credit risk	Market risk			2020	2019
		Currency	Interest rate	Other	£'000	£'000
<u>Final Salary Scheme</u>						
Buy-in 2020	✓				59,600	61,300
Global Equities	✓	✓		✓	38,446	43,123
Index Linked Gilts	✓		✓	✓	103,739	93,810
UK Corporate bonds	✓				-	-
Liquidity fund	✓		✓	✓	2,410	4,022
<u>Money Purchase Scheme 2001</u>						
UK Equities				✓	26,154	32,142
Overseas Equities	✓	✓		✓	67,612	71,381
Gilts	✓		✓	✓	9,111	9,179
Other	✓		✓	✓	24,825	23,960

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include FSS AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

Final Salary Scheme

Credit risk

The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the funds managed by Legal & General within the pooled investment vehicles. The Scheme is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which Legal & General operate and diversification of investments among a number of pooled arrangements.

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicle. This risk is mitigated by only investing in funds which hold at least investment grade credit rated investments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
(contd.)

Credit risk on the Liquidity Fund is mitigated by monies being held within financial institutions which are at least investment grade credit rated and where the maturity is no more than 12 months.

Legal & General Assurance Society Limited (LGAS) is part of the Legal & General group of companies, which is engaged in worldwide insurance and fund management operations. LGAS is regulated by the Financial Conduct Authority and the Prudential Regulation Authority, which have rules to ensure adequacy of capital resources to fund obligations, the soundness of regulated firms and the conduct regulation of all financial services firms. These circumstances help to mitigate any credit risk that LGAS poses in respect of the bulk annuity contract.

The Trustee monitors the performance of Legal & General on a regular basis and it has a written agreement with Legal & General which contains a number of restrictions on how they may operate.

Currency risk

The Scheme is not exposed to currency risk as, although 18% (2019: 21%) of the Scheme's investments are held in overseas markets via pooled investment vehicles, they are currency hedged.

Interest rate risk

The Scheme is exposed to interest rate risk as some of the scheme's investments are held in Bonds through pooled investment vehicles and cash.

The Trustee has restructured the Gilts element of the investment portfolio, which represents 40%, to provide a better match against the interest rate movements of the Scheme's liabilities. Under this strategy, if interest rates fall, the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Other price risk

The Scheme is exposed to other price risk principally in relation to the Scheme's return seeking portfolio which includes Equities held in pooled investment vehicles. The Scheme Trustee has set an asset allocation of 40% of investments being held in return seeking assets.

The Trustee has agreed a rebalancing policy whereby, should the allocation to Equities or Corporate Bonds differ from the strategic allocation by more than 5% or more in a month, then the portfolio will be automatically rebalanced back to the strategic allocation.

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
(contd.)

Money Purchase Scheme 2001

Credit risk

The Scheme has a group insurance policy with Phoenix Life. Under this arrangement, the Trustee, through a single source, can offer members access to a large range of different investment funds, operated by different fund managers. This arrangement is known as the Fund Delivery Service.

The Scheme is exposed to credit risk from the underlying investments held in the funds. The members' level of risk exposure will be dependent on the funds invested in by each of the members.

The Trustee only invests in funds where the financial instruments and all counterparties are at least investment grade.

Phoenix Life is regulated by the Financial Conduct Authority. In the event of a default by Phoenix Life, members may be entitled to limited compensation from the Financial Services Compensation Scheme.

The Trustee monitors the performance of the individual fund managers on a regular basis and has a written agreement with Phoenix Life, which contains a number of restrictions on how they may operate.

Market risk

The Scheme is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by Phoenix Life under the Fund Delivery Service.

14.	<u>Current Assets</u>	2020			<u>2019</u>
		<u>FSS</u>	<u>MPS</u>	<u>Total</u>	<u>Total</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
	Bank balances	<u>860</u>	<u>942</u>	<u>1,802</u>	<u>1,965</u>
	Included within the MPS bank balance is £941,000 (2019: £765,000) of contributions received in March 2020 which were held pending investment with Phoenix Life on 15 May 2020.				
15.	<u>Current Liabilities</u>	2020			<u>2019</u>
		<u>FSS</u>	<u>MPS</u>	<u>Total</u>	<u>Total</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
	Unpaid benefits	=	=	=	<u>569</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
(contd.)

16. **Related Party Transactions**

Five Directors of the Trustee Company, Mr. P. Linnard, Mr. S. Maudgil, Ms. A. Nassiri, Mr. W.N.C. Watson and Mr. O.J. Wicker, are partners in the Principal Employer. Mr. J.M. Fenn is a deferred member of the FSS. Ms. A. Nassiri, Mr. S. Maudgil and Mr. O.J. Wicker are deferred members of the MPS. Ms. S.E. Twigger and Mr. H.J. Gittins are current employees of a Participating Employer and active members of the MPS. Ms. S.E. Twigger is also a deferred member of the FSS. Mr. C.J. Martin is a former employee of a Participating Employer and a pensioner of the FSS.

