

KeyMed Pension & Assurance Scheme - Implementation Statement (DC Section)

Introduction

The information in this Implementation Statement (the "Statement") refers to the KeyMed Pensions & Assurance Scheme (the "Scheme"). This Statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustees has been followed during the year to 5 April 2020. This Statement has been produced in accordance with The Pension Protection Fund (Pensionable Service), Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances. The Trustees regard their duty as making available a range of investment options sufficient to enable members to have more choices to assist in their own investment strategy.

The Trustees also recognise that members may not believe themselves qualified or confident to make investment decisions. As such the Trustees make available a default option. The default option places the emphasis on aiming to deliver a positive level of real return over members' working lifetimes (whilst mitigating risk through diversification) and also encompasses a switch into asset classes designed to protect the member from a sudden fall in the retirement benefit purchasing power of their pension savings, in the years approaching the member's selected target retirement age.

These objectives translate to the following principles:

- i. Offering members a pre-defined 'Lifestyle' approach to better cater for members changing needs and risk tolerances over the course of their retirement saving journey and ensuring that the investment strategy options allow members to plan for retirement;
- ii. Making available a range of pooled investment funds which serve to allow some flexibility to meet the varying investment approaches and risk tolerances of members;
- iii. Adopting a framework which provides flexibility to change investment managers proactively and which allows efficient fund switching (e.g. without out-of-market risk) as required;
- iv. Encouraging members to seek impartial financial advice from an appropriate party in determining the most suitable option for their individual circumstances;
- v. In determining an appropriate balance between providing flexibility and choice, as well as simplicity and cost control, the Trustees aim to make available a range of options which satisfy the needs of the majority of members.

The Trustees regularly review the suitability of the investment choices provided, in conjunction with the Scheme's investment advisors, and from time to time will change or introduce additional investment funds as appropriate.

Review of SIP

A revised SIP was approved by the Trustees on 30 September 2020 in order to reflect the new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019, relating to the following:

- Inclusion of wording on the appropriateness of the investment options.
- Revised risks that the Trustees believe are the main risks faced by members and how the Trustees help members manage these risks.
- Inclusion of a new section reflecting how the Trustees take account of financially material considerations (including ESG considerations and explicitly climate change), the extent to which non-financial matters are taken into account, as well as the approach to the stewardship of investments.

The Trustees also reviewed and approved the SIP in pursuant of the new requirements arising from new regulations to meet the EU's Shareholder Rights Directive and improve transparency of information on how trustees engage with their asset managers, encouraging investors and asset managers to have a more long-term investment focus, relating to the following:

- expanded details on trustees' engagement activities (if applicable)
- additional information on the trustees' arrangements with asset managers including:
 - o how the asset managers are incentivised to align investment strategy with the trustees' policies and to make decisions based on medium to long-term performance

Implementation Statement (DC Section) (continued)

- o how the method of the evaluation of the asset managers' performance and remuneration are in line with the trustees' policies
- o how the trustees monitor portfolio turnover costs
- o the duration of the arrangement with the asset manager

Investment Strategy Review

The default investment option is reviewed at least triennially, the last review was undertaken on 17 March 2020. This review considered the following:

- Industry trends – since pension freedoms were introduced, a number of retirees have been accessing their pension pots flexibly, primarily taking cash and income drawdown options rather than buying annuities.
- The experience and demographics of the Scheme in determining the suitability of the default investment option. Having reviewed members' current average pot sizes, members' age, mismatch risk of targeting an inappropriate benefit and wider UK pension industry member experience, the Trustees kept the current default investment option as they believed the option continued to be appropriate for the majority of Scheme members. The Trustees also discussed the range of self-select fund choices in the Scheme, and agreed to further consider expanding the fund choices. Reviews and discussions on this matter will be taken in late 2020/early 2021.

The strategies deployed in the default option incorporates material levels of diversification and risk management, through asset class exposure and the incorporation of a glide path that reduces investment risk in the run up to retirement.

