

# **Travis Perkins Pension & Dependants' Benefit Scheme**

## **Chair's Statement**

1 October 2023 to 30 September 2024

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# 01 Introduction

**This is the Chair's Statement (the "Statement") for the Travis Perkins Pension & Dependants' Benefit Scheme ("the Scheme") covering the period 1 October 2023 to 30 September 2024.**

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

While the Scheme provides defined benefits ("DB") to the majority of its members, some groups of members have entitlement to defined contribution ("DC") benefits. This includes:

- Members with DB benefits that have a DC underpin. When these members come to retire, their DB pension will be compared to the pension provided by their DC underpin. The member will receive the higher value of the two. For some members this underpin relates to a period during which the Scheme was contracted out on a "Protected Rights" basis, while for some legacy Wickes members the underpin relates to an historical defined benefit pension. These underpins are generally not expected to 'bite' though they may do for a small number of members.
- Members with 'pure' DC benefits. For some members these relate to Protected Rights contributions which could not be reinstated in the State Pension Scheme when they left service and, for some ex-Wickes members they relate to a prior money purchase scheme; and
- Members who historically made Additional Voluntary Contributions ("AVCs") to policies made available to them under the Scheme. Members have been unable to contribute to these policies since May 2007.

The Scheme is not used by Travis Perkins plc ("the Employer") for automatic enrolment purposes (it has a separate arrangement for this).

# Introduction

## continued

### 01.01 Governance and Queries

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I welcome this opportunity to explain what the Trustee does to help ensure the Scheme is run as effectively as it can be. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please do contact the Trustee at:

The Trustee of the Travis Perkins Pensions & Dependants' Benefit Scheme  
Cobtree Nominees Limited  
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London  
EC4N 6HL  
[TPandBSS@weareigg.com](mailto:TPandBSS@weareigg.com)

# 02 Scheme investments

## 02.01 Investment structure

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A “default investment arrangement” arises where a member’s investments have been invested without the member specifically selecting the option. The DC benefit structure is explained below followed by an explanation of the one default investment arrangement in the Scheme. The non-default arrangements are noted for information and completeness only.

### **Pure DC benefits:**

For some of the members with ‘pure’ DC benefits, these are invested in the Standard Life With-Profits Fund. This fund provides guaranteed returns of 4%, if members take their benefits on the Fund’s maturity date. This helps protect members from market volatility. The mechanics of this fund allow for an additional payment of an annual bonus; however, no bonus has been paid since 2005.

For members with pure DC benefits which related to Protected Rights funds for members that had short service refunds (when it was not possible to reinstate these into SERPS), these benefits are notionally invested in the main assets of the Defined Benefit section of the Scheme which receive the return on the assets of the DB section.

### **DC underpin benefits:**

For members with historic DB benefits with a DC underpin, and those who had service during a period when the Scheme was contracted out on a ‘Protected Rights’, their DC underpin funds are notionally invested in the main assets of the Defined Benefit section of the Scheme. This means DB members with a DC underpin do not have money invested in a specific fund but instead are assigned notional units which receive the return on the assets of the DB section.

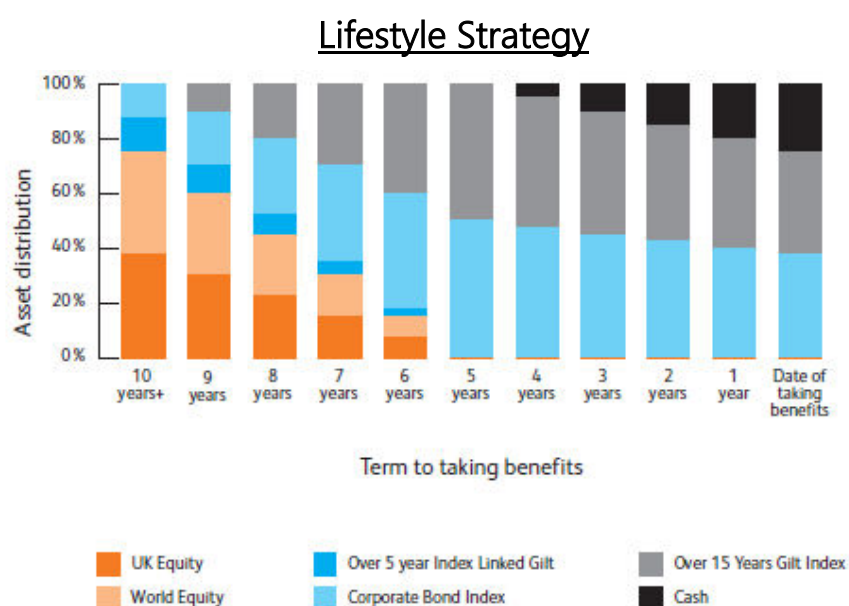
### **Additional Voluntary Contribution (AVC) benefits:**

For those members with AVCs, these are held with multiple providers as listed later in ‘Section 02.04 Fund Performance’ & ‘Section 03.01 Investment Manager Charges’.

## Scheme investments continued

The BlackRock Balanced Lifestyle Fund strategy became a default investment as a result of the AVC rationalisation project which took place in July 2021, with subsequent consolidation of funds into it from the Abrdn Multi-Asset Fund Class E and Standard Life Managed Fund in December 2022.

The BlackRock Balanced Lifestyle Fund looks to de-risk as a member approaches their target retirement date, with the assumption that the member will draw 25% of their fund as a cash sum at retirement and purchase an annuity with the balance of their AVCs. The visualisation of this de-risking mechanism can be found below.



A copy of the latest Statement of Investment Principles ("SIP") related to the DC and AVC arrangements, dated September 2023, can be found in Appendix B.