Fees and reimbursed expenses paid to the Independent Trustee Director, Mr. C.F.G. Girling, in the year amounted to £40,840 (2019: £40,824). Fees and reimbursed expenses paid to Mr. C.J. Martin in the year amounted to £1,075 (2019: £1,128). The trustee liability insurance premium paid in the year amounted to £15,733. These amounts were paid by Slaughter and May as all expenses are borne by the Principal Employer.

There were no other related party transactions during the year ended 31 March 2020 (2019: nil).

17. **Commitments and Contingent Liabilities**

There were no commitments or contingent liabilities at the year end (2019: nil).

18. **Comparative disclosures for the Fund Account and Statement of Net Assets**

FUND ACCOUNT

For the year ended 31 March 2019

		2019		
	NOTE	FSS	MPS	Total
		£'000	£'000	£'000
Contributions and benefits				
Employer contributions		850	6,269	7,119
Employee contributions		-	3,008	3,008
Total contributions	4	850	9,277	10,127
Transfers in	5	-	195	195
Other income	6	420	418	838
		<u>1,270</u>	<u>9,890</u>	<u>11,160</u>
Benefits payable	7	(6,987)	(1,263)	(8,250)
Leavers	8	(1,263)	(4,047)	(5,310)
		<u>(8,250)</u>	<u>(5,310)</u>	<u>(13,560)</u>
Net (withdrawals)/additions from dealings with members		(6,980)	4,580	(2,400)
Returns on investments				
Investment income	9	3	-	3
Change in market value of investments	10	9,269	8,777	18,046
Net returns on investments		<u>9,272</u>	<u>8,777</u>	<u>18,049</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
(contd.)

	<u>2019</u>		
	<u>FSS</u> <u>£'000</u>	<u>MPS</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Net increase in the fund during the year	2,292	13,357	15,649
Transfer between sections	(79)	79	-
Net assets of the Scheme			
At 1 April 2018	<u>204,852</u>	<u>124,071</u>	<u>328,923</u>
At 31 March 2019	<u>207,065</u>	<u>137,507</u>	<u>344,572</u>

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

As at 31 March 2019

	<u>NOTE</u>	<u>2019</u>		
		<u>FSS</u> <u>£'000</u>	<u>MPS</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Investment assets	10	206,514	136,662	343,176
Current assets	14	734	1,231	1,965
Current liabilities	15	<u>(183)</u>	<u>(386)</u>	<u>(569)</u>
Net assets of the Scheme at 31 March 2019		<u>207,065</u>	<u>137,507</u>	<u>344,572</u>

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE SLAUGHTER AND MAY PENSION SCHEME

We have examined the summary of contributions to The Slaughter and May Pension Scheme for the Scheme year ended 31 March 2020 which is set out on page 45.

Statement about contributions payable under the schedule of contributions

In our opinion contributions for the Scheme year ended 31 March 2020 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 Scheme Actuary on 12 December 2018.

This statement is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 4 of 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 Trustee those matters we are required to state to it 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 Scheme's Trustee as a body for our work, for this statement, or for the opinion we have formed.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 45 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 Scheme and the timing of those payments under the schedule of contributions.

Respective responsibilities of the Trustee and the Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on pages 2 and 3, the Scheme's Trustee is responsible for preparing, maintaining, and from time to time revising a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a Statement about contributions paid under the schedule of contributions and to report our opinion to you.

Moore Kingston Smith LLP

Moore Kingston Smith LLP
Statutory Auditor
Devonshire House
60 Goswell Road
London
EC1M 7AD

Date *29 September 2020*

SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR ENDED 31 MARCH 2020

During the year, the contributions payable to the Scheme were as follows:

	<u>Member</u>		<u>Employer</u>	
	FSS	MPS	FSS	MPS
Required by the schedule of contributions	£'000	£'000	£'000	£'000
Normal contributions	-	2,432	-	6,811
Total contributions payable under the schedule of contributions	<u>-</u>	<u>2,432</u>	<u>-</u>	<u>6,811</u>
Other contributions payable				
Augmentations	-	-	840	-
AVCs	-	1,043	-	-
Total	<u>-</u>	<u>1,043</u>	<u>840</u>	<u>-</u>
Total contributions payable to the Scheme	<u>-</u>	<u>3,475</u>	<u>840</u>	<u>6,811</u>

Signed for and on behalf of Slaughter and May Pensions Trustees Limited

S Maudgil Director

29 September 2020

Certification of schedule of contributions

Name of scheme: Slaughter and May Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2018 to continue to be met for the period for which the schedule is to be in force.