- In choosing the Scheme's investment options, the Trustees consider:
 - o a full range of asset classes;
 - o the suitability of different styles of investment management for each asset class;
 - o the suitability of each asset class within a DC scheme and how members might engage;
 - o the need for appropriate diversification (including manager diversification);
 - o the expected return and the trade-off between return and risk on these investments and alternative options presented by the Scheme's investment consultant;
 - o the expected return and risk measures compared to the objectives set for the investment options;
 - o risk from a number of perspectives, including: liquidity risk, conversion risk, volatility / market risk, performance risk and ESG risk.

Assessment of how the policies of the SIP have been followed for the year to 5 April 2020

The information provided in this section of the Statement highlights the work undertaken by the Trustees during the year, and longer term where relevant, setting out how this work followed the Trustees' policies in the SIP.

Policy Requirements over the year to 5 April 2020

	Requirement	Policy	In the year to 5 April 2020
1	Securing compliance with the legal requirements about choosing investments	The Trustees' investment powers are set out within the Scheme's governing documentation and relevant legislation. If necessary, the Trustees will take legal advice regarding the interpretation of these. The Trustees note that, according to the law, the Trustees have ultimate power and responsibility for the Scheme's investment arrangements.	Over the year to 5 April 2020, the Trustees received investment advice from the investment adviser regarding the default investment strategy of the Scheme, in which the current investment strategy is deemed appropriate by the Scheme's investment adviser, which is regulated by Financial Conduct Authority ("FCA").

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	Requirement	Policy	In the year to 5 April 2020
2	Kinds of investments to be held	<p>The Trustees regard their duty as making available a range of investment options sufficient to enable members to have more choices to assist in their own investment strategy. This translates to making available a range of pooled investment funds which serve to allow some flexibility to meet the varying investment approaches and risk tolerances of members.</p> <p>The Trustees also determine an appropriate balance between providing flexibility and choice, as well as simplicity and cost control when selecting the kind of investments, the Trustees aim to make available a range of options which satisfy the needs of the majority of members.</p>	<p>No additions/removals of investment option outside of the current range was made in the year to 5 April 2020.</p> <p>Underlying asset classes of the investment funds are delegated to the individual Investment Managers of the corresponding funds. Some underlying structural changes were made to the Mercer Growth fund over the year. The underlying structural changes applied to the Mercer Moderate Growth fund (as part of the default investment strategy) were reflected in the other risk profiled funds available as part of the self-select fund range. These structural changes were an enhancement in implementation only and there were no changes made to the underlying strategic asset class allocations. The Delegated Investment Manager confirmed that all changes were made with the consideration of the risk-adjusted returns.</p>
3	The balance between different kinds of investments	<p>The default option places the emphasis on aiming to deliver a positive level of real return over members' working lifetimes (whilst mitigating risk through diversification) and also encompasses a switch into asset classes designed to protect the member from a sudden fall in the retirement benefit purchasing power of their pension savings, in the years approaching the member's selected target retirement age.</p> <p>The Trustees regard their duty as making available a range of investment options sufficient to enable members to have more choices to assist in their own investment strategy. This translates to making available a range of pooled investment funds which serve to allow some flexibility to meet the varying investment approaches and risk tolerances of members.</p>	<p>As part of the self-select fund range the Trustees consider the spread of assets across both growth and defensive assets. The range offers options across the risk and return spectrum, allowing members to build their own diversified portfolio should they choose to. To cater for the different risk appetites of members, the Trustees offer four Risk-Rated Funds, three Lifestyling options, a Global Equity fund and a Cash fund.</p> <p>The Trustees monitor the performance of the funds against their stated objectives/benchmarks. This is done on a quarterly basis, with an investment performance report presented at each meeting. The performance report also includes changes to the investment adviser's manager research rating and notes any other relevant developments at the underlying investment managers. Part of the rating process is to consider risk management.</p>

