



# Statement of Investment Principles

Creative Auto Enrolment Pension



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# Contents

1.	INTRODUCTION.....	3
2.	INVESTMENT OBJECTIVES.....	3
3.	RISKS.....	4
4.	SELECTING INVESTMENTS.....	5
5.	GOVERNANCE.....	7
6.	DAY-TO-DAY MANAGEMENT OF ASSETS.....	8
7.	REALISATION OF ASSETS.....	8
8.	ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG) INVESTMENT POLICY.....	9
9.	MONITORING.....	11
	APPENDIX 1.....	12
	INVESTMENT MANAGEMENT STRUCTURE.....	15



## 1. INTRODUCTION

This Statement of Investment Principles (“SIP”) has been prepared by PAN Trustees UK LLP, Roger Mattingly, Robert Branagh and BESTrustees Limited (“the Trustees”), the Trustees of the Creative Pension Trust (“the Scheme”) in consultation with Creative Auto Enrolment Ltd (“the Scheme Sponsor and Manager”). This SIP relates only to section 1 of the Scheme known as the Creative Auto Enrolment Pension (“CAEP”). This SIP is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 (as amended), the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and any and all other relevant legislation and regulations. The Trustees comply with the requirements to maintain and take advice on the SIP and with disclosure requirements whilst also taking account of The Pensions Regulator best practice guidance. The Scheme’s assets are held in trust for the Scheme by the Trustees, whose powers of investment are set out in the Trust Deed and Rules and any subsequent amendments.

The Scheme is a Money Purchase, or Defined Contribution arrangement and this SIP sets out the Trustees’ approach to investments available to members of the CAEP section of the Scheme within their Personal Retirement Account.

The Trustees have obtained written advice from Creative Benefit Solutions Limited (“the Investment Advisers”) on the CAEP investment strategies and the production of this SIP.

## 2. INVESTMENT OBJECTIVES

The Trustees’ key objectives are to enable members to build up a retirement fund to secure appropriate retirement benefits while being exposed to an acceptable level of investment risk.

In order to do that the Trustees have set up a default investment strategy as well as alternative self-select investment options.

The objective of the default investment strategy (the “Strategic Pensions Investment Approach”) is to provide long term returns above wage inflation, as measured by the Average Weekly Earnings (“AWE”) Index, after charges, with gradual automatic switching into lower risk investments over the 15 year period up to the Scheme Normal Retirement Age (NRA) or alternative member selected retirement age.

The objective of the alternative self-select options is to accommodate members who decide the Strategic Pensions Investment Approach is not appropriate for them. This can allow them to manage their pension investment at an alternative risk level and/or in line with religious or ethical considerations, with alternative levels of member engagement and targeting alternative retirement vesting outcomes while maintaining a simple-to-understand range of investment choices.



### 3. RISKS

The Trustees are required to assess the investment risks to the Scheme's assets, including measurement of those risks. In doing this the Trustees aim to take account of the members' circumstances. Specifically the Trustees have identified the following risks:

#### Members' Attitude to Risk

The Trustees have taken advice on the likely distribution of members' attitude to risk and selected a default investment strategy that is aimed to match the majority of expected members' attitude to risk. However, the Trustees have also made available alternative investment options to allow members to invest at alternative risk levels. Investment risk is primarily measured in terms of the volatility of the underlying investments.

#### Members' Term to Retirement

The Trustees are aware of the risk that market movements in the years prior to retirement might lead to a substantial reduction in the value of the funds that could otherwise have been built up. In setting the default Strategic Pensions Investment Approach the Trustees have included automatic investment risk reduction for members approaching Normal Retirement Age or alternative member selected retirement age.

In addition the Trustees have made available alternative investment options on a self-select basis with different risk levels.

#### Pension Conversion Risk

This is the risk that the funds in a member's Personal Retirement Account are not invested appropriately for the timing of when a member wants to take benefits from the Scheme or the method by which they want to take those benefits. The Trustees measure this risk by taking account of the experience within the Scheme as well as data available for the whole of the UK pension industry. The Trustees have designed the default Strategic Pensions Investment Approach to target full encashment at the Scheme member's Normal Retirement Date or alternative member selected retirement date, but have made alternative self-select options available to members to allow them to manage the timing and form of their retirement benefits in alternative ways.