I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 12 December 2018

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 to be wound up.

Signature

Date *12 December 2018*

Name

Qualification

Fellow of the Institute and Faculty of Actuaries

Address

Verulam Point
Station Way
St Albans
Herts
AL1 5HE

Name of employer

Aon Hewitt Limited

Appendix F – Certificate of technical provisions

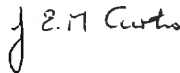
Actuarial certificate given for the purposes of Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

The Slaughter and May Pension Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 March 2018 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the statement of funding principles dated 12 December 2018.

Signature



Date: 12 December 2018

Name: Jane Curtis

Qualification: Fellow of the Institute and Faculty of Actuaries

Address: Verulam Point
Station Way
St Albans
AL1 5HE

Name of Employer: Aon Hewitt Limited

**THE SLAUGHTER AND MAY PENSION SCHEME (the "Scheme") -
STATEMENT OF INVESTMENT PRINCIPLES**

A. GENERAL PRINCIPLES

1. Purpose

This statement sets out the principles governing decisions about the investment of the assets of the Scheme. It has been prepared by the Scheme Trustee (the **Trustee**) to comply with section 35 of the Pensions Act 1995 (the **Pensions Act**) (as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005) and the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015).

The Scheme consists of two sections, the Final Salary Scheme (the **FSS**) and the Money Purchase Scheme 2001 (the **MPS**).

2. Investment Advice

The Trustee has obtained and considered written advice from Aon Solutions UK Limited (**Aon**), the Scheme's actuaries and investment advisers, on the investment strategy, the fund managers, the insurance contracts, the insurance companies and the fund managers appointed by the insurance companies. Aon have confirmed to the Trustee that they have the knowledge and experience required under section 36(6) of the Pensions Act to provide this advice. They operate under an agreement to provide a full service designed to ensure that the Trustee is fully briefed both to take the decisions it takes itself and to monitor those that it delegates. Aon are paid an agreed annual fee which includes all manager monitoring services. Other projects are paid on a time cost basis which enables the Trustee to select those services which it requires.

3. Consultation

The Trustee has consulted Slaughter and May (the **Firm**), as representative of the participating employers, on the content of this statement.

4. Investment Powers

The Trustee's powers of investment are set out in the Trust Deed and Rules of the Scheme (as amended). They are subject to the restrictions contained in Clause 5 of the Trust Deed. This statement is consistent with those powers. Neither this statement nor the Trust Deed (save in certain respects listed in Clause 5.6 - Power to enter into any lawful transaction) restricts the Trustee's investment powers by requiring the consent of the employers.

5. Governance

The Trustee is responsible for the investment of the Scheme assets save that, within the range of investments selected by the Trustee, a member's MPS assets (see the definition in section C.1) must normally be invested as directed by the member. In addition to the ability to self-select, the Trustee is now also required to provide members of the MPS with a default investment option into which contributions are paid in the absence of any instructions from the member. The Trustee is responsible for the investment profile for the default investment option. The Trustee has set up an Investment Sub-Committee (the **Committee**) to assist the Trustee, to maximise efficiency in investment related matters and to promote effective collaboration between the Trustee and the Firm. References in this statement to the Trustee include the Committee in relation to matters delegated to the Committee and the Trustee otherwise.

The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. For this purpose the Trustee has established a decision making structure (see Appendix 1).

When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4) (see Appendix 1).

The Pensions Act distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased without a contract, e.g. the purchase of an insurance policy or units in a pooled vehicle. Those purchased without a contract are known as **direct investments**.

The Trustee's investment arrangement consists of a number of direct investments in pooled funds, and a buy-in bulk annuity policy. Each pooled fund will have an underlying manager and the Trustee's policy is for the underlying managers' duties to include:

- Realisation of investments.
- Taking into account socially responsible factors.
- Voting and corporate governance in relation to the financial potential of the Scheme's assets.

The Trustee's policy is to review the range of its direct investments and to obtain written advice about them at regular intervals (normally annually). These include vehicles available for members' contributions in the MPS (including the default investment option) and members' additional voluntary contributions (**AVCs**) other than those paid in return for a defined benefit. When deciding whether or not to change the range of the direct investments the Trustee will obtain written advice. The written advice will also consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement.

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

Fund managers are remunerated on an ad valorem basis. In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs.

6. Review of these Investment Principles

The Trustee's policy is to review this statement at least every three years and immediately following any significant change in investment policy or the demographic profile of the members in the MPS. The Trustee is required to take investment advice and consult with the Firm over any changes to this statement.

