LifeSight

Statement of Investment Principles

July 2019

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Section 1: Introduction

1.1 This document describes the key investment principles and policies governing investment decisions as pursued by LifeSight Limited ("the Trustee") as trustee of LifeSight.

Scheme details

1.2 LifeSight operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. LifeSight operates on a defined contribution ("DC") basis.

1.3 LifeSight is a registered pension scheme under the Finance Act 2004.

1.4 LifeSight is an authorised Master Trust under the Pension Schemes Act 2017.

1.5 Towers Watson Limited is the Founder of LifeSight, the Investment Advisor to the Trustee, and the Fiduciary Manager for certain investment funds.

1.6 Legal & General Assurance (Pensions Management) Limited, ("LGIM") is the platform and insurance policy provider for LifeSight.

Pensions Acts

1.7 Under the Pensions Act 1995 (as amended by the Pensions Act 2004), the Trustee is required to prepare such a statement of the principles governing investment decisions.

1.8 Before preparing this document, the Trustee has consulted the Founder and the Trustee will consult the Founder before revising this document. All employers under LifeSight have appointed the Founder as their representative for the purposes of this consultation. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

1.9 In drawing up this document, the Trustee has sought advice from the Investment Advisor. Before preparing this document the Trustee has had regard to the requirements of Section 36 of the Pensions Act 1995 concerning diversification of investments and suitability of investments and the Trustee will consider those requirements on any review of this document or any change in their investment policy. The Trustee will refer to this document where necessary to ensure that they exercise their powers of investment so as to give effect to the principles set out in it as far as is reasonable.

Financial Services and Markets Act 2000

1.10 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but does not carry out day to day management of specific investments. The Trustee invests in one or more policies issued by insurance companies and the investment managers within the Underlying Funds offered by the insurance companies, who carry out day to day management of specific investments.

Section 2: Division of Responsibilities

2.1 In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.

Trustee

2.2 The LifeSight Trustee's responsibilities include:

(i) Maintaining an up-to-date Statement of Investment Principles.

(ii) Selecting, monitoring and reviewing the ongoing appropriateness of the Default Lifecycles, alternative Lifecycle strategies, and other Core and Extended fund ranges, ensuring in particular that any Default options (strategies and funds) remain appropriate for the needs of members investing in them.

(iii) Selecting, monitoring and reviewing the ongoing appropriateness of the platform provider.

(iv) Reporting and communicating to members as appropriate.

(v) Assessing their own performance and those of their advisors and delegates.

Members

2.3 The individual members' responsibilities include:

(i) Ensuring contribution levels in the Savings Phase or drawdown amounts in the Spending Phase are and remain appropriate to their personal circumstances and needs.

(ii) Reviewing and revising their retirement age.

(iii) Making investment choices from the range of investment options provided by LifeSight (otherwise acknowledging that Saving Phase members will be invested in a Default).

(iv) Ensuring their investment choices are and remain appropriate to their personal circumstances and needs.

Platform and policy provider

2.4 The DC platform provider and the policy provider's responsibilities include:

(i) Providing the Trustee with quarterly statements of the assets together with a quarterly report on actions and future intentions and any changes to the processes applied to the portfolio.

(ii) The independent safekeeping of the assets and appropriate administration (including income collection and corporate actions) within any pooled funds used by LifeSight.

Investment Advisor

2.5 The Investment Advisor's responsibilities are to advise and assist the Trustee on all investment matters including:

(i) Providing timely advice and assistance with regards to all the areas listed under Section 2.2 above.

(ii) Liaising with and providing oversight of the Fiduciary Manager.

(iii) Assisting the Trustee with its ongoing investment governance requirements, including the Trustee's legal responsibilities and recommendations within the Pension Regulator ("tPR") code of practices and associated guidance (including the Master Trust Assurance framework).

(iv) Undertaking project work as required including transitions and implementations, strategy reviews and reviews of the platform provider and the investment managers.