#### Inflation Risk

Inflation reduces the purchasing power of an investment over time. The Trustees measure inflation in line with the increase in the Consumer Price Index ("CPI") and the AWE Index mentioned earlier whilst monitoring the returns of the Strategic Pensions Investment Approach and the alternative self-select investment options against these.

#### Investment Manager Risk

This is the risk that a given investment manager fails to meet the agreed mandate for the investment. The performance of the Investment Manager against their mandate is assessed by various performance measures including volatility, returns and investment style.



## Liquidity Risk

The assets of the Scheme need to be available when required to pay benefits and there is a risk that some investments may not be realisable at the appropriate time. This is measured by how often the investment is valued and how quickly any investment can be sold (in part or in full).

## Concentration Risk

This is the risk that adverse conditions affecting a particular market or asset might significantly influence the overall performance of the Scheme's investments, especially where there is a large exposure to a single asset or market. This is measured by the proportion of the Scheme's assets held in a particular asset or market with specific reference to each investment option.

## Currency risk

This is the risk of investment loss because of movements in foreign exchange rates as a result of investment in assets held in currencies other than Sterling. This is measured by the proportion of the Scheme's assets held in non-Sterling currencies as well as the split of those overseas currency holdings that are not hedged back into Sterling and therefore are still exposed to currency risk.

## Operational Risk

This is the risk of fraud, poor advice or acts of negligence. The Trustees assess this by various measures including experience, competency and financial strength of third party service providers, such as the Investment Manager.

## 4. SELECTING INVESTMENTS

The Trustees are responsible for defining and monitoring the overall investment strategy in conjunction with their Investment Adviser and in consultation with the Scheme Sponsor and Manager. However, the Trustees delegate day-to-day management of the assets to Scottish Widows Limited ("the Investment Manager").

The Trustees have set the default investment strategy and also alternative investment options that members can self-select. If a member does not make any investment selection they will be automatically invested in the default investment strategy until or unless they self-select an alternative option.

### The Default Investment Strategy

The default investment strategy is the Strategic Pensions Investment Approach (see Appendix 1 for full details) and is designed to be appropriate for a typical member with a clearly defined retirement age and an "Average" attitude to risk.

The Trustees have defined that Average investors with more than 15 years to Normal Retirement Age, or alternative member selected retirement age: "Have an attitude to risk in the middle 50% of the investing population and are neither very risk averse nor inclined actively to seek riskier investments. They often have some experience and understanding of investments. They can usually make investment decisions without too much hesitation or anxiety. They may find more comfort in banks accounts and lower risk investments than stocks, shares and other higher risk investments, but understand that investment risk may be required to meet their investment goals."



The Strategic Pensions Investment Approach has therefore been benchmarked against the ABI Pensions Mixed Investment (40-85% Shares) sector average during the "Growth Phase". The Growth Phase is the period up to 15 years from Normal Retirement Age (NRA) or alternative member selected retirement age (SRA). For members with less than 15 years to NRA/SRA the Strategic Pensions Investment Approach gradually reduces the level of investment risk so that at the NRA/SRA the member is 100% invested in the Cash fund. This approach is reviewed on an ongoing basis to ensure the final phase of de-risking remains appropriate for the membership and the experience of how members choose to take their benefits at retirement.

The Strategic Pensions Investment Approach may not be the most suitable option for members who retire before or after their NRA/SRA, or wish to draw their benefits using a method other than taking a full lump sum.

## Alternative Investment Options

The Trustees are aware that the Strategic Pensions Investment Approach may not be appropriate for all members. The Trustees have therefore made alternative investment options available on a self-select basis. The alternative options have been limited to make it easy for members to assess the options and make a decision regarding their own investments that is appropriate to their personal circumstances while still allowing some choice and flexibility.

The Trustees have selected the alternative investment options based on their risk levels, the methods by which members may choose to take their benefits and religious and ethical considerations. A list of the alternative investment options and details of each of them is available in Appendix 1.

It is the Trustees' policy to provide suitable information for members so that they can make appropriate investment decisions. The range of investment options was selected by the Trustees after taking advice from the Trustees' Investment Adviser and after consideration of the following points:

- A competitive and easy to understand charging structure for the Scheme
- A range of asset classes
- The need for diversification
- The suitability of each asset class for different members
- Operational Risk

The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced, authorised and regulated by the Financial Conduct Authority (where appropriate) and that suitable liability and compensation clauses are included in all contracts for professional services received. The Investment Manager is also assessed based on its independent financial strength ratings.