7. Arrangements with asset managers

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment consultant.

The Trustee receives regular reports and verbal updates from the investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term (three and five year) performance when

considering the ongoing suitability of the investment strategy in relation to the Scheme objectives.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its asset managers, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Scheme's asset managers, and request that the asset managers review and confirm whether their approach is in alignment with the Trustee's policies.

Before appointment of a new asset manager, the Trustee receives advice on the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will express its expectations to the asset managers in by other means (such as through a side letter, in writing through provision of this statement, or verbally at trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the asset managers by other means (where necessary), and regular monitoring, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies. The Trustee makes decisions based on assessments of medium- and long-term financial and non-financial performance.

Where asset managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager and may ultimately consider replacing the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years.

The Trustee does not regularly monitor asset managers against non-financial criteria of the investments made on its behalf.

8. Cost Monitoring

Ongoing reporting and compliance

The Trustee is aware of the importance of monitoring their asset managers' total costs and the impact these costs can have on the overall future value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by its asset managers that can increase the overall cost incurred on its investments.

Data collection

The Trustee seeks to collect annual cost transparency reports covering all of its investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what it is paying its investment managers. The Trustee acknowledges that it may not initially be possible for all manager to provide this information however it is its expectation that this will become standard industry output over time.

Manager relationships

The Trustee will only appoint new investment managers who offer full cost transparency via the CTI templates to manage assets of the Scheme. This will be reviewed before the appointment of any new managers and be an ongoing requirement for existing managers held by the Scheme.

Portfolio turnover

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. The Trustee does not actively monitor portfolio turnover.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. The Trustee believes that focusing on net performance is the most appropriate way of ensuring that disproportionate levels of portfolio turnover do not have a negative impact on long term performance.

Analysis of manager performance and remuneration

The Trustee assesses the performance of their investment managers on a quarterly basis and the remuneration of their investment managers on at least an annual basis via collecting cost data in line with the CTI templates.

The Trustee assesses value for money received from their asset managers on a regular basis. This will be subject to advice from Aon and may be based on qualitative and/or quantitative factors. This enables the Trustee to have a detailed understanding of their overall costs independent to of net of fees performance and identify opportunities to challenge their asset managers where a particular manager is an outlier.

All of the Scheme's managers are remunerated on the basis of fees directly related to the value of funds under their management. The Trustee prefers to appoint their actively managed asset managers on a performance fee basis where possible, rather than on an annual management fee basis however accepts that this may not always be possible/practicable.

9. Stewardship

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the scheme invests, as this ultimately this creates long-term financial value for the scheme and its beneficiaries.

The Trustee regularly reviews the suitability of the scheme's appointed asset managers and take advice from its investment consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the trustees have set out in its policy, the trustees undertake to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustee reviews the stewardship activities of its asset managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Scheme's asset managers and ensure its managers, or other third parties, use its influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustee will engage with its investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of its active ownership policies, are being actioned.

The Trustee completed a survey with their investment advisors to identify key areas of concern around corporate stewardship and will level scrutiny on their investment managers accordingly. It is the expectation of the Trustee that the Scheme's asset managers will prioritize and actively monitor for these risks within the investments, providing transparency on engagement and voting

actions with respect to mitigating these risks as appropriate while balancing goals of asset returns.

The transparency for voting should include voting actions and rationale with relevance to the Scheme.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

B. FINAL SALARY SCHEME

1. Application

This part of the statement refers to all of the assets of the Scheme with the exception of:

- those which represent the investment of members' AVCs other than those which are paid in return for a defined benefit; and
- those which represent the pension accounts of the members of the MPS.

For ease of reference the assets covered by this part are referred to as the **FSS assets**.

2. Investment objective

The Trustee aims to invest the FSS assets prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustee first considered the lowest risk allocation that it could adopt in relation to the FSS liabilities and then selected a strategy that is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the FSS liabilities.

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

3. Asset Allocation Restrictions

The FSS holds a liquid investment portfolio of equities and liability matching gilts.

Additionally, following discussions with the Firm, the Trustee agreed to reduce asset and liability risks within the FSS by entering into a buy-in bulk annuity policy with Legal and General Assurance Society Limited ("LGAS") during March 2019. This policy remains an asset of the Scheme and, at the point of investment, was valued at c. £60m. As the buy-in policy held by the Trustee is an illiquid asset which is intended to be held until any eventual wind-up of the FSS, this has been excluded from the Monitored Asset Allocation outlined above.