# Scheme investments

## continued

### 02.02 Reviewing the Scheme's investments

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The Trustee is aware of its duty to consider the performance and suitability of its investments as a matter of good governance, and investment reviews are considered alongside the Trustee's requirement to review its SIP at least triennially.

The Investment Sub-Committee has been dissolved, with its responsibilities now being met by the Trustee Board through Trustee meetings. The Trustee meets throughout the Scheme year to consider the investments.

The Trustee considered the default arrangement on 25 January 2024 as part of the AVC performance review project and considered BlackRock Balanced Lifestyle Fund a suitable default strategy for the respective AVC funds. The default arrangement strategy will be reviewed at least triennially with the next review due by 25 January 2027.

The Scheme's investment strategy is outlined in its SIP (in Appendix B). This SIP details the default arrangement.

The DB investment strategy is applicable to members whose benefits are subject to the DC underpin and some with pure DC benefits, as they are invested notionally within these DB investments.

# Scheme investments

## continued

### 02.03 Investment Performance

Legislation requires trustees of relevant occupational pension schemes to report on the net investment returns for the default funds and for each fund which scheme members are, or have been able to, select, and in which scheme members are invested during the scheme year. Statutory guidance has been taken into consideration when completing this document.

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

### 02.04 Fund Performance

XPS provides the Trustee with annual investment performance information to monitor the Default Investment, which it reviews and challenges in Trustee meetings.

#### Default Strategy – The BlackRock Balanced Lifestyle Fund

This table shows how the Default Fund has performed for members at three different ages, over the last one and five years (annualised).

	1 year (01/10/2023 – 30/09/2024) %	5-years (01/10/2019 – 30/09/2024) %
Age 25	13.93	4.24
Age 45	13.93	4.24
Age 55	13.93	(0.44)

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

Note: Members up to age 55 will receive the same investment returns because the lifestyle strategy starts to derisk from 10 years to retirement. The five-year return figure for age 55 plus cohort takes into account the changing asset allocation between the ages of 55 and 60. More detailed information was available from the provider to calculate the 5-year return figure this year (compared to the estimate previously provided).

#### DB Members with 'DC Underpin' and Protected Rights 'Pure DC' members

These members have investments within the main assets of the Defined Benefit Section. The table shows how these assets have performed for the year to 30 September 2024 (annualised):

	1 year (01/10/2023 – 30/09/2024) %	5 years (01/10/2019 – 30/09/2024) %
Main assets of DB Section (used for DB Members with 'DC Underpin' and Protected Rights 'Pure DC' members)	10.30	(6.20)



# Scheme Investments

## continued

### DC and AVC Funds

Below are the funds in respect of the DC / AVC sections, over the last one, and five years (annualised)

	1 year (01/10/2023 – 30/09/2024)	5 years (01/10/2019 – 30/09/2024)
<b>DC Funds</b>	<b>%</b>	<b>%</b>
Abrn Multi-Asset Fund	14.77	5.72
Standard Life With-Profits Fund <sup>^</sup>	TBC <sup>^</sup>	TBC <sup>^</sup>
<b>DC/ AVC Funds</b>		
Clerical Medical Halifax Fund	0.00	0.00
Clerical Medical Cautious Fund	9.30	1.71
Clerical Medical Balanced Fund	11.60	3.14
Clerical Medical Adventurous Fund	15.30	5.94
Clerical Medical UK Equity Income Fund	13.00	3.88
Clerical Medical Smaller Companies Fund <sup>^</sup>	7.20	2.12
Clerical Medical UK Equity Tracker Fund	17.90	3.02
Clerical Medical UK Growth Fund	14.50	3.88
Clerical Medical European Fund	14.60	7.06
Clerical Medical Far Eastern Fund	18.40	4.86
Clerical Medical Japanese Fund	12.20	5.78
Clerical Medical North American Fund	22.10	13.17
Clerical Medical International Growth Fund	18.80	10.31
Clerical Medical Retirement Protect Fund	9.40	(11.50)
Clerical Medical UK Index-Linked Gilts Fund	5.20	(8.38)
Clerical Medical Gilt & Fixed Interest Fund	9.80	(3.13)
Clerical Medical UK Property Fund	4.40	1.14
Clerical Medical Ethical Fund <sup>^</sup>	6.30	7.52
Clerical Medical Non-Equity Fund	9.40	0.12
Clerical Medical Cash Fund <sup>#</sup>	4.40	1.50
Clerical Medical Blackrock Over 15 Year Gilt Fund <sup>#</sup>	10.40	(11.51)
Clerical Medical Blackrock World Ex UK Fund <sup>#</sup>	19.80	10.41
Clerical Medical Blackrock Over 5 Year ILG Fund <sup># 1</sup>	6.50	(9.72)
Clerical Medical Blackrock UK Equity Fund <sup>#</sup>	12.20	4.04
Clerical Medical Blackrock Corporate Bond Fund <sup>#</sup>	8.90	(2.08)
Clerical Medical With-Profits	TBC	TBC
Prudential With-Profits Cash Acc Fund <sup>*</sup>	0.00	0.00
Zurich With Profits 90:10 Fund	10.00	(4.80)

*Source: Abrdn, Clerical Medical, Prudential, Zurich. Figures are net of fees. Past performance is not a reliable indicator of future results. The value of investments may go down as well as up and members may get back less than they invest*

<sup>^</sup>Displaying 1 year and 3 year (annualised) returns to 30/09/2024 - Fund information was not provided by the Investment Provider at the time of writing this report. The Trustee will continue to request this information and include in future statements where possible.

Clerical Medical report net performance of their funds by applying the standard 1.0% AMC. In line with the agreement in place, members receive an annual rebate of 0.5% to their investment units, which is not reflected in the above metrics.