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	Requirement	Policy	In the year to 5 April 2020
4	Risks, including the ways in which risks are to be measured and managed	<p>The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different attitudes to risk.</p> <p>In arriving at this objective the Trustees have considered the following risks:</p> <ul style="list-style-type: none"> • That inadequate investment returns lead to a low level of pension • That relative market movements, particularly in the years close to retirement, lead to a reduction in members' anticipated pension and cash lump sum • That active investment managers might underperform expectations • The risk that investment in overseas markets will be affected by changes in exchange rates leading to lower returns in pound sterling terms (e.g. due to appreciation of pound sterling relative to overseas currencies) <p>The Trustees undertake to review the Scheme's fund choices offered to members and the investment manager arrangements on a regular basis.</p>	<p>The Trustees consider both quantitative and qualitative measures for risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes.</p> <p>Whilst the Trustees are not involved in each investment managers' day-to-day method of operating and therefore cannot directly influence attainment of performance targets, including risk targets, they regularly assess performance and review appointments using quantitative and qualitative factors.</p> <p>The Trustees receive quarterly written reports from Mercer and the investment managers. The Trustees review absolute and relative performance against a suitable benchmark index and against the manager's stated performance target. The Trustees focus is on long-term performance but may review a manager's appointment if:</p> <ul style="list-style-type: none"> • There are sustained periods of underperformance; • There is a change in the portfolio manager; • There is a change in the underlying objectives of the investment manager; • There is a significant change to the Investment Consultant's rating of the manager <p>The investment managers set performance objectives and risk tolerances for each of the Scheme's funds. The Trustees consider these investment performance objectives to be appropriate to assess each fund's performance against. The investment objectives will be treated as a target only and will not be considered as an assurance or guarantee of the performance or risk of the Scheme or any part of it.</p>

Implementation Statement (DC Section) (continued)

	Requirement	Policy	In the year to 5 April 2020
5	Expected return on investments	In designing the default option, the Trustees have explicitly considered the trade-off between risk and expected returns. The default option manages investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.	<p>The Trustees monitor the performance of the funds against their stated objectives/benchmarks. This is done on a quarterly basis, with an investment performance report presented to the Trustees. The performance report also includes changes to the investment adviser's manager research rating. Highly rated active managers are considered to have an above average prospect of outperformance.</p> <p>The selection of the underlying investment managers is the responsibility of the Delegated Investment Manager.</p> <p>The performance of the growth phase of the lifestyle strategies (including the main default investment strategies) is reviewed against inflation and also against equity volatility and the de-risking phase of the drawdown lifestyle is reviewed against inflation as a means of assessing the impact relative to member buying power.</p>
6	Realisation of investments	The selection, retention and realisation of assets within the pooled funds are delegated to the respective underlying fund managers in line with the mandates of the funds. Likewise, the underlying fund managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments. The Trustees' full policies on social, environmental or ethical considerations are detailed in Section 6 of the SIP.	<p>The Trustees receive administration reports on a quarterly basis to ensure that core financial transactions are processed within service level agreements and regulatory timelines.</p> <p>All funds are daily dealt pooled investment vehicles, accessed through an insurance contract.</p> <p>The Trustees monitor the performance of the funds against their stated objectives/benchmarks. This is done on a quarterly basis, with an investment performance report presented to the Trustees.</p>
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	The selection, retention and realisation of assets within the pooled funds are delegated to the respective underlying fund managers in line with the mandates of the funds. Likewise, the underlying fund managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.	<p>The investment performance reports are reviewed by the Trustees on a quarterly basis – this includes ratings (both general and specific ESG) from the investment adviser. Most of the managers remained highly rated during the year.</p> <p>Where managers were not highly rated by the investment adviser from an ESG perspective, the Delegated Investment Manager will engage with those managers to improve ESG practices, or replace these managers with more highly rated managers. This is in line with their Sustainable Investment Policy.</p> <p>If ratings, either general or ESG, are downgraded, the Delegated Investment Manager will look to find a suitable alternative.</p>

Implementation Statement (DC Section) (continued)