	Strategic Allocation (including buy-in)		Monitored Asset Allocation (excluding the buy-in)	
Return Seeking Portfolio	20%		30%	
Equities	of which	100%	of which	100%
Liability Matching Portfolio	80%		70%	
Liability Matching Gilts		Not rebalanced	of which	100%
Buy-in Bulk Annuity Policy		Not rebalanced		-

Given the aim of the 'Liability Matching Gilts' portfolio is to protect the funding level of the FSS against unexpected changes in interest rate and inflation expectations, the Trustee has agreed (having sought advice from Aon) that it is not appropriate routinely to rebalance the Liability Matching Portfolio. Instead it will review the allocation periodically to take account of the changing liability profile of the Scheme and to ensure the bond allocation continues to provide the desired liability matching characteristics. Aon has recommended that any surplus funds, as a result of derisking activity or income distribution should be held in an appropriate liquidity fund pending a review of the LDI portfolio or to be drawn upon to meet cashflow requirements.

Before investing in any asset class the Trustee considers written advice from Aon and, in doing so, addresses the following:

- the need to consider a full range of asset classes;
- the risks and rewards of a range of alternative asset allocation strategies;
- the suitability of each asset class;
- the need for appropriate diversification.

4. Funding Target

The Trustee's policy is to target a funding position whereby many of the risks inherent in the current technical provisions basis can be removed – this target is 110% of solvency liabilities which provides a buffer for future uncertainties. The Trustee considers that the current investment strategy is appropriate to meet this target, and has adopted a de-risking strategy that is intended gradually to move the portfolio out of Equities and into Liability Matching Gilts as progress towards this target is made. These moves will be driven by a number of de-risking triggers linked to the Scheme's solvency liabilities, as provided by the Scheme Actuary.

The triggers (excluding the buy-in) are as follows:

Equity/Bond split	Solvency funding level trigger
30/70 (current target)	92%
15/85	100%
0/100	110%

On implementing one of these triggers the Trustee will revisit Sections 2 and 3 of this statement.

The Trustee will consider the funding level at intervals not less often than required by the Pensions Act, and review the suitability of the planned asset allocation and trigger strategy periodically to ensure that it remains appropriate.

5. Risk Measurement and Management

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (mismatching risk). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities (cash flow risk). The Trustee and its advisers will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee (manager risk). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.

- The failure of the buy-in bulk annuity provider. This risk is considered by the Trustee and its advisers both upon the initial appointment of the provider and on an ongoing basis thereafter.
- The failure to spread investment risk (risk of lack of diversification). The Trustee and its advisers considered this risk when setting the Scheme's investment strategy.
- The possibility of failure of the Scheme's sponsoring employer (covenant risk). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence (operational risk). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. The Trustee's policy is to review its strategy and monitor these risks on a regular basis. The Trustee receives reports showing:

- Actual funding level versus the Scheme specific funding objective.
- Absolute performance of the Scheme and individual fund managers.
- Performance of individual fund managers versus their respective targets.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

6. Implementation

The Trustee considers the advice of its investment consultant in the appointment of fund managers, the investment vehicle used for each asset class, the mandate structures (including liability driven investment arrangements) and managers' investment objectives.

The Trustee will typically invest in units of pooled funds for all asset classes, most of which will be passively managed against a suitable market index or reference security.

The Trustee will monitor the suitability of its appointed fund managers and the chosen investment vehicles with the assistance of its investment consultant.

The underlying fund managers currently chosen by the Trustee for each fund and their investment objectives are set out in section 1 of a separate document entitled Fund Manager Information (FMI). The Trustee reviews the underlying fund managers on a regular basis, and can change them at any time.

The Trustee has a legal agreement with each of the Scheme's fund managers. Details of these managers are set out in section 1 of the FMI.

C. MONEY PURCHASE SCHEME 2001

1. Application

This part of the statement refers to all of the assets of the Scheme other than the FSS assets. For ease of reference, these are referred to as the **MPS assets** although they consist of assets which represent not only the pension accounts of members of the MPS but also the AVCs (other than those paid for a defined benefit) of members of the FSS.

2. Investment Objective

Having considered written advice from Aon, the Trustee's investment objective is to offer a range of unitised funds to members which they are advised offer different risk and return characteristics so that members can construct an overall portfolio mix suitable for providing themselves with pensions at their retirement.

In addition to the ability to self-select, the Trustee is also now required to provide members with a default investment option.