2.6 The Investment Advisor may from time to time receive delegations over certain matters from the Trustee.

Fiduciary Manager

2.7 The Fiduciary Manager has been appointed by the Trustee to manage the LifeSight Equity fund and LifeSight Diversified Growth fund (the Delegated Funds).

2.8 The Fiduciary Manager is responsible for the ongoing management and portfolio construction of the Delegated Funds, which includes:

(i) Ongoing research and innovation of new investment opportunities.

(ii) Ongoing selection and monitoring of managers and funds.

(iii) Ongoing asset allocation.

(iv) Implementation of any changes.

(v) Reporting to the Trustee.

(vi) Adhering to agreed service levels

Underlying investment managers

2.9 The responsibilities of the investment managers of the Underlying Funds include:

(i) Managing the Underlying Fund at their discretion within the fund guidelines.

(ii) Providing relevant information to the policy provider, including providing notification of any changes in the performance objective or other guidelines of the Underlying Funds.

Section 3: Objectives and Investment Strategies

3.1 As a DC pension scheme, members' benefits in LifeSight are solely dependent on the amount of money paid into (or withdrawn from) their individual accounts and the performance of investments (net of costs).

3.2 The investment offer to members is strongly linked to the engagement process as the overarching objective is to help members achieve a better pension outcome, not only via the investment proposition, but also by helping them to understand and influence their expected outcomes via their decisions.

Investment Objectives

3.3 LifeSight aims to provide a robust and comprehensive yet not excessive range of investment options, in each of the saving and spending phases, suitable for different member retirement objectives, risk profiles, investment preferences and employer objectives.

3.4 This means providing a limited range of well-governed investment options (funds and strategies) appropriate for different objectives that:

- Offer an appropriate balance between risk and return net of fees.
- Are cost conscious (including but not limited to options that are low-cost) and offer members value for money.
- Reflect and encourage best-in-class sustainable investment practices, recognising that this is part of good financial risk management.

Investment Choice Framework

3.5 LifeSight offers members a choice framework catering for different needs in terms of ease and control depending on the level of involvement they wish to have but with a view to nudging members to take as much ownership of their investment choices as possible.

3.6 In addition to the Default options (below) LifeSight provides:

- A range of investment strategies (in which the underlying asset allocation will change over time) from which members may choose based on different objectives.
- A Core Fund Range of investment options available to all LifeSight members.
- The ability to provide an Extended Fund Range of additional investment options for specific purposes and/or cohorts of members, eg employer-specific funds or funds used for transition/on-boarding purposes.

3.7 There are four Building-Block Funds that underpin the various Lifecycle strategies and which are also available options within the core Self-Select fund range:

- LifeSight Equity Fund: invests in a range of global equity markets; expected to produce returns in excess of inflation over the medium to long-term; capital values may be highly volatile in the short term.
- LifeSight Diversified Growth Fund: invests in equities as well as a variety of diversifying asset classes; expected to produce returns in excess of inflation over the medium to long-term; capital values may be volatile in the short-term although less than for equities.
- LifeSight Bonds Fund: invests predominantly in UK long dated inflation linked government bonds and nominal corporate bonds; expected to produce lower returns than equities and other diversified growth assets over the medium to long-term, but such that the fund price is expected to rise and fall in a similar way to annuity prices; capital values may be volatile in the short-term.
- LifeSight Cash Fund: invests in high-quality short-term cash instruments; expected to produce low returns but to provide liquidity and capital preservation.

Default and other Investment Options

3.8 A Default is any investment in which member funds have been automatically invested without them having made an explicit choice. This could be:

- a Lifecycle strategy in which members are auto enrolled unless they opt out, or
- other investments into which members are mapped (typically when a participating employer joins and there is a transfer without member consent of the member's past assets).

3.9 LifeSight's standard Default investment strategy is the Medium Risk Drawdown Lifecycle, although LifeSight provides the ability to offer different Defaults for different participating employers and/or member cohorts to reflect the profile and needs of different groups.

