1 Background

Purpose of Statement	This Statement sets out the principles governing decisions relating to the investment of the assets of the Thamesdown Transport Limited Pension Scheme (the Scheme).
Nature of Scheme	The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC).
Compliance with Legislation	The Statement has been prepared by the Trustees to comply with Section 35 of the Pensions Act 1995, Section 244 of the Pensions Act 2004, the Occupational Pension Scheme (Investment) Regulations 2005, the Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
Availability to Members	A copy of this Statement will be made available to members of the Scheme on request to the Trustees.
Investment Advice	The Trustees have obtained and considered professional advice on the content of this Statement from Broadstone, their appointed investment adviser. Broadstone has confirmed to the Trustees that it has the appropriate knowledge and experience to give the advice required under legislation. The Trustees will obtain such advice as they consider appropriate and necessary whenever they intend to review or revise this Statement.
Consultation with the Principal Employer	The Trustees have consulted the Principal Employer, Swindon Borough Council, when setting their investment objectives and strategy, and in the preparation of this Statement. Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustees.
Investment Powers	The Trustees' investment powers are set out in Clauses 5.8 to 5.14 of the Definitive Deed and Rules dated 21 August 1995, as amended. The powers granted by the Definitive Deed are wide and this Statement is consistent with those powers.

2 Investment Objectives

Strength of Employer Covenant

In determining their investment objectives and strategy, the Trustees have considered the strength of the Principal Employer's willingness and ability to support the Scheme.

The Trustees, with the agreement of the Principal Employer, have agreed an objective to maintain the Scheme's position where it is well-funded with a low-risk investment strategy in the shorter term, and to provide a sustainable level of income to meet benefit outgo requirements.

Key Funding Measure

The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees' Statement of Funding Principles.

In determining their investment objectives and strategy, the Trustees have agreed that the funding position measured under the SFO is the assessment of scheme funding that is of most importance to the Trustees, the Principal Employer and members, as it determines the Scheme's funding requirements and members' long-term benefit security.

In respect of the Scheme's de-risking plan, it has been agreed that the funding position should be measured under a self-sufficiency basis. This basis is the same as the SFO basis, except the discount rate is set in line with gilt yields plus 0.5% per annum.

In addition, the Trustees and the Principal Employer are also mindful of the possibility of securing the Scheme's liabilities with an insurance company in the longer term, and therefore have some regard to the pricing of bulk annuity contracts in determining the Scheme's investment strategy.

Investment Objectives

The Trustees' investment objectives are as follows:

- To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's benefits as they fall due.
- To invest the Scheme's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plan have a reasonable chance of being achieved in practice.
- To gradually increase the target level of hedging against changes in the Scheme's liabilities measured under a self-sufficiency basis caused by changes in long-term interest rates and inflation expectations in line with improvements in the funding position, whilst, gradually reducing the exposure to growth holdings. The intention of this is to bring the Scheme into a position in which it is fully funded on a self-sufficiency basis, with a low-risk investment strategy.

Paying Regard to the Principal Employer's Views	The Trustees will have regard to the Principal Employer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.

3 Principles for Setting the Investment Strategy

Selection of Investments

The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property and alternative asset classes, such as hedge funds, private equity and infrastructure.

The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.

The Trustees may invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments.

The Trustees may hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it.

The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.

Balance of Investments

The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.

The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Principal Employer's covenant, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment.

Delegation to Investment Managers

The Trustees will delegate the day-to-day management of the Scheme's assets to professional investment managers and will not be involved in the buying or selling of investments.

Realising Investments

While it is expected that the Scheme's investment strategy will generate sufficient income to meet the main part of its outgo requirements, the Trustees will make any additional disinvestments required from the Investment Manager with the assistance of its administrators and advisers, Broadstone, as necessary.

4 Setting the Strategy

Target Asset Allocation

The Target Asset Allocation and Hedging Ratios for the Scheme's assets are defined with respect to its estimated funding position relative to the liabilities calculated on the self-sufficiency basis, as summarised in the table below:

Funding level	Risk-controlled multi-asset	Multi-asset income	Self-sufficiency solution	Target hedging levels
Current strategy	15.0%	20.0%	65.0%	95% - 100%
91% - 94%	7.5%	20.0%	72.5%	100%
94% - 97%	-	20.0%	80.0%	100%
97% - 100%	-	12.5%	87.5%	100%
100% or more	-	-	100.0%	100%

Changes in the Target Asset Allocation will only be implemented on the funding position exceeding a trigger point, i.e. they will not be reversed on a subsequent deterioration.

The balance of assets within the self-sufficiency solution will vary with market conditions and will be maintained to target the agreed hedging levels against changes in long-term interest rates and inflation expectations.