3. Strategy

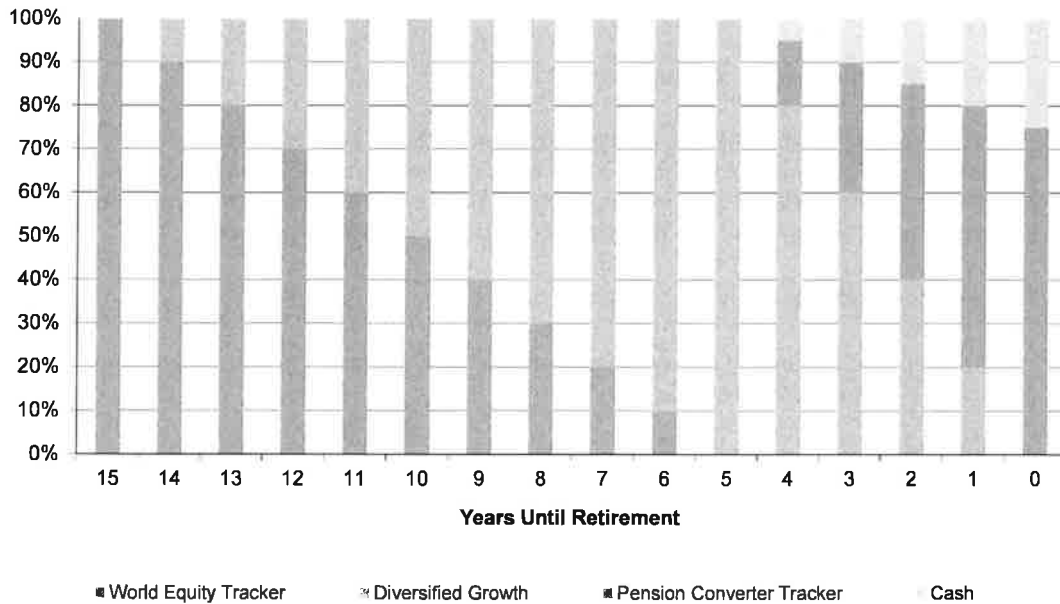
The Investment Objective is implemented using the range of investment options set out in Appendix 2.

The default investment option provided to members utilises a number of the investment options set out in Appendix 2. These are combined with the aim of ensuring members have a level of risk and return within their portfolio which the Trustees are advised is appropriate given the time until their normal retirement age. This is based on the following three principles:

- High equity allocation in member's early years, as equities are expected to outperform other asset classes over the long term (albeit with higher risk).
- Invest in lower risk/return assets when retirement nears, to protect member's financial position.
- Transition some assets into cash when very near to retirement in order to fund annuity purchase/cash lump sum.

The Trustee has decided to adopt a three phase approach, splitting the investment approach of members into the following three brackets:

- Growth Phase – Greater than 15 years from normal retirement age
- Transition Phase – From 15 until 5 years from normal retirement age
- Consolidation Phase – Less than 5 years from normal retirement age.



The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of funds was chosen by the Trustee after taking advice from the Trustee's investment advisers. In choosing the Scheme's investment options, it is the Trustee's policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a money purchase scheme.
- The need for appropriate diversification of asset classes.

The Trustee has considered how the default investment option is intended to ensure that assets are invested in the best interests of the members. The Trustee has been advised that it is reasonable to expect the long-term return on the investment options that invest predominantly in equities and property to exceed price inflation and general salary growth and that the long-term returns on bonds and cash options are expected to be lower than those on the predominantly equity and property options. However, bond funds are expected broadly to match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement. A Diversified Growth Fund is also offered, which aims to provide similar returns to equities but with reduced volatility. Cash funds aim to provide protection against changes in short-term capital values, and may be appropriate for members receiving part of their retirement benefits in the form of tax free cash.

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

4. Risk Measurement and Management

The Trustee recognises the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee considered this risk when setting the investment options and strategy for the Scheme. The Trustee's policy in respect of risk measurement methods and risk management processes is set out below.

The Trustee considers the following sources of risk:

- Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.
- Risk of fund managers not meeting their objectives (manager risk). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
- The risk of fraud, poor advice or acts of negligence (operational risk). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustee's policy is to review the range of funds offered annually.

In addition, the Trustee receives regular updates which help to monitor the performance of the funds compared to the benchmarks and identify any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

5. Implementation

a. Phoenix AW Limited

Phoenix AW Limited (formerly AXA Wealth Limited, "Phoenix Wealth") provides the fund administration for all funds within the MPS. All funds are held within the Phoenix Wealth company, and Phoenix AW Limited is responsible for unitising and pricing the funds (as Phoenix AW Limited funds), and for all other transactions.

The Trustee has a legal agreement with Phoenix AW Limited which allows the Trustee to invest in funds included in the service. The underlying fund managers currently chosen by the Trustee for each fund are set out in section 2 of the FMI. The Trustee reviews the underlying fund managers on a regular basis, and can change them at any time.