The Trustees monitor the performance of the investments and Investment Manager against pre-set benchmarks and the mandates for the underlying investments.

The Trustees' policy is to use pooled investment funds (i.e. investment in unitised collective investment funds) and not to hold any direct investments.



## 5. GOVERNANCE

The Trustees of the Scheme are responsible for the investment of the Scheme assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and advice in order to make an informed decision. The Trustees have established the following decision making structure:

### Trustees

- Set the structures and processes for carrying out its role
- Select appropriate experts to provide advice as and when required
- Set the structure for the implementation of the investment strategy
- Select and monitor the planned asset allocation strategy
- Review the self-select fund range and default investment strategy on a regular basis
- Monitor the Investment Managers and investment Custodians
- Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy

### Investment Adviser

- Advises on all aspects of the investment of the Scheme's assets, including implementation
- Negotiation of fee terms and contractual terms
- Advises on this SIP
- Ensures that it delivers advice that is compliant with the requirements of the Financial Conduct Authority where required

### Investment Managers & Custodians

- Operate within the terms of this SIP and their written contracts
- Selects individual investments with regard to their suitability

### Scheme Administrator

- Administrative and operational liaison with the Investment Managers and Custodians
- Scheme secretarial and reporting liaison with the Investment Manager and Custodians

The Trustees expect the Investment Manager to manage the assets delegated to them under the terms of their contract and to give effect to the principles in this SIP so far as is reasonably practicable.

The Trustees accept that the assets are subject to the Investment Manager's and Custodian's own corporate governance policies. However, the Trustees expect the Investment Manager and Custodian to discharge their responsibilities by taking account of current best practice, which includes the UK Corporate Governance Code and the UK Stewardship Code. The Investment Manager's policies are monitored on a regular basis.



## 6. DAY-TO-DAY MANAGEMENT OF ASSETS

The Trustees have taken steps to ensure that the Investment Manager and Custodian have the appropriate experience and expertise for managing the Scheme's investments and they are carrying out their work competently.

The Investment Manager structure and investment objectives for each investment option ("mandates") are summarised in Appendix 1. The Trustees have delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the Investment Manager through a written contract. When choosing investments, the Trustees and the Investment Manager (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). The Investment Manager's duties also include voting and corporate governance in relation to the Scheme's assets or delegation of those duties to selected sub fund managers.

The Investment Manager is remunerated on a percentage charge basis related to the amount of assets under management. The Trustees believe that this incentivises the Investment Manager to take a longer term approach to investment related considerations where the investment mandate allows them to do so and which allows them to act in the best interests of members and in line with the Trustees' investment strategy.

The Trustees will request details of the portfolio turnover costs for each of the investment mandates on an annual basis from the Investment Manager. Portfolio turnover costs are those that result from the buying and selling of assets within each investment option. The Trustees will monitor the portfolio turnover annually to ensure it remains within an acceptable range and expect to engage with the Investment Manager if it falls outside of that range. Portfolio turnover costs will also inform the Trustees' decisions on the retention and selection of the Investment Manager and each investment mandate.

The investment custodian is currently State Street Bank & Trust Company, which administers the assets for the Investment Manager.

The Trustees expect the Investment Manager to meet certain standards and the Trustees, with the assistance of their Investment Adviser, assess the performance of the Investment Manager against key performance indicators, including reporting requirements, on at least an annual basis.

The Trustees' contract with the Investment Manager is open ended with the aim of developing a long term partnership that provides the best member outcomes. However, if the Investment Manager fails to meet required standards in key areas during the year the Trustees, with the assistance of their Investment Adviser, will engage with the Investment Manager to seek to rectify any issues. If the Investment Manager is unable to rectify the identified issues within an agreed timescale the Trustees will perform a market review, which may result in the replacement of the Investment Manager, subject to contractual notice periods.

## 7. REALISATION OF ASSETS

The Trustees will realise assets as required following member requests on retirement or other circumstances defined in the Scheme rules. In selecting assets the Trustees consider the liquidity of the investments in the context of the likely needs of members.



## 8. ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG) INVESTMENT POLICY

The Trustees recognise that ESG considerations (including climate change) can have a material financial impact on the Scheme's investments. The Trustees have considered ESG issues with their Investment Adviser and will evaluate and manage these risks when reviewing the Scheme's investment strategy and in the selection and retention of their Investment Manager. The Trustees expect the Investment Manager to include ESG considerations, including climate change, in the selection and retention of sub funds within each investment mandate.