\*Calendar year returns to 31 December 2024. Returns are underlying assets (not bonuses declared to members)

<sup>#</sup>These funds (also shown in grey) form part of the BlackRock Balanced Default Lifestyle and form the DC section default.

<sup>^</sup> Data was not provided by Clerical Medical. The Trustee has requested this from Clerical Medical, and XPS on behalf of the Trustee will continue to attempt to retrieve this information. This data will be included in future reports if provided.

# 03 Charges and transaction costs

## 03.01 Investment Manager Charges

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Members pay the following costs and charges in respect of their DC / AVC pension benefits (unless otherwise noted below).

### **Ongoing Charges Figure**

The Ongoing Charges Figure ("OCF") is comprised of a Fund Management Charge ("FMC") which consists principally of the manager's annual charge for managing and operating a fund; and other indirect fees which are incurred such as legal costs, registration fees and custodian fees. The OCF is calculated as a percentage of all applicable assets under management.

The OCF does not include Scheme administration, governance, or professional advice costs, which are met by the Scheme. However, as part of the AVC arrangements, these providers do undertake some administration functions, the cost of which are included in the charges levied on members and quoted below.

### **Transaction costs**

Transaction costs may be incurred on the buying and selling of investments and include for example stamp duty and brokerage fees. They may therefore happen when switching between funds and when selling investments to take benefits.

The OCF and transaction costs for the DC funds and AVCs are detailed below. These are to the period ending 30 September 2024 unless stated otherwise. The funds used within the default are all subject to an OCF of 0.50% and are indicated with #.

## Charges and Transaction costs continued

<sup>1</sup> There are no explicit costs. Instead, fund expenses are considered by the provider when determining bonus rates

<sup>\*</sup>Transaction costs were not available during the time of writing this report, XPS has continued to request these and will include this in future statements if provided.

<sup>#</sup>These funds (also shown in grey) form part of the BlackRock Balanced Default Lifestyle

	OCF (%)	Transaction costs (%)
<b>DC Funds</b>		
Abrdn Multi-Asset Fund	0.50	0.003
Standard Life Managed Fund	0.52	0.001
Standard Life With-Profits Fund <sup>1</sup>	0.00	0.01
<b>DC / AVC Funds</b>		
Clerical Medical Halifax Fund	0.50	0.00
Clerical Medical Cautious Fund	0.50	0.08
Clerical Medical Balanced Fund	0.50	0.18
Clerical Medical Adventurous Fund	0.50	0.18
Clerical Medical UK Equity Income Fund	0.50	0.22
Clerical Medical Smaller Companies Fund <sup>^</sup>	0.50	TBC
Clerical Medical UK Equity Tracker Fund	0.50	0.22
Clerical Medical UK Growth Fund	0.50	0.18
Clerical Medical European Fund	0.50	0.05
Clerical Medical Far Eastern Fund	0.50	0.25
Clerical Medical Japanese Fund	0.50	(0.01)
Clerical Medical North American Fund	0.50	(0.07)
Clerical Medical International Growth Fund	0.50	0.17
Clerical Medical Retirement Protect Fund	0.50	0.09
Clerical Medical UK Index-Linked Gilts Fund	0.50	0.00
Clerical Medical Gilt & Fixed Interest Fund	0.50	0.00
Clerical Medical UK Property Fund	0.50	0.00
Clerical Medical Ethical Fund <sup>^</sup>	0.50	TBC
Clerical Medical Non-Equity Fund	0.50	0.11
Clerical Medical Cash Fund <sup>#</sup>	0.50	0.02
Clerical Medical Blackrock Over 15 Year Gilt Fund <sup>#</sup>	0.50	0.00
Clerical Medical Blackrock World Ex UK Fund <sup>#</sup>	0.50	0.02
Clerical Medical Blackrock Over 5 Year ILG Fund <sup>#</sup>	0.50	(0.01)
Clerical Medical Blackrock UK Equity Fund <sup>#</sup>	0.50	0.07
Clerical Medical Blackrock Corporate Bond Fund <sup>#</sup>	0.50	(0.02)
Clerical Medical With-Profits Fund	1.00	0.22
Prudential With-Profits Cash Accumulation Fund	1.00	N/A
Zurich With Profits 90:10 Fund <sup>1</sup>	0.70%	0.50%

Source: Abrdn, Clerical Medical, Prudential and Zurich

## Charges and Transactions costs continued

*^Fund information was not provided by the Investment Provider at the time of writing this report, we have therefore instead displayed data as at 30 September 2023. The Trustee will continue to request this information and include in future statements where possible.*

For DC funds invested in the main DB assets, the returns on the investments are applied to the members' fund values on a gross basis i.e. there are no charges applied and therefore are not listed above.

Member-borne charges (including transaction costs where available) are presently kept under annual review by the Trustee, with the aim to ensure that members obtain value for money. Whilst there have been no material changes to transaction costs since the last Chair's Statement, the suitability of these costs remains under consideration, and where these have not been obtained as noted above, the Trustee (and its advisors) continue to request these and will report them when available within the next Statement.

### 03.02 Asset allocation disclosure requirements

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New regulations now require Trustees of relevant occupational pension schemes with a scheme year end of 1 October 2023 onwards to disclose and explain the percentage of assets allocated in the default arrangement to specified asset classes.

The regulator believes that publication of asset allocation data will be an important step towards transparency, standardisation and comparability across the pensions market and that it is important that members have access to all relevant information surrounding the investments being made using their savings and the outcomes these investments could have on their future retirement.

## Charges and Transactions costs continued

### 03.03 Asset allocation

XPS has received data on how the Plan's default investment strategy is invested in light of these new regulations and have provided a breakdown of the default strategy's asset allocation at ages 25, 45, 55 and one day before State Pension Age (SPA).