A number of the funds use an active management approach whereby a fund manager makes decisions on the appropriate asset mix and selection of the securities within each fund. Active management may result in periods of out or under performance of a manager's benchmark index. Other funds use an index tracking or passive approach. This means that they will hold all securities in the markets in line with the value of each security and should match closely the performance of their respective benchmark indices.

Phoenix Wealth and the underlying fund managers are remunerated on an ad valorem basis.

b. Utmost Life

In addition, the Trustee has a contract with Utmost Life and Pensions Limited (**Utmost Life**), formerly Equitable Life Assurance Society, under which members have been able to invest in unit linked policies. Aon Hewitt have reviewed the Trustee's contract with Utmost Life in accordance with Section 36 of the Pensions Act. Members are able to select their own investments from a range of funds provided by Utmost Life. Where members have opted not to self-select the Trustee has agreed to adopt an 'investing by age' strategy. This strategy seeks to reduce risk depending on the member's age – this process is managed by Utmost Life.

Effective Date: 18 September 2020



Director of Slaughter and May Pensions
Trustees Limited

Appendix 1**a) The Trustee's Decision Making Structure****Scheme Trustee**

- sets structures and processes for carrying out its role
- approves investment strategy, investment objectives and restrictions
- appoints the Investment Sub-Committee
- approves the Statement of Investment Principles
- approves or rejects decisions and recommendations made by the Investment Sub-Committee

Investment Sub-Committee

- selects and monitors investment advisers and fund managers
- monitors and makes recommendations on investment strategy, investment objectives and restrictions
- selects and monitors direct investments
- makes day-to-day decisions relevant to operational principles of Scheme's investment strategy
- monitors actual returns against the investment objective

Investment Adviser

- advises on all aspects of the investment of the Scheme assets, including implementation
- advises on this statement
- provides required training
- constructs benchmark for liability matching portfolio

Fund Managers

- operate within the terms of this statement as reflected in their written contracts and in accordance with the Pensions Act
- select individual investments with regard to their suitability and diversification
- advise Trustee on suitability of the indices in their benchmark.

Bulk Annuity Provider

- operate within the terms of the agreed policy documentation and in accordance with the relevant regulatory requirements
- provide the Scheme with cashflow associated with insured benefits

b) The Occupational Pensions Schemes (Investment) Regulations 2005

The Occupational Pensions Schemes (Investment) Regulations 2005 require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

Appendix 2**Money Purchase Scheme - Current Range of Investment Options**

Investment option	Investment description	Investment Characteristics (as advised to the Trustee)
UK Equity (passive and active options available)	UK equities	The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class over the long term. The actively managed options are expected to produce a higher return, but do carry the risk of manager underperformance.
Global Equity (passive and active options available)	Global equities	The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class over the long term. There will also be additional risk due to currency movements. However, the additional diversification will help to reduce risk. The actively managed option is expected to produce a higher return, but does carry the risk of manager underperformance.
Overseas Equity (passive)	As above (excluding the UK)	Similar comments as for global equities.
Diversified Growth Fund	A fund that will invest in a broad mixture of assets including equities, bonds, cash and alternatives,	Diversified Growth Funds aim to deliver returns close to equities but with significantly lower volatility than equities. They may invest in a wide range of asset classes, with weightings potentially varying significantly between time periods.
UK Fixed Interest Bonds (passive)	UK fixed interest securities	Investment returns are fairly stable although the expected returns are lower than for equities. The value of bonds are not linked to inflation.
UK Index Linked Bonds (passive)	UK index linked securities	Investment returns are fairly stable and values are linked to inflation, as a result investors gain some assurance that the value of their investment will not decline due to inflation. Returns are expected to be lower than for equities.
Property	UK pooled property fund	Returns from this asset class typically have little correlation with equity and bond fund returns which should see stable growth over the long term.
Pension Converter	Fixed interest bonds (investment grade corporate bonds and gilts)	This fund aims to invest in assets that reflect the investments underlying a typical non-inflation-linked pension annuity product and should therefore help to maintain members' purchasing power in this regard.

Investment option	Investment description	Investment Characteristics (as advised to the Trustee)
Cash	Short-term cash instruments	Produces fairly reliable nominal investment returns.

The Slaughter and May Pension Scheme
Fund Manager Information (FMI)
From 22 November 2019

The Fund Manager Information document (FMI) sets out details of the underlying fund managers who manage the assets of the Slaughter and May Pension Scheme (the "Scheme"). Information on the principles governing decisions about the investment of the assets of the Scheme can be found in the Statement of Investment Principles.

