

Statement of Investment Principles

St Mary's Wrestwood Children's Trust Pension Scheme

Prepared and issued by
The Trustees of the St Mary's Wrestwood Children's Trust Pension Scheme

November 2023

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1 Introduction

1.1 Purpose and structure of this document

This Statement of Investment Principles (this Statement) sets out the principles under which the Trustees of the St Mary's Wrestwood Children's Trust Pension Scheme (the Scheme) invest its assets.

This Statement comprises four sections:

- 1 Introduction
- 2 Principles under which the Scheme's assets are invested
- 3 Risks and management thereof
- 4 Investment Responsibilities.

Statements of policy are shown in italics.

The Trustees will refer to this Statement as appropriate to ensure they exercise their powers of investment in accordance with it as far as reasonably practicable.

1.2 The Trustees' investment powers

The Trustees' obligations and powers of investment under the Scheme are set out in Clause 8.3 of the Trust Deed and Rules dated 20 September 1993.

1.3 Legislative requirements

Under section 35 of the Pensions Act 1995 (the 1995 Act), as amended by section 244 of the Pensions Act 2004 (the 2004 Act) and the Occupational Pension Schemes (Investment) Regulations 2005 (as amended), trustees are required to prepare and maintain a statement of the principles governing their investment decisions. This legislation prescribes certain matters that must be covered in the statement.

This Statement is intended to comply with the legislative requirements.

The Trustees have regard to the requirements of section 36 of the 1995 Act (as amended by section 245 of the 2004 Act) concerning the suitability of investments and section 36A of the 1995 Act (inserted by section 246 of the 2004 Act) regarding borrowing money or acting as a guarantor.

1.4 Advice taken

Although the ultimate power and responsibility for deciding investment policy lies solely with the Trustees, the Trustees obtained and considered written advice from Censeo Actuaries & Consultants Limited (Censeo) when developing their investment strategy.

In particular, the Trustees took advice from Censeo when preparing this Statement. The Trustees believe Censeo to be qualified in its ability in and practical experience of financial matters, and to have appropriate knowledge and experience of the management of the investments of pension schemes established under trust.

The Trustees will obtain and consider written advice before revising this Statement.

1.5 Consultation with the Principal Employer

The Trustees consulted The Talking Trust, which is the Scheme's Principal Employer, when preparing this Statement. *The Trustees will consult the Principal Employer before revising this Statement.*

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1.6 Additional Voluntary Contributions (AVCs)

A small number of members previously paid AVCs into the Scheme to provide additional benefits at retirement. The remaining AVCs are held with the main assets of the Scheme but are separately identifiable.

The Trustees will review the suitability of the AVC arrangement periodically.

1.7 Reviewing this Statement

The Trustees will review this Statement at least every three years, or immediately after any significant change in their investment principles.

2 Principles under which the Scheme's assets are invested

2.1 Investment Objective

The Trustees' primary objective is to ensure sufficient assets are available to pay members' and dependants' benefits as and when they fall due in accordance with the Scheme's Rules.

The Trustees' investment objective, having regard to the Principal Employer's covenant, is to maximise the rate of return earned on the Scheme's assets while having regard to the risk of not being able to achieve the primary objective.

2.2 Employer's Covenant

The Trustees actively monitor and consider the Principal Employer's covenant. The Principal Employer has agreed to share key information on a regular basis to help the Trustees determine their covenant assessment on an ongoing basis.

The Trustees have a 'negative pledge' in place against one of the Principal Employer's properties, Sarson House, and a legal charge over the main site of St Mary's School campus.

2.3 Profile of the Scheme's liabilities and cash-flow requirements

The Scheme was closed to new entrants with effect from 31 August 2006 and closed to future benefit accrual with effect from 31 July 2009.

An assessment of the Scheme's assets and liabilities is carried out by the Scheme Actuary every year and of its cash-flow requirements every three years.

2.4 Contributions

The current Schedule of Contributions requires the Principal Employer to pay monthly contributions, for a period of 11 years and 6 months from 1 April 2022, starting at £18,415 and increasing by 3.5% on 1 April each year. The Principal Employer will, also, pay additional monthly contributions of £5,305 with effect from 1 April 2022 until 31 March 2024, again increasing by 3.5% each 1 April.

2.5 Other considerations

In setting their investment strategy, it is the Trustees' policy to consider:

- *a range of asset classes,*
- *the suitability of investing in each asset class,*
- *the ease with which they can invest (and disinvest) in each asset class and the costs involved,*
- *the balance between risk and reward for a range of alternative asset allocation strategies,*
- *the need for appropriate diversification both across asset classes and within asset classes (to reduce risk or maximise returns for a given risk budget),*
- *the relative merits of active investment and passive investment in each asset class,*
- *the funding position of the Scheme,*
- *the Employer covenant and*
- *the other policies and risks as set out in this document.*

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2.6 Strategic asset allocation

The Trustees' strategic asset allocation policy is:

- *to invest the Scheme's assets as shown below,*

Asset class	Target weighting
Equities - split 50% UK and 50% overseas (market capitalisation weightings)	45%
Longer-dated sterling corporate bonds	22%
Long-dated index-linked gilts	33%
Total	100%

- *to review the weightings periodically (at least every three years),*
- *to consider rebalancing, over time, following periodic reviews, but no automatic rebalancing is to occur and*
- *not to use any currency hedging in conjunction with the overseas equities.*

The Trustees may also, after obtaining advice from the investment consultant, hold an amount in Cash to help meet shorter-term cashflow demands.

2.7 Policy on expected investment returns

The Trustees will take advice from the investment consultant on the expected returns on the investments held. For UK Government Bonds, the expected return is the yield applicable at the date of purchase; for the other Bonds held, a slightly higher return is expected – the excess return being dependent upon the credit spread at the date of purchase less some allowance for default risk. The return on Equity is expected to be higher than the return on Bonds over the long term but this comes with greater risk.