3.10 The default target retirement age (TRA) will depend on whether members had participated in legacy arrangements, where the previous TRA is retained, or whether they joined LifeSight as a new entrant. Where new entrants do not select a TRA, the employer selected Pension Age acts as the default TRA. Members can change their TRA if they wish.

3.11 LifeSight provides members in the Savings Phase with a choice of nine pre-configured Lifecycle strategies reflecting three retirement benefit objectives (cash lump sum, annuity purchase and drawdown), and three levels of risk tolerance (low, medium and high):

- All nine of these Lifecycles could be used as Default investment options and are designed accordingly.

- All nine Lifecycle strategies make allocations between the Building-Block Funds in a way which changes over time to reflect the term to retirement date.
- The investment charges within each Lifecycle will vary depending on the specific underlying asset allocation over time but is currently limited to a maximum of 0.15% pa.
- The allocations within each Lifecycle strategy are provided in the appendix to this document.

3.12 LifeSight can also provide other Lifecycles, as Defaults or otherwise, such as a Low Cost Lifecycle strategy to employers who wish to position their scheme as minimising charges to members.

3.13 When designing and reviewing the investment strategies for and underlying the Defaults, the Trustee has regard to the sustainable investment principles outlined in Section 5 of this document.

3.14 The Trustee also makes available a range of managed investment options for members in the Spending Phase of LifeSight. A full list of these options is shown in the appendix.

3.15 As noted above, any fund receiving mapped member assets would be considered as Defaults and subject to the regulatory Charge Cap.

Expected Risk and Return

3.16 The design of the Default/Lifecycle investment strategies detailed above has regard to the expected risk and return characteristics of each of the Building-Block funds (as detailed above) as well as, importantly, the overall balance between risk and return over time relative to the stated objective of each strategy.

3.17 Each fund in the Self-Select Fund range offered to members has expected risk and return characteristics appropriate to the underlying assets in which each fund invests. Members have access to information about risk and return when making any selection from this fund range.

Section 4: Investment Manager Arrangements

4.1 A number of different investment managers may be accessed by LifeSight through the policy, though the majority of investment management is provided by the policy provider itself, through its investment management business.

Investment Structure

4.2 Each of the Self-Select Funds, including the Building-Block Funds, are white-labelled. White-labelling allows the underlying funds and investment managers to be changed more easily. In addition, the use of white labelled investment options that are not specifically branded by reference to the manager makes it potentially easier for members to understand where they are investing their assets. Each white-labelled fund invests through the policy with one or more investment managers.

4.3 The Trustee recognises that the Pensions Regulator's Code recommends that investment managers should be given freedom to use a range of financial instruments, unless specific circumstances of LifeSight preclude their use. LifeSight is invested wholly through an insurance company platform restricting the allowable liquidity, use of derivatives and leverage in the investment offering.

Investment Approach – Active vs Passive

4.4 LifeSight offers and makes use of a range of active, passive and 'smart-beta' investment options within the Lifecycle strategies and individual fund range.

4.5 The decision to offer/use active, passive, and/or smart beta approaches for each fund reflects a balance of a number of considerations, including not least the relative expected risk-adjusted return net of costs.

Performance Objectives

4.6 The investment objectives will be treated as a target only and will not be considered as an assurance or guarantee of the performance or risk of LifeSight or any part of it.

4.7 The Trustee recognises that the Fiduciary Manager's and underlying investment managers' performance could be volatile and that they will not always achieve their target. Nonetheless, the Trustee expects targets to be met over the medium to long term and the managers should demonstrate that the skill exercised in managing the portfolios is consistent with the target given the levels of risks adopted.

Fees

4.8 The Trustee has contracts in place that detail the services and fees with LifeSight's Investment Advisor, Fiduciary Manager, Platform and underlying investment managers. Those contracts are regularly reviewed and monitored by the Trustee.