The Scheme also holds annuities that provide cashflows expected to match future benefit outgo from the Scheme in respect a proportion of its liabilities (by value).

Investment Manager

The Trustees entered into a contract with Legal & General Investment Management Limited (LGIM) in November 2020 to use a range of pooled funds. LGIM undertake day-to-day investment management of the Scheme's assets.

LGIM are authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

Strategies Used

The Trustees use the following funds operated by LGIM, which are given together with their current target allocation within the overall strategy.

Fund	Target Asset Allocation
Risk-controlled multi-asset	
LGIM Dynamic Diversified Fund	15%
Multi-asset income	
LGIM Retirement Income Multi-Asset Fund	20%
Self-sufficiency solution	
LGIM Self-sufficiency Credit Funds LGIM Matching Core Funds	65%
Total	**100%**

Maintaining the Target Asset Allocation and Hedging Ratios

The Trustees have delegated responsibility for monitoring the Scheme's funding position to Broadstone. Broadstone will monitor the funding position on a weekly basis and will inform the Trustees when a funding trigger has been met. Following the agreement of the Trustees, Broadstone will then arrange for the asset allocation to be brought in line with the relevant Target Asset Allocation and Hedging Levels.

The Trustees will monitor the overall asset allocation and hedging levels on a regular basis with the assistance of their adviser, Broadstone.

Performance Benchmarks and Objectives

The risk-controlled multi-asset fund and multi-asset income fund are actively managed, with objectives to outperform specified market benchmarks. Their objectives are summarised below:

Fund name	Benchmark	Performance Objective
LGIM Dynamic Diversified Fund	Bank of England Base Rate	To outperform the benchmark by 4.5% p.a. (gross of fees) over the course of an investment cycle with lower levels of volatility compared to equity markets
LGIM Retirement Income Multi-Asset Fund	Bank of England Base Rate	To outperform the benchmark by 3.5% p.a. (gross of fees) over rolling three-year periods

The LGIM Self-sufficiency Credit Funds and LGIM Matching Core Funds have objectives to provide prescribed levels of hedging against changes in the value of liabilities for a typical defined benefit pension scheme caused by interest rate risk and inflation risk.

The LGIM Self-sufficiency Credit Funds also have an objective to generate quarterly cashflows to pay the benefits of a notional pension scheme with liabilities of similar nature and duration to the Scheme as they fall due.

The practical method of implementing the levels of hedging and generating the cashflow is delegated within both the Self-sufficiency Credit Funds and Matching Core Funds to the manager, with the expectation that LGIM will choose the most cost-effective method.

Investment Management Charges

The annual management charges for each of the funds used, based on the assets under management, at the date of this statement, are given below:

Fund	Annual Management Charge
LGIM Dynamic Diversified Fund	0.40% p.a.
LGIM Retirement Income Multi-Asset Fund	0.35% p.a.
LGIM Self-sufficiency Credit Funds	0.20% p.a.
LGIM Matching Core Funds	0.24% p.a.

In addition, LGIM charge a flat fee of £1,500 per annum.

Employer Related Investment

Neither the Trustees nor the Investment Manager directly hold any employer related investments.

AVCs

The Trustees have put in place arrangements for members to invest Additional Voluntary Contributions (AVCs) with Standard Life Assurance Limited.

5 Expected Returns and Risks

Overall Return Target

The Trustees' overall return target is for the Scheme's assets to produce a return in excess of the growth in the value of its liabilities calculated under the SFO.

The Trustees currently expect the assets to produce a return in excess of the growth in the value of the funded Technical Provision of up to 1.0% per annum over the medium to longer term, depending on the level of prudence adopted in assessing future expected returns. However, the expected return will fall as the asset allocation changes as the de-risking plan is implemented

Expected Returns

Over the long-term, the Trustees' expectations are to achieve the following rates of return from the asset classes they make use of:

Asset Class	Expected return
Risk-controlled multi-asset	Comparable with the return from equities over an economic cycle of five to seven years, with significantly reduced volatility.
Multi-asset income	In excess of UK price inflation, as measured by the Retail Prices Index, and in excess of the market yield available on longer dated low risk assets, such as gilts, but with significantly lower volatility in returns than UK equities.
Self-sufficiency funds	Broadly in line with changes in value of a notional pension scheme with liabilities of similar nature and duration to the Scheme and to generate quarterly cashflows to pay the benefits of that notional portfolio. These funds are also expected to generate a return that is in excess of the yield available on a portfolio of fixed interest government bonds to compensate for the additional risk associated with the proportion of underlying assets that are invested in a diversified portfolio of corporate bonds.
Liability Driven Investment funds	In line with the sensitivity of the SFO liabilities to changes in interest rates and inflation expectations, allowing for the target level of hedging specified by the Trustees from time to time.