	Percentage allocation: Age 25 (%)	Percentage allocation: Age 45 (%)	Percentage allocation: Age 55 (%)	Percentage allocation: Day before SPA* (%)
Cash	0.00%	0.00%	0.00%	22.80%
Bonds	25.00%	25.00%	25.00%	77.20%
Corporate bonds	12.50%	12.50%	12.50%	37.50%
Govt bonds	12.50%	12.50%	12.50%	39.70%
Other bonds	0.00%	0.00%	0.00%	0.00%
Listed equities	75.00%	75.00%	75.00%	0.00%
Private equity	0.00%	0.00%	0.00%	0.00%
Venture capital/growth equity	0.00%	0.00%	0.00%	0.00%
Buyout funds	0.00%	0.00%	0.00%	0.00%
Property	0.00%	0.00%	0.00%	0.00%
Infrastructure	0.00%	0.00%	0.00%	0.00%
Private debt	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%

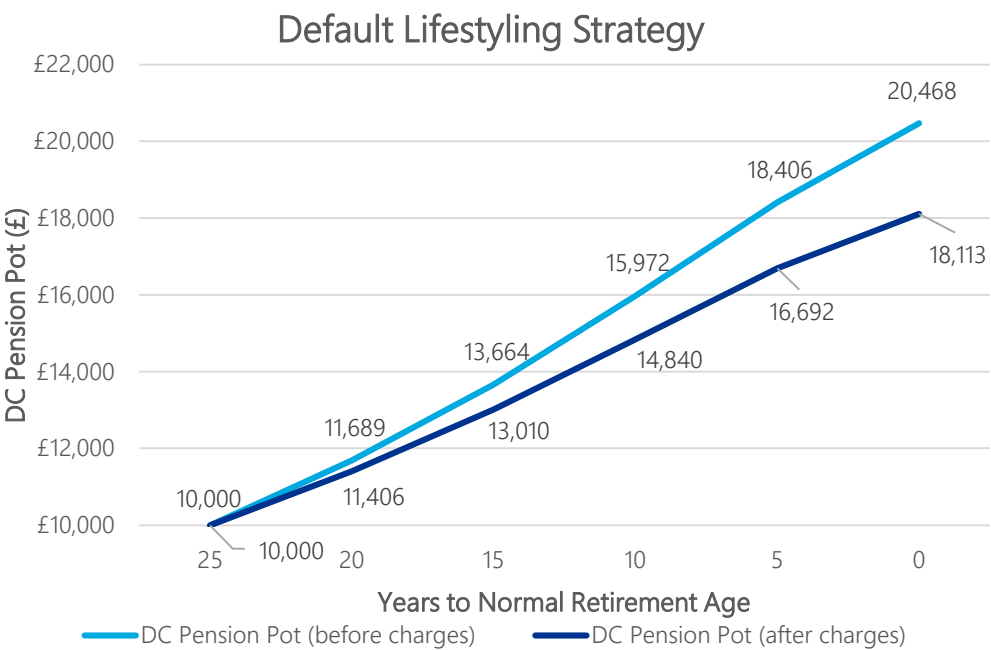
\*Assumed State Pension Age of 65.

# Charges and Transactions costs

continued

## 03.04 An illustration of the charges levied on members

Below is an illustration of the effect of the charges and transaction costs met by the average member with savings in the Clerical Medical BlackRock Balanced Lifestyle Fund (this being the default arrangement). This shows the expected pot for a member who is 25 years from Normal Retirement Age, with current savings of £10,000. We have projected their savings allowing for assumed investment returns. The figures below are in today's money terms.



## Charges and transaction costs continued

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

- Assumed gross investment returns of 6.00% (UK Equity), 6.00% (World Equity), 6.00% (Over 5 year Index Linked Gilts), 4.00% (Corporate bonds), 6.00% (Over 15 year gilts) and 2.00% (Cash) using the allocations presented in the glidepath found in section 02.01 of this report.
- No future contributions are made.
- An average pension pot of £10,000 for a member who is 25 years from retirement.
- Inflationary increases of 2.5% p.a.

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

- The Department for Work and Pensions' 'Reporting of costs, charges, and other information: guidance for trustees and managers of relevant occupational schemes'.
- Actuarial Standards Technical Memorandum 1 (AS TM1) issued by the Financial Reporting Council and
- The Financial Conduct Authority (FCA) Transaction cost disclosure in workplace pensions Policy Statement PS17/20.

Further illustrations for other funds can be found in Appendix A

# 04 Core Financial Transactions

## 04.01 Assessing Core Transactions

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Processes are in place to ensure the core financial transactions are processed promptly and accurately. The core financial transactions include:

- The transfer of members' assets between different investments within the Scheme
- The transfer of members' assets to and from the Scheme; and
- Payments out of the Scheme to members / beneficiaries.

As the Scheme is closed to future benefit accrual, processes to ensure contributions are received and invested are no longer required.

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

- Having an agreement in place with Hymans Robertson LLP (as Scheme administrator), committing them to a defined service level agreement ("SLA") of 95% of tasks completed within the agreed timeframes. A range of activities are reported against the SLA and a breakdown is stated in each administration report, received quarterly. These activities include (but are not limited to) AVCs (with an SLA of 7 working days) and DC Specific Activities (with an SLA of 10 working days). SLA timescales vary depending on the activity, and any items completed outside of target are reported. The combined SLA score for all transactions in the Scheme Year was 97.9%. These were assessed by the Trustee at their meetings. The SLA score for 'AVC' and 'DC Specific' transactions was 100% for the Scheme year to 30 September 2024.
- The AAF 01/20 assurance report ('Assurance reports on internal controls of service organisations made available for thirds parties') issued by Hymans Robertson has been made available and a copy can be requested online. We have not been made aware of any major exceptions in the report relevant to the Scheme.
- Considering the ongoing suitability of the complaint procedure, to ascertain whether there may be any weaknesses in their processes and controls. All complaints are addressed by Hymans Robertson and depending on the nature of the complaint, a response may be provided to the member by the Trustee.
- Having the Scheme auditor independently test a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

The Trustee has also made attempts to source service level data from the AVC providers, but very few AVC product providers report on their service standards, whether financial transaction turnaround times or other work. However, their response times to work requested are reflected to some degree in Hymans Robertsons reporting, and performance has been satisfactory.