4.9 Member charges are subject to an annual Value for Members assessment which includes the impact of all fees and charges for members including the investment elements.

Soft commission

4.10 LifeSight's Investment Advisors, Fiduciary Managers and underlying investment managers do not enter into soft commission arrangements with brokers in relation to LifeSight's assets.

Section 5: Other Investment Policies

Choosing investments

5.1 After taking appropriate investment advice, the Trustee invests in funds under a policy issued by an insurance company which appoints investment managers who are authorised under the Financial Services and Markets Act 2000 to undertake investment business. Each fund has an appropriate benchmark. Choice of specific investments is delegated to the managers subject to defined tolerances relative to their respective benchmarks.

5.2 In this context, investment advice is defined by Section 36 of Pensions Act 1995 (as amended).

Responsible investing, stewardship and sustainability

5.3 The Trustee considers long-term sustainability to be an important and relevant issue to consider throughout the investment process.

5.4 In particular the Trustee recognises that an investment's financial success can be influenced by a wide range of factors including environmental, social and governance (ESG) issues and stewardship.

5.5 The Trustee therefore recognises that ESG considerations and stewardship are important aspects of responsible financial risk management in order to protect and enhance the value of investments and should improve long-term member financial outcomes.

5.6 The Trustee incorporates these issues in their risk management processes, when designing and monitoring the Default/Lifecycle strategies, including in particular the underlying strategic asset allocation.

5.7 The Trustee has delegated the day to day ESG integration and stewardship activities (including voting and engagement) to its investment managers. Where relevant to the investment approach, the Trustee encourages managers to adhere to the principles of the UK Stewardship Code, and other local stewardship codes where applicable, and to document how they are considering and addressing ESG issues.

5.8 The Trustee regularly monitors the ESG integration and stewardship activities of its investment managers, and has adopted a thematic oversight approach to focus on the most impactful areas – currently LGIM's stewardship activities, the activities of the Fiduciary Manager of the Delegated Building-Block Funds underlying the Default/Lifecycle strategies, and issues of particular importance such as climate change.

5.9 The Trustee's focus is explicitly on financially material considerations. The Trustee's policy at this time is not to take into account non-financially material considerations, although the Trustee does offer self-select investment options that do so.

Liquidity and realisation of investments

5.10 LifeSight's assets are held in the Underlying Funds under the policy which can be realised to provide benefits when a member makes a valid request to withdraw them, or earlier on transfer to another pension arrangement.

Diversification

5.11 The policy is a qualifying insurance policy and so is deemed to offer adequate diversification. In any event, each underlying fund is monitored to ensure that it is appropriately diversified.

5.12 The Trustee provides a range of investment options to meet members' diverse investment needs and seeks to ensure that members are able to access adequate diversification of investments.

Suitability

5.13 The Trustee has taken advice from the Investment Advisor to ensure that the investment options specified above are suitable for LifeSight. The Trustee continues to monitor, and take advice on, the various options on an ongoing basis.

Stock lending policy

5.14 The Trustee permits onto the LifeSight platform investment funds that undertake stock lending subject to being satisfied that the associated risk controls and parameters are appropriate to ensure security of assets, and that this is monitored regularly.

Section 6: Risk Management

6.1 The Trustee recognises that there are a number of risks that can lead to members accumulating insufficient assets to finance their desired level of consumption in retirement, including:

- ‘Contribution risk’: The risk of starting contributions late, ceasing contributions, or paying insufficient contributions.
- ‘Consumption risk’: The risk of misunderstanding how the member will consume their pension wealth. This includes the risk that a member does not retire at the normal/stated target retirement age as well as the uncertain pattern of drawing down benefits in retirement.
- ‘Exhaustion risk’: The risk that members in the Spending Phase exhaust their pension benefits earlier than expected. This is closely related to ‘Longevity risk’, ie the risk that members live longer than expected and therefore run out of money.
- ‘Investment risk’: The risk of poor investment returns over the short term (ie volatility, or its converse, capital preservation, which is important for members looking to crystallise their benefits in the near term) and/or long term (ie overall accumulated money-weighted investment returns) leading to insufficient benefits. Investment risks include:
    - ‘Inflation risk’: The risk that the investment returns over members’ working lives do not keep pace with inflation and hence purchasing power diminishes.
    - ‘Interest rate risk’: The risk of converting accumulated retirement savings into an income. The cost of conversion is related to prevailing interest rates. If interest rates fall, the cost of converting accumulated savings into a given level of income increases, other things being equal.
    - A range of other macroeconomic, market and idiosyncratic factors including liquidity, currency, credit, equity, sustainability, concentration (ie inadequate diversification), asset security and other operational factors, securities lending, political uncertainty, fees and other costs, underperforming managers, over-cautious investment strategies, etc.

6.2 The Trustee has carefully selected a range of investment options (strategies and funds) that can be used to manage the above investment-related risks, periodically monitoring performance, asset security, value for money, expected outcomes, annuity prices, and market developments, in order to assess ongoing suitability.

6.3 The Trustee recognises that members have the capacity to respond to shortfall events by increasing contributions, delaying retirement or accepting a lower pension at retirement. The Trustee provides members with ongoing information, reporting, communications, engagement and modelling tools to help them to understand their expected retirement benefits and the impact of changing contributions, investments and/or target retirement age. Along with the provision of a suitable range of investment options, this helps members to manage their contribution, consumption and exhaustion risks.

6.4 The Trustee recognises that members will often not engage sufficiently or effectively in their share of the governance of their retirement savings, hence the Trustee utilises defaults to invest contributions and manage the key risks members face as far as possible, periodically undertaking analysis and seeking guidance to ensure they remain appropriate, until they engage with the governance of their pension savings.

Section 7: Compliance with and Review of this Statement

Compliance with this Statement

7.1 The Trustee will monitor compliance with this Statement annually and produce an annual Implementation Report to detail how the principles described in this Statement have been implemented in practice and explain and give reasons for any change made to this Statement.

Review of this Statement

7.2 The Trustee will review this Statement at least every three years or more frequently in response to any material changes to any aspects of LifeSight, its membership profile and the attitude to risk of the Trustee, which it judges to have a bearing on the stated investment policy.