	Requirement	Policy	In the year to 5 April 2020
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	Member views in respect of non-financial matters are not taken into account in the selection, retention and realisation of investments, but members can make their views known to the Trustees.	No member views related to investments were received during the Scheme year.
9	The exercise of the rights (including voting rights) attaching to the investments	The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the Scheme's investments.	<p>The exercising of voting rights is delegated to the Delegated Investment Manager.</p> <p>The Trustees reviewed a Stewardship Report produced by the Delegated Investment Manager. This report assesses each underlying equity manager's record of executing and disclosing voting activity, and the extent to which they are engaging with the underlying companies in which they invest. The report covered the year to 30 June 2019.</p> <p>Where underlying investment managers are not meeting expectations, the Delegated Investment Manager is expected to engage with these managers.</p>
10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, Trustees would monitor and engage with relevant persons about relevant matters)	The Trustees wish to encourage best practice in terms of active engagement with entities in which they invest. The Trustees, while giving the investment managers full discretion when undertaking engagement activities, encourage the Scheme's investment managers to discharge their responsibilities in respect of investee companies in accordance with the principles underlying the UK Corporate Governance Code and the UK Stewardship Code, in respect of all resolutions at annual and extraordinary meetings. The Trustees will review the investment managers' policies and engagement activities (where applicable) on an annual basis.	<p>The Trustees reviewed a Stewardship Report produced by the Delegated Investment Manager. This report assesses each underlying equity manager's record of executing and disclosing voting activity, and the extent to which they are engaging with the underlying companies in which they invest. The report covered the year to 30 June 2019.</p> <p>Where underlying investment managers are not meeting expectations, the Delegated Investment Manager is expected to engage with these managers.</p> <p>No additional engagement activity occurs outside of this relationship.</p>

Implementation Statement (DC Section) (continued)

11	Requirement	Policy	In the year to 5 April 2020
	<p>How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustees' policies.</p>	<p>As the Trustees invest in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.</p> <p>The Trustees may meet with the investment managers if they are dissatisfied with their performance or engagement activity, and may choose to terminate the relationship with the manager if they see fit. The investment adviser to the Trustees also provides help in monitoring the investment managers, both in the form of written reports or attendance at meetings as required by the Trustees.</p>	<p>The Trustees receive quarterly written reports from Mercer and the investment managers. The Trustees review absolute and relative performance against a suitable benchmark index and against the manager's stated performance target.</p> <p>No specific manager relationships were discontinued due to misalignment of investment policies in the year to 5 April 2020</p>
	<p>How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.</p>	<p>The Trustees consider their Investment Consultant's forward-looking assessment of a manager's ability to meet their objectives when appointing new investment managers and monitoring existing investment managers. This view will be based on an assessment of the manager's idea generation, portfolio construction, implementation and business management in relation to the particular investment fund that the Scheme invests in.</p> <p>The Trustees will consider how Environmental, Social, and Corporate Governance ("ESG") and stewardship are integrated into the investment process as well as ensuring fees are competitive within the asset class. The Trustees consider the Investment Consultant's manager research ratings when taking decisions on selection and retention of manager appointments.</p> <p>If the investment objective for a particular manager's fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees wider investment objectives.</p>	<p>The Trustees receive quarterly written reports from Mercer and the investment managers. The Trustees review absolute and relative performance against a suitable benchmark index and against the manager's stated performance target. This includes ESG ratings (both general and specific ESG) from the investment adviser. Most of the managers remained highly rated during the year.</p> <p>No specific manager relationships were discontinued due to financial or non-financial performance of underlying assets in the year to 5 April 2020.</p>
	<p>How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies.</p>	<p>The Trustees ask investment managers to include portfolio turnover and turnover costs in their presentations and reports to the Trustees. The Trustees consider portfolio turnover costs and the investment managers' performance as part of the annual Value for Members assessment.</p>	<p>The Trustees receive quarterly written reports from Mercer and the investment managers. The Trustees review absolute and relative performance against a suitable benchmark index and against the manager's stated performance target.</p> <p>The Trustees also conducted an annual Value for Members assessment, with the Scheme considered to be providing good value for members for the year to 5 April 2020.</p>