The Trustee has concluded that core financial transactions were processed promptly and accurately during the Scheme year.



# Core Financial Transactions

## continued

### 04.02 Scheme administration

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The Trustee recognises that good administration often correlates with positive member outcomes. Administration is a standing agenda item for each Trustee meeting and in addition to the areas covered above (in section 04.01 above) the Trustee reviews the following:

- **Membership compliments and complaints:** Administration reports detail all compliments and complaints received during a period, including the date they arose and appropriate background. In the instance of a complaint, the Trustee will receive a summary of the action(s) taken to resolve the issue. The Trustee takes this opportunity to consider whether a member complaint is the result of an underlying issue regarding the Scheme's processes or design.
- **Data breaches:** Whether there have been any data breaches that would be reportable to the Information Commissioner Office ("ICO") under the General Data Protection Regulation ("GDPR"). Any breaches are recorded in the Trustee's breach log, which is maintained by the Secretary to the Trustee.
- **Discretionary cases:** The Trustee exercises its discretion at each meeting; common examples include the payment of discretionary benefits to a partner or dependant on the death of a member, or where a formal complaint has been made under the Scheme's dispute resolution process. Discretion exercised by the Trustee at each meeting is recorded formally in the minutes, and these were processed in a timely manner over the Scheme year.

The Trustee is satisfied with the administration of the Scheme during the year.

# 05 Value for Members

## 05.01 Assessment of Value

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When assessing the charges and transaction costs which are payable by members, the Trustee is required to assess the extent to which these provide them with good value.

The Trustee considers this each year and commissions an independent annual Value for Members 'VFM' assessment from XPS Pensions. Recommendations are provided where perceived improvements could be made, for the Trustee's consideration. The latest VFM assessment was provided to the Trustee in March 2025, covering the Scheme year in this Statement.

Having considered the outcome of the VFM assessment, as well as the information reported, the Trustee has concluded that the Scheme offers good value to its DC and AVC members for the following reasons:

- Fund performance:
  - For the **default investment** (the Clerical Medical BlackRock Balanced Lifestyle Fund), the 'growth period' is made up of c75% of the Clerical Medical Blackrock World Ex UK Fund and Clerical Medical Blackrock UK Equity Fund. The 'protection phase' investments move predominantly to the Clerical Medical Blackrock Over 15 Year Gilt Fund and Clerical Medical Blackrock Corporate Bond Fund. Returns have been variable, but reasonably close to benchmarks. Therefore, we believe the Lifestyle Option continues to remain broadly good value.
  - There is a broad range of additional **DC / AVC funds available with Clerical Medical**. Some have performed above the ABI Sector average and/or their benchmark, whilst others have been behind, but all within a reasonable tolerance and the Trustee continues to oversee these to ensure their suitability.
  - Returns on the **Standard Life Managed fund** were ahead of its benchmark over both the 1- and 5-year period.
  - The **Standard Life With-Profits** fund has performed as expected as it has a 4% member return provided each year.
  - The Trustee is currently reviewing the **Prudential** and **Zurich** With-Profit funds with their advisors.
  - Investment performance of the assets underlying the **DC underpin benefits** and **Protected Rights funds** (i.e. the DB section investments) were behind those of typical DC investments and therefore the Trustee is considering further its strategy related to these investments and will confirm any changes in future Statements.

The Trustee and its advisers monitor the funds' performance on an ongoing basis and make changes as necessary.

## Value for Members

### continued

- **Appropriate processes are in place** to ensure the efficient administration and governance of the Scheme (which include those explained in the 'Core Financial Transactions' and the 'Trustee Knowledge and Understanding' sections of this Statement). Although members do not pay for these Scheme services directly, it is clear that should these processes be insufficient, they can cause detriment to the members and hence are considered. The Trustee has no material concerns regarding these processes, and believes they provide good value.
- **The Trustee Board is a professional independent Trustee.** Cobtree Nominees Limited remain as the professional corporate trustee.
- **Member communications are prepared by a professional third-party administrator, Hymans Robertson.** This includes benefit statements and standard retirement communications. The Trustee understands that all communications prepared by Hymans will conform to its own internal standards, which the Trustee considers good value.
- **All Scheme advisory, governance and administration costs are met by the Scheme.** This means that the only direct cost to members relates to fund management charges (and some administrative tasks by the fund providers for the AVC funds) as noted in this Statement. Therefore, in not having to meet such costs, the Trustee considers this good value.

**Overall value assessment:** taking the member charges, returns and services provided into account as well as rates available in the market, the Trustee has concluded that overall the Scheme provides value for money. However, the Trustee is considering further its strategy related to DC underpin benefits and Protected Rights 'Pure DC' members investments and will confirm any changes in future Statements.

# 06 Trustee Knowledge and Understanding

## 06.01 Assessment

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In accordance with Sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each Director is therefore expected to:

- Be conversant with the Trust Deed and Rules of the Scheme, its Statement of Investment Principles and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally; and
- Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise their functions as a Trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets of occupational pension schemes.