Appendix A: Core Fund Range

Building block funds

LifeSight Equity
LifeSight Diversified Growth
LifeSight Bonds
LifeSight Cash*

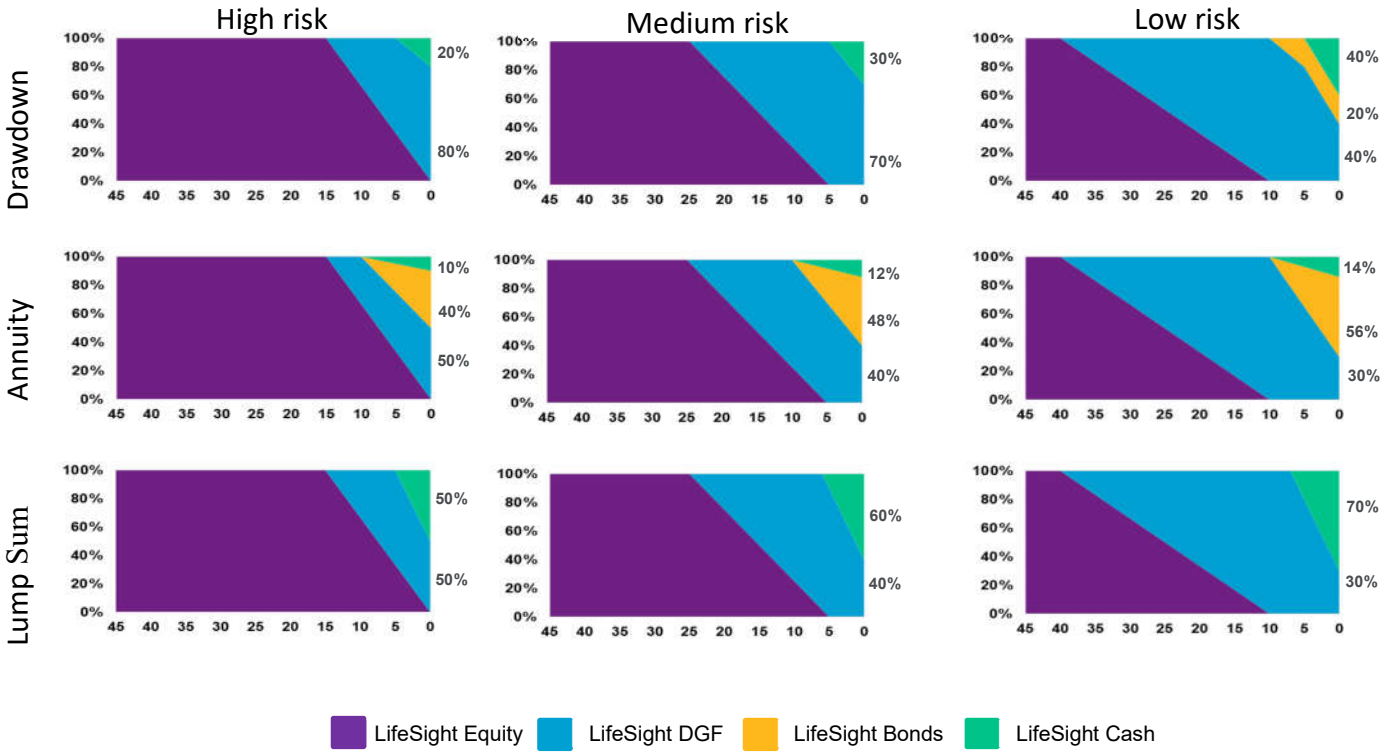
Other self-select funds

UK Equity
Europe (ex UK) Equity
North America Equity
Asia Pacific (ex-Japan) Equity
Japan Equity
Developed Markets Equity
Emerging Markets Equity
Global Equity Smart Beta
Ethical Global Equity
Shariah Equity*
Property*
Global Property
Infrastructure Smart Beta
UK Corporate Bond
Global High Yield Bond
Emerging Market Government Bond
Annuity Matching
Inflation Linked Annuity Matching

Note: Some funds may incur additional variable expenses on top of the Annual Member Fee, which would be deducted separately by the fund manager (marked with * above).

Appendix B: Savings Phase Strategies

LifeSight has nine pre-configured Lifecycle funds from which members can choose, covering 3 different retirement objectives, and 3 different levels of risk. The following charts describe the proportion invested in each of the Building-Block Funds (vertical axis) at different times before TRA (horizontal axis)



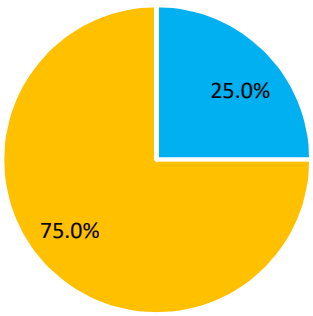
Appendix C: Spending Phase Strategies

The Trustee makes available 3 static strategies and a lifecycle option.

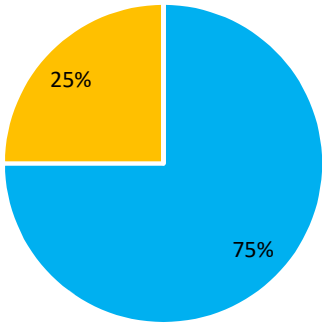
The following pie charts show the proportion invested in each of the applicable LifeSight Funds in the static strategies.