The Trustees have reviewed these risks by reference to an 'appropriate time horizon' for the Scheme's investments. The Trustees have defined this as the median average term to the Scheme's Normal Retirement Age for members.

The Trustees have a preference for passive index tracking underlying investment management utilising Pooled Funds.

This is underpinned by the Trustees' core belief that the primary driver of long term investment returns is asset allocation (as opposed to individual stock/investment selection), as well as the expectation that passive management reduces the risk of significant underperformance relative to the market being tracked and minimises investment expenses.

As such the Trustees believe that passive investment management for each underlying market sector provides better value for money for Scheme members.

While the Trustees generally favour passive underlying investment management, they do recognise that there are certain areas where passive management is not available, or appropriate.

The Trustees recognise that ESG indices are available as well as funds that specifically track those indices. However, the Trustees believe that currently it remains appropriate that the Scheme's funds, especially the default investment strategy, track whole market indices without ESG tilts or exclusions to manage risk adjusted returns for the benefit of members. The only exceptions are Scheme alternative self-select funds that are specifically aimed at members who wish to invest according to ethical or religious beliefs. Instead the Trustees seek to engage with the Investment Manager to influence the voting and engagement activities of the underlying sub fund managers in relation to ESG issues with the aim of improving risk adjusted return for members.

When selecting new Scheme funds available to members, the Trustees will consider the ESG policies adopted by the Investment Manager and underlying sub fund managers. The Trustees expect the Investment Manager to review the ESG and Stewardship policies of the underlying sub fund managers and report the results to the Trustees annually and take those issues into consideration in the selection and retention of the sub fund managers with the aim of improving the outcomes for members, especially in the longer term.

The Trustees also expect the Investment Manager to engage with the sub fund managers on relevant ESG issues to reduce risks and benefit from opportunities both in the shorter and longer term with regard to the expected investment time horizon for members.

The Trustees will aim to review this ESG policy on an annual basis and at least every three years. The Trustees will review compliance with the ESG policy on an annual basis and report this to members. In doing so the Trustees, with the assistance of their Investment Adviser, will consider not only the direct Investment Manager's funds, but also the managers of the sub funds.



## Voting and stewardship

The Trustees expect the Investment Manager and their sub fund managers to adhere to the UK Stewardship Code and for the sub fund managers to be signatories to the Principles for Responsible Investment (PRI) Association. The Trustees will also consider how any sub fund managers exercise their rights (including voting rights) in relation to the underlying investments they hold in line with the UK Stewardship code.

The Trustees expect the Investment Manager's selection and retention criteria and engagement activities in relation to the sub fund managers to influence the sub fund managers in their voting and engagement activities with individual investee companies to improve risk adjusted returns for members, especially in the longer term.

In pursuit of these aims, the Trustees have communicated this policy to the Scheme's Investment Manager. The Trustees expect the Scheme's Investment Manager to check adherence to the UK Stewardship code in relation to the sub funds they use, as well as reviewing and collating information on the use of voting rights and engagement activities on at least an annual basis. The Trustees expect the sub fund managers to vote and engage on the capital structure of investee companies to reduce risks and improve risk adjusted return.

The Trustees, with the assistance of their Investment Adviser will provide a copy of this policy and any subsequent updates to the Scheme's Investment Manager with the aim of exerting influence as regards the above key issues in their interactions with the sub fund managers. Additional engagement may take the form of additional meetings and communications between the Investment Manager and the Trustees, although the Trustees may delegate this to their Investment Adviser on their behalf.

In their dealings with the Investment Manager, the Trustees and their Investment Adviser will disclose any actual or potential conflicts of interest. The Trustees expect the Investment Manager to disclose to the Trustees any actual or potential conflicts of interest in relation to their dealings with relevant sub fund managers and any actual or potential conflicts of interest arising for those sub fund managers. Where any potential or actual conflict of interest is identified the Trustees will invest the assets of the Scheme in the sole interest of the members and their beneficiaries.

The Trustees expect the Investment Manager and the relevant sub fund managers to monitor the capital structure of investee companies on behalf of the Trustees.

The Trustees will also consider non-financial factors in the selection and retention of the investment options available to members and have utilised the experience of their Investment Advisers in that respect. Whilst the Trustees expect that many members identify with some, if not all, ESG related issues, to date there has been limited feedback from members to this effect, with less than 2% of members completing the member survey conducted at the start of 2020.