The Trustee is satisfied that it has complied with the knowledge and understanding requirements outlined above for the following reasons:

- The PSTC team continuously consider their personal training needs in relation to the Scheme, in conjunction with the code of practice issued by the Pensions Regulator. The team maintains a training log, which details the training undertaken during the year. This log aids the Trustee in ascertaining whether any knowledge gaps are present and, where identified, these are addressed as appropriate. Each member of the team has fully completed the Pension Regulator's Trustee Toolkit, including its latest module, Pension Scams. Any newly appointed team members will be required to complete this training within a suitable time from their appointment. Each key decision maker within IGG are also APPT accredited Trustees.

## Trustee Knowledge and Understanding continued

- The Trustee has access to, and knowledge of, the Scheme's documentation (e.g. Deed and Rules, Statement of Investment Principles, and Implementation Statement). These documents are readily accessible to the Trustee.

Being a PSTC, Cobtree Nominees Limited has a thorough training schedule to a high level within its own governance structure (i.e. external to that also employed within the Scheme).

The Trustee receive updates from advisors on pensions law developments and any other areas of particular importance, including appropriate training. During the Scheme year the Trustee received training on a number of subjects. The PSTC team's collective experience is evidenced by their interaction with the Scheme's advisers as shown in the Trustee Meeting minutes, and the governance framework established by the Trustee to review the performance of the Scheme. This is further supported by the Trustee's decision to undertake a Value for Members Assessment, as detailed earlier.

# 07 Conclusion

The annual production of this Statement provides members with a narrative of how the Trustee looks after members' interests.

The Trustee will continue to monitor the matters covered within, and report to members both via the annual Chair's Statement and other communications as appropriate.

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

I am signing this Statement in my capacity as the Chair of the Trustee Board.

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**Signature**

**Date**

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**For an on behalf of the Trustee of the Travis Perkins Pension and Dependants' Benefit Scheme**

# Appendix A

## Illustration of charges

Appendix A illustrates the expected change in a member's pension pot as they approach retirement, both before and after charges, based upon a set of stated assumptions. These are for guidance only – the potential change in a member's pension pot may vary on an individual basis.

Assumes: i) that the member is 25 years from Normal Retirement Date; ii) inflation is assumed at 2.5% p.a.; iii) projected pension pot values are shown in today's terms; iv) no contributions are assumed; and v) a pension pot at 25 years from Normal Retirement Date of £10,000.

All investment returns and charges are consistent throughout the member's lifetime in the Scheme, with the exception of the Clerical Medical BlackRock Balanced Lifestyle Fund where assumed gross investment returns of 6.00% (UK Equity), 6.00% (World Equity), 6.00% (Over 5 year Index Linked Gilts), 4.00% (Corporate bonds), 6.00% (Over 15 year gilts) and 2.00% (Cash) using the allocations presented in the glidepath found in section 02.01 of this report.

	Default AVC arrangement		Cheapest fund		Most expensive fund		Fund with a low expected investment return		Example of an equity growth fund	
	Clerical Medical BlackRock Balanced Lifestyle Fund		Clerical Medical North American Fund		Clerical Medical Far Eastern Fund		BlackRock Cash Fund		Clerical Medical UK Growth	
Investment Return*	See above		6.00%		7.00%		2.00%		6.00%	
Total charges**	See above		0.00%	0.50%	0.00%	0.825%	0.00%	0.610%	0.00%	0.745%
Years to Normal Retirement Age	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)
25	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
20	11,689	11,406	11,828	11,552	12,397	11,926	9,758	9,470	11,828	11,418
15	13,664	13,010	13,990	13,344	15,367	14,223	9,523	8,968	13,990	13,037
10	15,972	14,840	16,547	15,414	19,050	16,962	9,293	8,493	16,547	14,886
5	18,406	16,692	19,572	17,806	23,616	20,229	9,068	8,043	19,572	16,997
0	20,468	18,113	23,150	20,569	29,275	24,125	8,849	7,617	23,150	19,408

\*Accumulation rate (before Inflation at 2.5%) / \*\*Ongoing Charge Figure (OCF) + Transaction costs (where available).

^ There are no explicit costs associated with this fund as deductions are allowed for when final bonus rates are calculated.

# Appendix B

## Statement of Investment Principles ("SIP") relating to the Default Arrangement of the Travis Perkins Pension and Dependents' Benefit Scheme: DC Section and AVC arrangements

### **SIP relating to the Default Arrangement of the Travis Perkins Pension and Dependents' Benefit Scheme: DC Section and AVC arrangements**

#### **1. Introduction**

##### **a) Purpose**

The Trustee of the Travis Perkins Pension and Dependents' Benefit Scheme ("the Scheme") has drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Act<sup>1</sup> and Regulations<sup>2</sup> for its DC Section and Additional Voluntary Contributions.

It is a revised Statement and reflects the investment policy implemented by the Trustee in respect of the Default Arrangement known as the Clerical Medical BlackRock Balanced Lifestyle Strategy.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments.

Trustee investment policies that are not explicitly mentioned in this Appendix are in line with those outlined in the main SIP.

##### **b) Review of the Statement**

Before preparing this Statement, the Trustee has sought advice from the Scheme's Investment Consultant, XPS Investment Limited. The Investment Consultant hereby confirms to the Trustee that they have the appropriate knowledge and experience to give the advice required by The Pensions Act 1995.

The Trustee will review this Statement and their investment policy at least every three years; or immediately following any significant changes in investment policy; or following any significant change in the demographic profile of relevant Members.

The Trustee will receive confirmation of the continued appropriateness of this Statement annually, or more frequently if appropriate.

#### **2. Aims, Objectives and Policies**

##### **a) Long-term aims and objectives**

The Trustee is required define their aims and objectives with respect to any Default Arrangement.