Implementation Statement (DC Section) (continued)

	Requirement	Policy	In the year to 5 April 2020
14	How the Trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	The Trustees ask investment managers to include portfolio turnover and turnover costs in their presentations and reports to the Trustees. The Trustees consider portfolio turnover costs and the investment managers' performance as part of the annual Value for Members assessment.	<p>The Trustees conducted an annual Value for Members assessment, with the Scheme considered to be providing good value for members for the year to 5 April 2020.</p> <p>The Trustees also consider portfolio turnover costs by way of considering transactions costs and the associated disclosures.</p> <p>Transaction costs, using the 'slippage cost methodology' (as defined in COBS 19.8 of the FCA Handbook), are disclosed in the annual Chair's Statement (https://www.elcompanies.co.uk/en-GB/uk-corporate-statements). The transaction costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager. An investment manager can also factor in anti-dilution mechanisms into the total transaction costs.</p> <p>The Trustees are required to assess these costs for value on an annual basis. However, at present, the Trustees note a number of challenges in assessing these costs:</p> <ul style="list-style-type: none"> o No industry-wide benchmarks for transaction costs exist o The methodology leads to some curious results, most notably "negative" transaction costs o Explicit elements of the overall transaction costs are already taken into account when investment returns are reported, so any assessment must also be mindful of the return side of the costs. <p>There is little flexibility for the Trustees to impact transaction costs as they invest in pooled funds. While the transaction costs provided appear to be reflective of costs expected of various asset classes and markets that the Scheme invests in, there is not as yet any "industry standard" or universe to compare these to. As such, any comments around transaction costs at this stage can only be viewed as speculative.</p>

Implementation Statement (DC Section) (continued)

	Requirement	Policy	In the year to 5 April 2020
15	The duration of the arrangement with the asset manager	The Trustees are a long-term investor and are not looking to change investment arrangements on a frequent basis. All the funds are open-ended with no set end date for the arrangement. The self-select fund range and default option are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or self-select fund range.	<p>The fund range and default are reviewed on at least a triennial basis, with the previous review held at the Trustees' meeting on 17 March 2020. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.</p> <p>The investment performance of all funds is reviewed by the Trustees at each meeting – this includes how each investment manager is delivering against their specific targets. The Trustees may terminate manager appointments if they are dissatisfied with the managers' ongoing ability to deliver specific targets.</p> <p>No specific manager relationships were discontinued in the year to 5 April 2020</p>

Voting Activity

The Trustees have delegated their voting rights to Mercer Workplace Saving, the Delegated Investment Manager, who in turn delegates this to external investment managers. The Trustees do not use the direct services of a proxy voter.

The Delegated Investment Manager includes stewardship within their Sustainable Investment Policy. In particular, the Delegated Investment Manager expects all shares to be voted on by external investment managers in a manner deemed most likely to protect and enhance long-term value for investors.

Voting and engagement activities of external investment managers are reviewed regularly, this includes: voting execution, voting rationale and engagement examples. A report is provided to the Trustees in the form of an annual Stewardship Monitoring Report. The report summarises and comments on the stewardship activities and disclosure of the external investment managers appointed within the self-select fund range and within the Mercer Growth fund, for the period 1 July 2018 to 30 June 2019.

The Stewardship Monitoring Report provides voting statistics, together with commentary, based on manager disclosed information. It covers votes cast in four parts: a) votes against management; b) votes against proxy adviser policy (where applicable); c) abstentions; and d) no votes. The report also provides summary reporting on engagement activities undertaken by managers to capture the level of disclosure and examples given by the managers for insights into where the manager has exchanged views with companies on a range of strategic and governance issues, together with environmental and social topics.

