

The Pension and Life Assurance Plan for the Non-Teaching Staff of Oundle School

Statement of Investment Principles

September 2020

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1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustees of the Pension and Life Assurance Plan for the Non-Teaching Staff of Oundle School (the Plan). This statement sets down the principles which govern the decisions about investments that enable the Plan to meet the requirements of:
 - the Pensions Act 1995, as amended by the Pensions Act 2004; and
 - the Occupational Pension Plans (Investment) Regulations 2005 as amended by the Occupational Pension Plans (Investment) (Amendment) Regulations 2010,
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustees have consulted the Corporation of Oundle School, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Plan Funding legislation.
- 1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.5. The investment powers of the Trustees are set out in Clause 17 of the Definitive Trust Deed & Rules, dated 13 March 2012. This statement is consistent with those powers.

2. Choosing investments

- 2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Plan's assets is delegated to one or more investment managers. The Plan's investment managers are detailed in Appendix 1 to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3. The Trustees review the appropriateness of the Plan's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the employer before amending the investment strategy.

3. Investment objectives

- 3.1. The Trustees have discussed key investment objectives in light of an analysis of the Plan's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:
- to ensure that the Plan can meet the members' entitlements under the Trust Deed and Rules as they fall due;
 - to manage the expected volatility of the returns achieved in order to control the level of volatility in the Plan's required contribution levels;
 - to minimise the long-term costs of the Plan by maximising the return on the assets whilst having regard to the above objectives.
- 3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Plan's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Plan's objectives as best as possible.

4. Kinds of investments to be held

- 4.1. The Plan is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.
- 4.2. The Plan does not make any employer related investments.

5. The balance between different kinds of investments

- 5.1. The Plan invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.
- 5.2. The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1 to this Statement.
- 5.3. From time to time the Plan may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.
- 5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Plan's asset allocation will be expected to change as the Plan's liability profile matures.

6. Risks

- 6.1. The Trustees have considered the following risks for the Plan with regard to its investment policy and the Plan's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Plan's Statement of Funding Principles.
Covenant risk	The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Plan's funding basis.
Asset allocation risk	The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustees.
Investment manager risk	The Trustees monitor the performance of each of the Plan's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Plan (including considering ESG factors as well as climate risk as potentially financially material) and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Plan's investments in order to avoid unexpected losses.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Plan invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cashflow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Plan's liabilities are denominated in sterling. The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to manage the impact of exchange rate fluctuations.

**Loss of
investment**

The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

- 7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Plan's funding position. The Trustees meet the Plan's investment managers as frequently as is appropriate, in order to review performance.

8. Realisation of investments

- 8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Plan accounts.

9. Financially material considerations, the exercise of rights and engagement activities and non-financial matters

- 9.1. The Trustees have set policies in relation to these matters. These policies are set out in Appendix 2.

10. Agreement

- 10.1. This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Plan auditor upon request.

Appendix 1 The investment policy for the Plan as at September 2020 in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Plan has a strategic asset allocation as set out in the table below, which has been agreed after considering the Plan's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Rebalancing

The Trustees recognise that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustees seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances. The Trustees will monitor the asset allocation from time to time, and take advice as to whether rebalancing is required from Barnett Waddingham. The benchmark asset allocation is detailed in the table below:

Portfolio	Asset class	Allocation (%)
Growth portfolio	Equities	40
	Diversified Growth Fund	40
Protection portfolio	Index-linked gilts	20
Total		100

2. Choosing investments

The Trustees have appointed the following investment managers to carry out the day-to-day investment of the Plan:

- Aberdeen Standard Investments (“Aberdeen Standard”);
- Legal & General Investment Management (“LGIM”).

The Trustees also have a contract with Phoenix Life in respect of members’ Additional Voluntary Contributions (AVCs).

The investment managers and AVC provider are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each investment manager provider are given below:

Investment manager	Fund	Benchmark	Objective
Aberdeen Standard	Diversified Growth Fund	1 month LIBOR	To outperform the benchmark by 4.5% p.a. over a five-year rolling basis, net of fees.
LGIM	Global Equity Market Weights (30:70) Index Fund - 75% GBP Currency Hedged	Composite of 30/70 distribution between UK and overseas, 75% GBP Hedged.	Provide diversified exposure to UK and overseas equity markets while reducing foreign currency exposure of 75% of the overseas assets.
	All Stocks Index-Linked Gilts Index Fund	FTSE-Actuaries Index Linked (All Stocks) Index	To track the performance of the benchmark to within +/- 0.25% p.a. for two years out of three.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

The AVC arrangement is reviewed from time to time.

3. Fee agreements

The fee arrangements with the investment managers are summarised below:

Investment manager	Fund	Annual Management Charge (% p.a.)
Aberdeen Standard	Diversified Growth Fund	0.50
LGIM	Global Equity Market Weights (30:70) Index Fund - 75% GBP Currency Hedged	0.200 on the first £2.5m, plus; 0.190 on the next £7.5m, plus; 0.175 on the next £15m, plus; 0.150 on the next £25m, plus; 0.130 on the balance above £50m.
	All Stocks Index-Linked Gilts Index Fund	0.100 on the first £5m, plus; 0.075 on the next £5m, plus; 0.050 on the next £20m, plus; 0.030 on the balance above £30m.