Consideration of Risks

The Trustees have considered various risks the Scheme faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, manager risk and currency risk, and consider that the Target Asset Allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the strength of the Principal Employer's covenant and the long-term nature of the Scheme.

Risk Relative to the Scheme's Key Funding Measure

The Target Asset Allocation has been determined with due regard to the characteristics of the value placed on the Scheme's liabilities under the SFO. The calculation of the value of the liabilities under this measure uses assumptions for future investment returns and price inflation expectations that are based upon market values of financial securities such as fixed interest government and corporate bonds and index-linked government bonds. This means that the Technical Provisions are sensitive to changes in the price of these assets as market conditions vary, and can have a volatile value.

The Trustees accept that their investment strategy may result in volatility in the Scheme's funding position. Furthermore, the Trustees also accept that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the value of the Scheme's liabilities under the SFO.

Concentration of Risk and Diversification	To reduce the risk of concentration within the portfolio, the Trustees will monitor the overall mix of asset classes and stocks in the investment strategy with their adviser, Broadstone. The Trustees invest in a wide range of asset classes through the funds and strategies they use and consider the Scheme's strategy to be sufficiently diversified in the context of the objectives.
Manager Controls and Custodianship	The day-to-day activities that the Investment Manager carries out for the Trustees are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate. Safe-keeping of the Scheme's assets held with the Investment Manager is performed by custodians appointed by the Investment Manager.
Manager Security	The Trustees have considered the security of the Scheme's holdings with the Investment Manager, allowing for its status as a reputable regulated firm, and consider the associated protection offered to be reasonable and appropriate.
Monitoring and Management of Risks	The Trustees will monitor the investment and funding risks faced by the Scheme with the assistance of their investment advisers and the Scheme Actuary at least every three years. The Trustees will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews. In addition, the Trustees will review wider operational risks as part of maintaining their risk register.

6 Responsible Investing, Governance and Engagement

Financially Material Considerations Related to Environmental, Social and Governance Considerations

The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the Investment Manager. The Trustees have an expectation that the Investment Manager will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.

The Trustees do not currently impose any specific restrictions on the Investment Manager with regard to ESG issues, but will review this position from time to time. The Trustees receive information from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme's assets as a longer-term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area in conjunction with its investment adviser.

Views of Members and Beneficiaries

The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy.

Engagement and Voting Rights

Responsibility for engagement with the issuers of the Scheme's underlying investment holdings and the use of voting rights is delegated to the Investment Manager. The Trustees can therefore only influence engagement and voting policy indirectly.

The Investment Manager provides, on request, information to the Trustees on its actions in relation to engagement and use of voting rights. The Trustees are therefore aware of the policies adopted by the Investment Manager.

Capital Structure of Investee Companies

Responsibility for monitoring the make up and development of the capital structure of investee companies is delegated to the Investment Manager. The Trustees expect the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.

Conflicts of Interest	The Trustees maintain a separate conflicts of interest policy and register. Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, while also setting out a process for their management.
Incentivisation of Investment Manager	The Investment Manager is remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund. The Trustees do not directly incentivise the Investment Manager to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the Investment Manager and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustees' objectives. The Trustees do not directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

7 Review and Monitoring

Frequency of Review	The Trustees will review this Statement at least every three years or if there is a significant change in the Scheme's circumstances or the regulations that govern pension scheme investment.
Monitoring the Investment Strategy and Manager	The Trustees employ Broadstone to assist them in monitoring the performance of the Scheme's investment strategy and Investment Manager. The Trustees receive quarterly reports from the Investment Manager and meet with its representatives periodically to review its investment performance and processes. The Trustees and Broadstone will monitor the Investment Manager's performance against its performance objectives. The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.
Monitoring the Duration of Investment Arrangements	The Trustees are long-term investors and have not set an explicit target to review the duration of its arrangements with the investment manager. However, the arrangements will be reviewed in conjunction with any review of investment strategy.
Portfolio Turnover Costs	The Trustees expect the Investment Manager to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions. The Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds. The Investment Manager provides information on portfolio turnover and associated costs to the Trustees so that this can be monitored, as appropriate.
Review of Investment Manager and AVC provider	The Trustees will consider on a regular basis whether or not the Investment Manager and AVC provider remain appropriate to continue to manage the Scheme's investments and AVCs.

Information from Investment Manager	The Investment Manager will supply the Trustees with sufficient information each quarter to enable them to monitor financial and non-financial performance.

Signed Mick Bowden

Date 26 October 2022

On behalf of the Trustees of the Thamesdown Transport Limited Pension Scheme