For the 2020 reporting cycle, vote reporting will include a general description of voting behaviour, an explanation of the most significant votes taken, information on the use, if any, of the services of proxy advisors, and information on how votes have been cast in the general meetings of companies in which the external investment managers hold shares across equity portfolios. Engagement reporting will include examples where investment managers have engaged with companies, relating to the number of companies engaged, engagement examples by topic, engagement examples that are collaborative and any voting activity / engagement activities impacting investment decisions, where available. These engagement reviews will extend across equities as well as other asset classes (e.g. fixed income and real estate) in light of the 2020 UK Stewardship Code which calls for engagement across additional asset classes as well as equities.

Summary

The overall results for this reporting period are summarised below.

Vote execution:

- Vote execution continues to be good overall (i.e. >90% of available votes). Where votes have not been cast the vast majority of managers provide a rationale (typically this relates to market-specific barriers or restrictions).

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Vote disclosure:

- The level of disclosure continues to vary considerably across managers. While in some cases managers have improved in not only disclosing voting rationale at a resolution level, but including summary reporting across categories (e.g. board-related, compensation-related, environmental etc.) there are managers who have not disclosed rationale across all resolutions. It is likely that managers do have this information but have not proactively disclosed it and we will follow-up with these managers to confirm.

Engagement:

- The results on engagement activities has been relatively consistent and the Delegated Investment Manager noted an improvement in the quality of engagement disclosure from a number of managers.
- Some managers continue to provide market leading engagement reporting – typically those with an established approach to engagement and internal resources dedicated to stewardship.
- The Delegated Investment Manager found that there is still room for improvement on engagement from quant managers who could focus on calling for greater disclosure of ESG metrics and this will again be communicated. The Delegated Investment Manager also noted an improvement from a number of quant managers in this regard since the previous review.
- The Delegated Investment Manager will follow up with all external investment managers where improvements are expected in future.

KeyMed Pension & Assurance Scheme

Annual Report for the year ended 5 April 2020

Trustees' Report

Defined Benefit Section

Introduction

The Scheme's investments in the DB section have been managed during the year under review by Legal & General Investment Management Limited (L&G). There is a degree of delegation of responsibility for investment decisions. The investment strategy is agreed by the Trustees after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the Scheme which should be invested in the principal market sectors, the day-to-day management of the Scheme's asset portfolio is the responsibility of the investment manager, L&G.

Changes to the investment arrangements

Over the year to 31 March 2020 the Scheme restructured its matching portfolio to more accurately hedge 100% of liabilities (on a gilts flat basis) against inflation and interest rate movements. From time to time the Scheme may review its matching portfolio to ensure the target hedge ratios are close to target.

Investment performance

The Scheme and benchmark returns for the DB section for periods to 31 March 2020 are summarised in the table below:

	12 Months %	3 Years (% p.a.)	5 Years (% p.a.)
Scheme	14.2	6.9	9.4
Benchmark	14.2	6.9	9.4

Figures are based on information provided by L&G and are gross of fees.

Since inception as at 21 October 2014.

The Scheme's assets have been invested in gilts with the objective of matching the nature and duration of the liabilities as best as practically possible. Whilst a strategic benchmark mix of assets was adopted at the outset of L&G's mandate, there is no rebalancing to a fixed weight strategic benchmark. Therefore, the benchmark performance shown above is assumed to be the return on the portfolio.

Investment strategy

The Scheme's asset allocation over the year, excluding AVCs and the insurance policies, is shown in the table below:

	As at 5 April 2020 (%)	As at 5 April 2019 (%)
Index Linked Gilts	35.9	40.1
Fixed Interest Gilts	64.1	59.9
Total Scheme	100.0	100.0
Market Value	£265.7m	£258.5m

Source: L&G. Based on bid valuations.

There is no automatic rebalancing undertaken between fixed and index-linked gilts, instead the split is left to develop in line with the returns on the relevant pooled funds and underlying securities, as this will broadly match changes in the nature of the liabilities. The investments are recalibrated annually, however, with reference to the Scheme's projected cashflows to improve the match with the nature and sensitivities of the Scheme's projected liabilities.