Section 1: Final Salary Scheme - Fund and Manager Information

Fund mandates under a pooled fund policy with Legal & General Assurance (Pensions Management) Limited

Asset Class	Fund Name	Performance Target	Benchmark
Global Equity	All World Equity Index – GBP Hedged	To perform in line with benchmark	FTSE AW-World Index on a currency hedged basis against GBP excluding the advanced emerging markets, calculated by FTSE International for LGIM
Fixed Interest Gilts	2047 Gilt	To perform in line with benchmark	Reference security
Fixed Interest Gilts	2055 Gilt	To perform in line with benchmark	Reference security
Fixed Interest Gilts	2060 Gilt	To perform in line with benchmark	Reference security
Fixed Interest Gilts	2065 Gilt	To perform in line with benchmark	Reference security
Fixed Interest Gilts	2071 Gilt	To perform in line with benchmark	Reference security
Index Linked Gilts	2035 Index-Linked Gilts	To perform in line with benchmark	Reference security
Index Linked Gilts	2037 Index-Linked Gilts	To perform in line with benchmark	Reference security
Index Linked Gilts	2040 Index-Linked Gilts	To perform in line with benchmark	Reference security
Index Linked Gilts	2042 Index-Linked Gilts	To perform in line with benchmark	Reference security
Index Linked Gilts	2050 Index-Linked Gilts	To perform in line with benchmark	Reference security
Index Linked Gilts	2055 Index-Linked Gilts	To perform in line with benchmark	Reference security
Index Linked Gilts	2058 Index-Linked Gilts	To perform in line with benchmark	Reference security
Index Linked Gilts	2062 Index-Linked Gilts	To perform in line with benchmark	Reference security
Index Linked Gilts	2068 Index-Linked Gilts	To perform in line with benchmark	Reference security
Liquidity	Sterling Liquidity fund	To provide a competitive rate of return, with reference to the benchmark	7-Day LIBID

Section 2: Money Purchase Scheme - Fund and Manager Information

(a) Actively Managed Funds			
Investment Fund	Current Manager (Fund Name)	Performance Target	Benchmark
UK Equity (comprised of two funds)	Majedie Asset Management (UK Equity Fund)	3.0% p.a. above benchmark	FTSE All-Share Index
	Baillie Gifford (UK Equity Core Pension Fund)	1.0% pa above benchmark	FTSE All-Share Index
Global Equity (comprised of two funds)	MFS (Meridian Global Equity Fund)	2.0% p.a. above benchmark	MSCI World Index
	Dodge & Cox (Global Stock Fund)	2.0%-3.0% pa above benchmark	MSCI World Index
Diversified Growth (comprised of two funds)	BlackRock (DC Diversified Growth Fund)	To perform in line with benchmark	UK Bank Base Rate + 3.5% p.a.
	BlackRock (Dynamic Allocation Fund)	To perform in line with benchmark	UK Bank Base Rate + 3.5% p.a.
Property (comprised of two funds)	Aviva Investors (Property Pooled Fund)	1.0% p.a. above benchmark	IPD All Balanced Funds Median
	Legal and General (Managed Property Fund)	1.0% p.a. above benchmark	IPD All Balanced Funds Median
Cash	Legal and General (Cash Fund)	ABI UK - Deposit & Treasury (Pension)	7-day LIBID

(b) Passively Managed Funds			
Investment Fund	Current Manager (Fund Name)	Performance Target	Benchmark
UK Equity Tracker	BlackRock (BlackRock CIF UK Equity Tracker Fund)	To perform in line with benchmark	FTSE All-Share Index
Overseas Equity Tracker	BlackRock (Aquila Connect World (ex-UK) Index Fund)	To perform in line with the benchmark	FTSE AW Developed ex-UK Index
Global Equity (50:50) Tracker	BlackRock (Aquila Connect (50:50) Global Equity Fund)	To perform in line with benchmark	50% FTSE AW Developed ex-UK Index 50% FTSE All-Share Index
World Equity Tracker	Legal and General (World Equity Index Fund)	To perform in line with benchmark	FTSE AW Index
Shariah Compliant Fund	HSBC (Amanah Global Equity Index Fund)	To perform in line with benchmark	Dow Jones Islamic Titans 100
Pension Converter Tracker	Legal and General (Pre-retirement Fund)	To reflect the investments underlying a typical non-inflation-linked pension annuity product.	Weighting, at discretion of LGIM, of 60.4% Corporate Bonds and 39.6% Fixed Interest Gilts (weighting as at 30/06/2013)
Index Linked Gilts Tracker	Legal and General (Over 5yr Index Linked Gilts Index Fund)	To perform in line with benchmark	FTSE A Index-Linked Over 5yr Index
Long Dated Gilts Tracker	BlackRock (Aquila Connect Over 15 Years UK Gilt Index Fund)	To perform in line with the benchmark	FTSE A >15yr Gilt Index