The Trustee has noted the Pension & Lifetime Savings Association ("PLSA") setting retirement objectives document. The PLSA sets out an appropriate return as one that enables Members to have, along with the UK State Pension, a moderate income in retirement (c50% of pre-retirement income). To achieve this level of income, the investment strategy should

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<sup>1</sup> The Pensions Act 1995

<sup>2</sup> Occupational Pension Schemes (Investment) Regulations 2005



# Statement of Investment Principles ("SIP") relating to the Default Arrangement of the Travis Perkins Pension and Dependents' Benefit Scheme: DC Section and AVC arrangements continued

aim to achieve an above inflation rate of return over the working lifetime of any Member. The Default investment strategy has been chosen to achieve this return whilst also being diversified across a range of asset classes to reduce the risk of investment loss as the Member approaches retirement. The Trustee believes this strategy is in the best interests of Members.

## b) Choosing Investments

In accordance with the Pensions Act 1995 ("Act"), the Trustee relies on professional Investment Managers for the day-to-day management of the assets that make up the Default Arrangement in a manner consistent with this statement.

In view of the requirements in respect of the efficient administration of individual entitlements for each Member, the Trustee uses pooled funds, with the fund accessed through an investment platform. Decisions about the pooled investment vehicle are made by the Trustee.

The Trustee's policy is to regularly review the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments, the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The Investment Consultant will have the knowledge and experience required under Section 36(6) of the Act.

## c) Asset allocation

The Trustee expects the long-term return on investment options that invest predominantly in equities to exceed inflation. The long-term returns on bond and cash options are expected to be lower than returns on equity assets. Cash funds provide protection against changes in short-term capital values and may be appropriate for Members wishing to take part or all of their benefits in the form of a cash lump sum.

The Trustee believes that diversification limits the impact of any single risk, and hence reduce the overall risk exposure that Members might suffer. The Trustee therefore seeks to diversify the Scheme's investments by asset type and by region. However, the diversification of risk across multiple sources is constrained by the Trustee's ability to implement and effectively monitor the range of investments being considered.

In line with these expectations, the Trustee will ensure that the Default Arrangement made available to Members holds a suitably diversified range of securities, avoiding an undue concentration of assets. In addition, the Trustee will ensure the range of assets is otherwise suitable to meet the investment objectives.

## d) Arrangements with investment managers

The Trustee encourage Investment Managers to make decisions in the long-term interests of the Scheme and its Members. The Investment Manager for the Default Arrangement is incentivised to perform in line with expectations for their specific mandate. Consequently, the Investment Manager will be remunerated by way of a percentage charge on the assets they manage. The Investment Managers will be subject to performance monitoring and to reviews based on a number of factors linked to the Trustee's expectations, including the following selection / deselection criteria:

- >**Parent** - Ownership of the Investment Manager;
- >**People** - Leadership/team managing the strategy and client service;
- >**Product** - Key features of the investment and the role it performs in a portfolio;
- >**Process** - Philosophy and approach to selecting underlying investments including operational risk management and systems;
- >**Positioning** - Current and historical asset allocation of the fund;
- >**Performance** - Past performance and track record;
- >**Pricing** - The underlying cost structure of the strategy and fund manager remuneration;

# Statement of Investment Principles (“SIP”) relating to the Default Arrangement of the Travis Perkins Pension and Dependents’ Benefit Scheme: DC Section and AVC arrangements continued

>ESG - Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

Appointments of Investment Managers are expected to be long-term, but as explained above, the Trustee will review the appointment of the Investment Managers in accordance with their responsibilities.

The Trustee requires the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

As covered in more detail in Section 4 of the DC Section and AVCs SIP, the Trustee also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustee believe these factors could have a material financial impact in the long-term. The Trustee’s therefore make decisions about the retention of Investment Managers, accordingly.

## e) Realisation of investments

In recognition of the fact that Member assets may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustee will monitor closely the extent to which any assets not readily realisable are held by the Investment Managers, and will limit such assets to a level where they are not expected to prejudice the proper operation of the Scheme.

The Trustee has considered how easily investments can be realised for the types of assets in which they are currently invested. As such, the Trustee believes that the Scheme’s Default Arrangement holds an acceptable level of readily realisable assets.

## f) Trustee’s policy on illiquid assets

Illiquid assets are those that cannot be easily or quickly exchanged for cash.

The Trustee’s policy is to consider the benefits of all available asset classes when constructing the investment strategy of the Default Arrangement. This is to seek to improve member outcomes through improved risk-adjusted returns. At present, the Default Arrangement has no allocation to illiquid assets and the Trustee does not currently have a policy relating to investments in illiquid assets. This is due to prior decisions on appropriate levels of charges for members, the need to better understand the risk and reward profile of that asset class, and the implementation costs of introducing the asset class onto the investment platform used by the Trustee.

The Trustee will monitor the asset class and will, in conjunction with training and research from their investment consultant, determine whether there are suitable, future opportunities to invest in illiquid assets.

## g) Responsible Investment

The Trustee has considered their approach to environmental, social and corporate governance (“ESG”) factors for the long term time horizon of the Scheme and believe there can be financially material risks relating to them. The Trustee therefore expects engagement with management of the underlying issuers of debt or equity and the exercising of voting rights, on the basis that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme’s Investment Managers. The Trustee requires the Scheme’s Default Investment Manager to take ESG and climate change risks into consideration within their decision-making, in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

# Statement of Investment Principles (“SIP”) relating to the Default Arrangement of the Travis Perkins Pension and Dependents’ Benefit Scheme: DC Section and AVC arrangements

## continued

As the Default Arrangement invests in pooled funds, the Trustee acknowledges that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the Investment Managers. The Trustee encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustee requires the Investment Managers to report on significant votes made on behalf of the Trustee.

If the Trustee becomes aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustee’s expectation, then the Trustee may consider terminating the relationship with that Investment Manager.

### 3. Risk measurement and management

#### a) Risk Types

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and explains how they are managed.