The Trustees also recognise that for the majority of members, these are likely to be secondary to risk adjusted returns and investment charges, which was confirmed by the 2020 member survey results. However, the Trustees recognise that some members may prioritise ethical or religious concerns over risk adjusted returns and as such, following advice from their Investment Adviser, have made a number of suitable funds available (see Appendix 1 for further details).

The Trustees will continue to seek and review feedback from members in relation to investment issues, including non-financial factors.



## 9. MONITORING

The Trustees will monitor compliance with the SIP annually. In particular they will seek written confirmation from the Investment Manager that they have complied with this SIP as supplied to them and the Trustees undertake to advise the Investment Manager of any material change to the SIP.

The Trustees intend to review this SIP annually, but will do so at least every three years and immediately following any significant change in investment policy. The Trustees will take expert investment advice over any changes to the SIP.

The Trustees typically monitor the performance of each investment mandate against relevant benchmarks on a quarterly basis with the assistance of their Investment Adviser and normally conduct a full annual review of the overall investment strategy.

**For and on behalf of the Trustee Board of the Creative Pension Trust**

A handwritten signature in black ink, appearing to read 'R. Mattingly', with a long horizontal flourish extending to the right.

**Roger Mattingly (Chair)**

**September 2020**

# APPENDIX 1

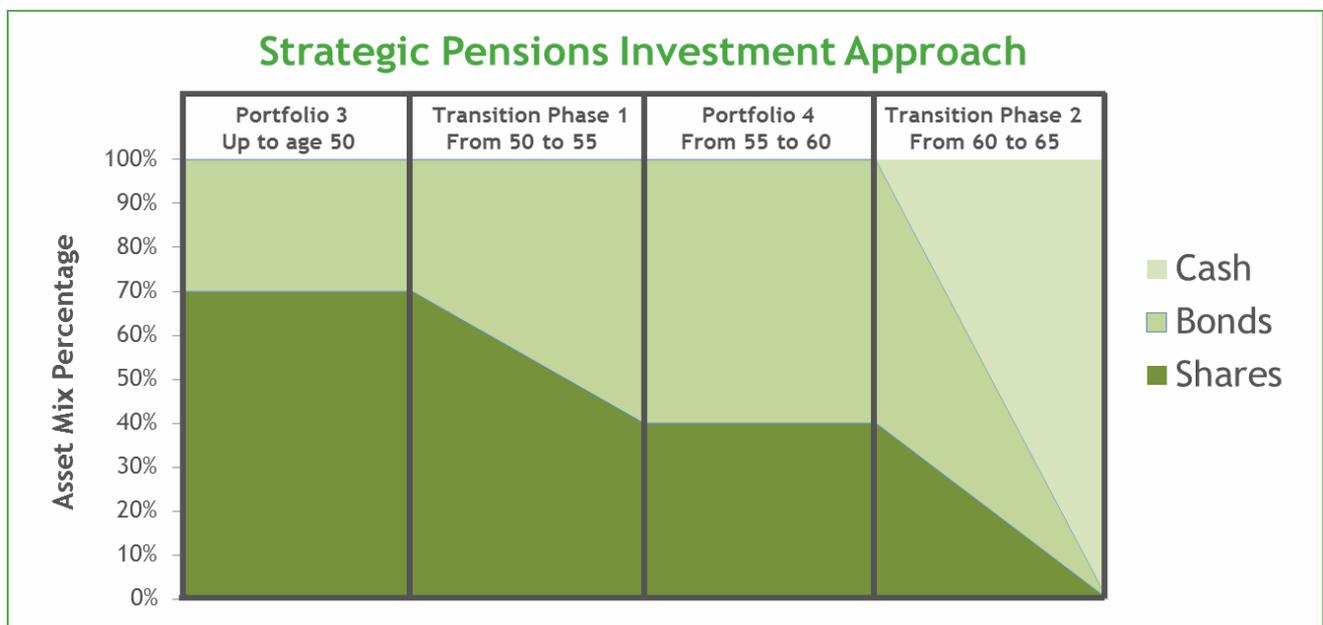
## Strategic Pensions Investment Approach (Default)

The table below shows how the Strategic Pensions Investment Approach will be invested at key landmarks leading up to the member’s Normal Retirement Age. The target split of investment between the different asset classes and actual percentage holdings within the Strategic Pensions Investment Approach may be changed over time to better suit market conditions and try to ensure the best possible overall outcome and balance of risk for members.