Key: LifeSight Equity LifeSight DGF LifeSight Bonds

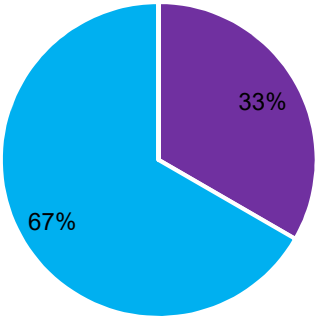
Low risk focused:



Medium risk focused:

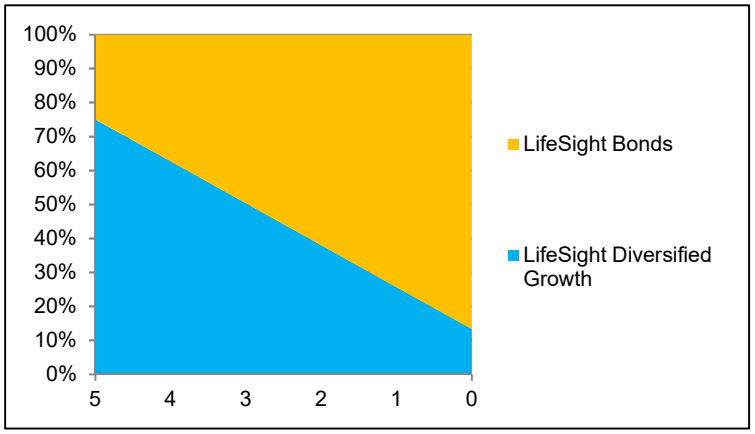


High risk focused:



Lifecycle:

The lifecycle strategy has the medium risk static asset allocation as its starting point, and starts reducing the level of risk in the strategy 5 years from a date of a member's choosing.



Appendix D: Glossary

Active Management	A style of investment management which aims to achieve performance in excess of a relevant benchmark through either asset allocation, market timing or stock selection. It is the opposite to passive management and typically incurs a higher fee for the prospect of achieving higher performance.
Building-Block Funds	The blended funds which form the constituent parts of the Lifecycle strategies
Core Fund Range	The range of investment options available to all LifeSight members
Default	Any investment in which member funds have been automatically invested without them having made an explicit choice. This could be a Lifecycle strategy in which members are auto enrolled unless they opt out or other investment into which members are mapped.
Delegated Fund	A white-labelled fund whos underlying portfolio construction is delegated to the Fiduciary manager
Extended Fund Range	The range of additional investment options not available to all LifeSight members, eg employer-specific funds or funds used for transition/on-boarding purposes
Fiduciary Manager	The manager with fiduciary responsility for the ongoing management and portfolio construction of the Delegated Funds
Investment Advisor	The regulated investment advisor to the Trustee with oversight of all investment options
Lifecycle strategy	A Lifecycle strategy invests a member's contributions in a series of funds changing over time in response to the member's term to retirement date
Passive Management	A term generally applied to a technique of investing by tracking/mirroring the performance of an index of assets. There are a number of techniques managers use to track the performance of an index and whilst the aim is to mirror performance as closely as possible it is difficult to track the performance of an index completely. It typically is lower cost than active management.
Savings Phase	The period in which members are investing their pre-retirement savings
Securities Lending	A programme of lending securities from one party to another in an attempt to generate additional returns.

Self-Select options	The range of investment choices from which members can select their own investment arrangements
Spending Phase	The period in which members are investing and drawing-down their benefits post-retirement
Smart Beta	Smart beta involves some aspects of both active and passive management. It aims to use active management techniques in a systematic way in order to either outperform or reduce risk relative to a traditional index in a lower cost manner than active management, the systematic and cost elements being more akin to passive management. Smart beta can include a broad set of investment strategies that use alternative index construction rules to traditional market capitalization based indices.
Underlying Funds	The investment vehicles underlying white-labelled LifeSight investment fund range
White-labelled Fund	A generic fund offered to members, which allows the Underlying Funds used to be changed more easily.