Risk	Definition	How it is measured/managed
<b>Market Risk</b>	The risk of exposure to volatile markets, which may be less acceptable to some Members, particularly near retirement.	The Default Arrangement will predominantly be invested in equities for Members 10+ years from retirement. Market risk will then reduce for members less than 10 years from retirement as the lifestyle mechanism is employed and the Strategy switches to investing mainly in long dated Gilts, Corporate Bonds and Cash.
<b>Inflation Risk</b>	The risk that the real value of the Members assets will decrease over time as investment returns are less than inflation.	The aim is to achieve an above inflation return over the working lifetime of the Member. Whilst the Member is 10+ years from retirement, returns are expected to be in excess of inflation.  The Trustee will monitor the performance of this fund, and will ensure Members are aware of the fund’s objectives.
<b>Liquidity Risk</b>	The risk that a Member wishes to make a disinvestment within a short time period and their invested assets cannot be realized in time.	The funds in the Default Arrangement are daily dealt and should avoid most illiquidity issues.
<b>Environmental, Social and Governance Risk</b>	The risk that environmental, social and governance factors can have a material effect on the ability of meeting long-term investment objectives	This is addressed, to the extent that it is possible, by delegating to the Investment Managers. Further detail is provided in this Statement.

# Statement of Investment Principles (“SIP”) relating to the Default Arrangement of the Travis Perkins Pension and Dependents’ Benefit Scheme: DC Section and AVC arrangements continued

<b>Manager Skill / Alpha Risk</b>	The risk that an Investment Manager fails to meet its stated objectives	This risk is addressed through the performance objectives of the fund and through the monitoring of the Investment Managers. Passive pooled investments will be checked against expected tracking errors. Actively managed pooled investments will be subject to more detailed monitoring and measured on a range of issues e.g. Alpha returns, volatility and fees.
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## b) Risks of Default Arrangement failing to meet its long-term aims

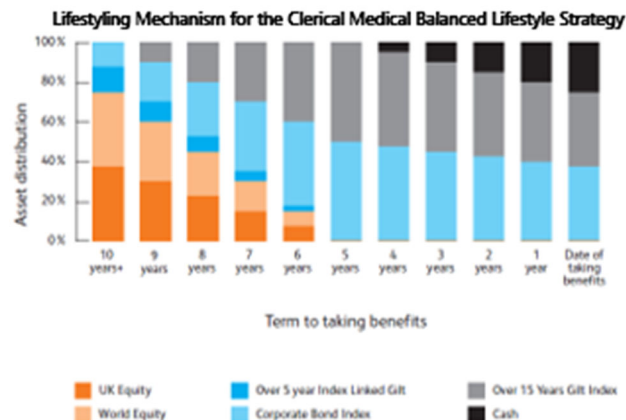
The Trustee will regularly review the investment performance of the Default Arrangement, not only in aggregate, but monitoring the performance of the individual components.

## 4. Default Arrangement

The Trustee received advice on the design of the Default Arrangement. The Default Strategy is known as the Clerical Medical BlackRock Balanced Lifestyle Strategy and is provided through the investment platform managed by Clerical Medical.

The main objective of the Clerical Medical BlackRock Balanced Lifestyle Strategy is to preserve capital whilst aiming to provide a return that is appropriate for the Member with respect to their time from retirement. The retirement target of the strategy assumes that investors wish to draw 25% of their fund as a cash sum on retirement and purchase an annuity with the balance.

The aim of the Clerical Medical BlackRock Balanced Lifestyle Strategy is to produce a real return on the value of Members’ retirement savings while managing the risks including volatility over the Member’s investment timeline, with a particular focus on the period leading up to retirement age.



For Members over 10 years from retirement, the Clerical Medical BlackRock Balanced Lifestyle Strategy will be predominantly invested in UK and World equity funds, with a small allocation to Corporate Bond funds and index-linked gilt funds.

Between 5 – 10 years from retirement, this allocation to equity and index-linked gilt funds is removed and the allocation to corporate bond funds increased. An allocation to long dated fixed gilt funds is also introduced.



# Statement of Investment Principles (“SIP”) relating to the Default Arrangement of the Travis Perkins Pension and Dependents’ Benefit Scheme: DC Section and AVC arrangements

## continued

Between 4 years to retirement and retirement, the allocation to Corporate Bond funds is reduced and an allocation to cash funds is introduced. The final allocation at retirement has a 25% allocation to cash, helping Members to take 25% of their fund value as cash at retirement.

The Trustee believes that the Clerical Medical BlackRock Balanced Lifestyle strategy is in the best interests of Members. For Members who are furthest from retirement, their investments will be made mainly into funds that have a higher expected return (and higher expected risk or volatility). As a [Member](#) approaches retirement that expected risk is reduced by diversifying into lower risk assets. The objective is to smooth the volatility of Members' funds as they approach retirement. Exposing Members' investments to very high levels of volatility up to retirement would not be appropriate, because this could mean Members are at risk of losing a large proportion of their savings just before retirement should market conditions deteriorate.

The Trustee expects the overall lifestyling mechanism to help Members achieve a [moderate income](#) level in retirement (as defined by the PLSA) whilst reducing the risk of investment loss as the Member approaches retirement.

The underlying funds are primarily managed by BlackRock. The investment manager is responsible for determining the balance between the different kinds of investments within each asset class. In line with the Trustee's risk management policies, the fund is daily dealt.

The fees payable by Members who are invested in the Clerical Medical BlackRock Balanced Lifestyle Strategy are equal to an ongoing charges figure (“OCF”) of 0.5% p.a.. This is inclusive of investment and administration charges. This is below the default cap of 0.75% p.a.. Trading costs are included in the Chair Statement and taken into consideration when strategic or fund changes are discussed by the Trustee.