Highest Risk ←—————→—————→ Lowest Risk

Target Split of Investments Used				
Term to NRA/SRA	Overseas Shares	UK Shares	Bonds	Cash
15 years +	47.4%	22.6%	30.0%	0.0%
10 years	28.4%	11.6%	60.0%	0.0%
5 years	28.4%	11.6%	60.0%	0.0%
At NRA/SRA	0.0%	0.0%	0.0%	100.0%

In order to achieve the above asset allocation the Scheme assets are invested in underlying funds managed by Scottish Widows Limited that are blended to provide the required investment split above. Currently the Strategic Pensions Investment Approach is invested as follows:



Please note that the above chart is based on a member retiring at the Scheme’s Normal Retirement Age (NRA) of 65 but will be appropriately modified for members that select an alternative retirement age with the Scheme Administrator.

Pension Portfolio Three and Pension Portfolio Four are funds managed by Scottish Widows Limited but invest in a number of sub funds. More detail about these funds is included later in this document.

## Self-Select Funds

The Scheme offers access to each of the individual funds within the Strategic Pensions Investment Approach plus the Scottish Widows Pension Protector Fund, SW HSBC Islamic Fund and SW L&G Ethical Global Equity Index Fund and details of each fund are given below.

<b>Scottish Widows Pension Portfolio Three Fund</b>	
Fund Aim	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests primarily in equities, with a proportion in fixed interest securities, by investing in passive* index tracking funds. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. The fixed interest securities can be in sterling or other currencies and may be issued by governments or companies. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest primarily in equities. *Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index.
Risk Level	Average
Sector	ABI Pensions Specialist
Launch Date	14 August 2015

<b>Scottish Widows Pension Portfolio Four Fund</b>	
Fund Aim	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests with an emphasis on fixed interest securities, with the remainder in equities, by investing in passive* index tracking funds. The fixed interest securities can be in sterling or other currencies and may be issued by governments or companies. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest with an emphasis on fixed interest securities. *Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index.
Risk Level	Moderately Cautious
Sector	ABI Pensions Specialist
Launch Date	14 August 2015

### Scottish Widows Pension Protector Fund

Fund Aim	The fund may be suitable for investors approaching retirement who intend to purchase a conventional pension annuity. The fund invests mainly in long-dated UK fixed interest securities. The prices of these are one of the key factors affecting the cost of buying a pension and so any investment in the fund should rise and fall broadly in line with changes in the cost of buying such a pension in retirement. The fund does not provide any guarantee of the level of pension in retirement or the cost of buying that pension. It may not be effective for those who intend to buy an inflation-linked pension and does not provide protection against changes in the cost of buying a pension that arise from changes in life expectancy.
Risk Level	Cautious
Sector	ABI Pensions Sterling Long Bonds
Launch Date	14 August 2015

### Scottish Widows Cash Fund

Fund Aim	The fund aims to provide long-term growth consistent with high levels of capital security by investing mainly in short-term securities.
Risk Level	Very Cautious
Sector	ABI Pensions Money Market
Launch Date	14 August 2015

### SW HSBC Islamic Fund

Fund Aim	The fund aims to offer investors the opportunity to grow their money in line with the performance of the Dow Jones Islamic Titans 100 Index. The fund invests in company shares from around the world and is compliant with Islamic Shariah principles.
Risk Level	Moderately Adventurous
Sector	ABI Pensions Unclassified
Launch Date	20 April 2020

### SW L&G Ethical Global Equity Index Fund

Fund Aim	The fund aims to track the total return of the FTSE4Good Global Equity Index to within +/- 0.5% per annum for two years in three.
Risk Level	Moderately Adventurous
Sector	ABI Pensions Unclassified
Launch Date	20 April 2020

## Investment Management Structure

The Investment Manager is Scottish Widows Limited.

The Custodian is State Street Bank & Trust Company.

**September 2020**



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Creative Pension Trust is an occupational pension scheme governed by a group of Independent Trustees including PAN Trustees UK LLP. (Company No. OC333840) of The Annex, Oathall House, Oathall Road, Haywards Heath, West Sussex, England RH16 3EN. The scheme is sponsored by Creative Auto Enrolment (Company No. 8554978), trading as Creative. Registered office: Cannon Place, 78 Cannon Street, London, EC4N 6AF.