In addition, LGIM charge an annual £1,500 flat fee.

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham have agreed fixed fees for specified tasks, but a time-cost basis or project fee may be used for tasks that are not covered by the fixed fee.

4. Investments and disinvestments

Investments and disinvestments are usually made so as to move the actual asset allocation more in line with the target asset allocation.

Appendix 2 Note on financially and non-financially material considerations, the exercise of rights and engagement activities, and arrangements with asset managers

Policy on financially material considerations

The Trustees believe that Environmental, Social and Governance (“ESG”) factors are financially material – that is, they have the potential to impact the value of the Plan’s investments from time-to-time. The Trustees appreciate that the method of incorporating ESG in the investment strategy and process will differ between asset classes. A summary of the Trustees’ views for each asset class in which the Plan invests is outlined below.

Passive equities

The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Plan’s passive equities. The Trustees accept that fund managers must invest in line with the specified index and, therefore, may not be able to disinvest if they have concerns relating to ESG. The Trustees therefore require that the fund manager takes into account ESG considerations by engaging with companies and by exercising voting rights. However, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Diversified growth funds

The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Plan’s diversified growth fund holding. The Trustees therefore require the fund manager to consider ESG issues when selecting investments. The Trustees recognise that the fund manager will hold a blend of underlying asset class and some of which, such as fixed income assets, do not typically provide voting rights; they support engagement with companies by the fund manager. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Passive gilts

The Trustees believe that ESG issues are not financially material to the risk-adjusted returns achieved by the Plan’s passive gilts. This is because gilts are considered “least risk” when constructing the investment strategy.

The Trustees are comfortable that the funds currently invested in by the Plan are managed in accordance with their views on financially material factors, as set out above. This position is monitored periodically, at least annually. In the future, the views set out above will be taken into account when appointing and reviewing managers.

Policy on the exercise of voting rights and engagement activities

The Plan currently invests in pooled investment funds only. The Trustees’ policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the relevant fund managers. The Trustees also expect managers to engage with companies in relation to ESG matters. The Trustees are comfortable with the fund managers’ strategies and processes for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

When delegating investment decision making to their investment managers the Trustees provide managers with a benchmark they expect the managers to either follow or outperform. The investment manager has discretion

over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustees are firmly of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests on behalf of the Plan or as part of the pooled fund in which the Plan holds units. The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan. Where the Trustees use pooled funds the Trustees expects the investment manager to employ the same degree of scrutiny.

Should an investment manager be failing in these respects, this should be captured in the Plan's regular performance monitoring.

The Plan's investment managers are granted discretion over whether or not to hold the equity, debt or other investment in the employer's business (assuming that the holding would otherwise be permitted within the mandate). Through their consultation with the employer when setting this Statement of Investment Principles the Trustees have made the employer aware of their attitude to ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Plan's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflicts of interest in this area.

The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

Policy for taking into account non-financial matters

When constructing the investment strategy and selecting investment managers the Trustees do not prioritise non-financial matters. Based on the size and maturity of the Plan, the Trustees are utilising pooled investment vehicles, which mean that it is less practical and efficient (from a return and cost perspective) to take account of such non-financial matters.

Policy on arrangements with asset managers

Alignment of investment strategies with investment policies

Prior to appointing an investment manager, the Trustees discuss the investment manager's benchmark and approach to the management of ESG and climate related risks with the Plan's investment consultant, and how they are aligned with the Trustee's own investment aims, beliefs and constraints.

When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of

these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will use another manager for the mandate.

The Trustees carry out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Plan and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.

In the event that the investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustees.

Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

Time horizon for making decisions and engagement

The Trustees are mindful that the impact of ESG and climate change may have a long-term nature. The Trustees recognise that the potential for change in value as a result of ESG and climate risk, may occur over a much shorter term than climate change itself. The Trustees have acknowledged this in their investment management arrangements.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over an agreed predetermined rolling timeframe. The Trustees believe the use of rolling timeframes, typically three to five years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustee expects this to be sufficient to ensure an appropriate alignment of interests.

The Trustees expect investment managers to be voting and engaging on behalf of the fund's holdings and the Plan monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.

Manager performance and remuneration

The Trustees monitor the performance of their investment managers over the medium to long time periods that are predetermined and consistent with the Trustee's investment aims, beliefs and constraints.

The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the actively managed funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. Details of the fee structures for the Plan's investment managers are contained in the appendices.

The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the active investment manager to focus on long-term performance without worrying about short-term dips in performance significantly affecting their revenue.

The Trustees ask the Plan's Investment Consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered every three years as part of the review of the Statement of Investment Principles.

Duration of arrangements with asset managers

For the open-ended pooled funds in which the Plan invests, there are no predetermined terms of agreement with the investment managers.

The suitability of the Plan's asset allocation and its ongoing alignment with the Trustee's investment aims, beliefs and constraints is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

Portfolio turnover costs

The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the regular investment monitoring process.

During the investment manager appointment process, the Trustees consider both past and anticipated portfolio turnover levels. When underperformance is identified deviations from the expected level of turnover may be investigated with investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.