2.8 Implementation

The Trustees implement their investment strategy by investing in a range of pooled funds operated by suitably experienced fund managers and/or insurance companies. The Trustees use a third-party institutional investment platform to hold their investments in their chosen pooled funds. The Trustees believe this to be the most efficient approach to making and maintaining their investments.

2.9 Policy on active and passive management

The Trustees consider whether each mandate awarded should be managed passively (in which case the Investment Manager's performance target will be to match the benchmark return) or actively (in which case the target will be greater than the benchmark return). The Trustees' decisions will be based on:

- *the opportunities within the asset class to generate returns, net of fees, in excess of the benchmark return and*
- *the potential ability of active investment managers to generate returns above the benchmark.*

2.10 Policy on liquidity and realisation of investments

The Trustees will ensure that the assets chosen provide sufficient liquidity for the needs of the Scheme. The Trustees will take advice from the investment consultant on how best to meet cashflow demands over time.

2.11 Policy on environmental, social and governance factors

The Trustees believe the ability of the financial system to deliver attractive risk-adjusted investment returns depends on the sustainability of the underlying economic, social and environmental systems. The Trustees do not believe that systematically disinvesting from companies helps achieve this; rather the Trustees believe the fund manager(s) should engage with companies to improve the sustainability of the investment, particularly with regard to environmental, social and governance risk factors.

2.12 Policy on other financially material matters

The Trustees have not identified any other specific financially-material matters that are not already covered by other policies within the SIP.

2.13 Policy on non-financial matters

The Trustees do not take non-financial matters into account in the selection of investments.

2.14 Policy on stewardship

As the Trustees invest in pooled funds, they are not the legal owner of the individual stocks and shares held by those funds. Therefore, the Trustees are not in a position to engage with the boards of the investee companies. The Trustees are aware, however, that their investment managers do engage with the companies in which they invest and are happy for them to do so on such basis as they deem appropriate to improve risk-adjusted returns.

Similarly, the Trustees have no voting rights in relation to the underlying assets purchased by the Investment Managers but are notified on a regular basis of the policies followed by the Managers. The Trustees expect the Investment Manager(s) to exercise their rights in this regard.

2.15 Policy on arrangements with fund managers

The Trustees obtain regular reports on the performance of the funds.

If the Trustees elect to use a pooled fund in which the fund manager has some freedom over the asset allocation and/or stock holdings, the Trustees will monitor the performance of the fund against its target, taking into account the market environment. Where the Trustees have performance concerns, they will investigate the reasons for such underperformance, which may consider portfolio turnover and costs.

The Trustees will review on a regular basis the investment performance of the Scheme's assets, together with the continuing suitability of the fund manager(s). However, the Trustees remain aware that the majority of assets are managed for the longer term and will not necessarily remove a manager as a result of a short period of poor performance. Because they invest in pooled funds, the Trustees are not in a position to adopt a remuneration policy that incentivises fund managers to invest in any particular fashion.

Arrangements with fund managers are intended to continue, subject to satisfactory performance, until the relevant mandate is no longer part of the Trustees' strategy. In this context, satisfactory performance relates not just to the quarterly asset returns but to other aspects, such as risk and portfolio turnover, being in line with the fund's objectives as described by the fund manager to the Trustees.

3 Risks and management thereof

The Trustees will assess and consider the following risks from time to time:

- **“Employer covenant risk”** – the risk of the Principal Employer not being able to pay any further contributions into the Scheme.

The Trustees review the strength of the Principal Employer's covenant periodically.

The Trustees will review their investment strategy as soon as practicable after any significant change in the strength of the Principal Employer's covenant.

- **“Liquidity risk”** – the risk of a shortfall of liquid assets relative to benefit payments that are due to be paid. (Paragraph 2.10 covers the management of this risk.)
- **“Credit risk”** – the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Trustees intend to invest the vast majority, or all, of the Bond allocation in high-quality Bonds.

- **“Market risk”** – the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices of the Scheme's assets. It comprises three types of risk:

- **“Currency risk”** – the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

The Trustees manage this risk by investing the majority of the assets in sterling-denominated investments.

- **“Interest rate risk”** – the risk that the fair value of a financial asset will fluctuate because of changes in market interest rates.

Such fluctuations help match changes in the value of the liabilities which also fluctuate as a result of changes in market interest rates, i.e. they counteract mismatching risk (see below).

- **“Other price risk”** – the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the financial individual instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees manage this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

- **“Mismatching risk”** – the risk of a significant difference in the sensitivity of asset and liability values to changes in financial and economic factors, which could lead to volatility in the Scheme's funding position.

The Trustees consider the relationship between the value of the assets and value of the liabilities when determining their strategic asset allocation.

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- **“Manager risk”** – the risk of the fund managers or insurance companies failing to deliver to their mandate.

The Trustees obtain quarterly reports showing investment returns compared with the benchmark for each fund and will monitor these on a regular basis.

- **“Concentration risk”** – the risk of the failure of a particular equity or bond (or investments in a particular industry sector or country).

The Trustees will ensure that the portfolio is sufficiently diverse that the risks of failure of any individual investment (other than UK Government Bonds) will not impact significantly on their ability to pay the benefits promised under the Deed & Rules.

- **“Operational risk”** – the risk of fraud, poor advice or acts of negligence.

The Trustees minimise operational risks by ensuring all advisers and third-party service providers are suitably qualified and experienced.

4 Investment Responsibilities

The Trustees are responsible for:

- preparing the Statement of Investment Principles and, in doing so, taking written advice to ensure that the investment policy is suitable for the Scheme,
- monitoring compliance with the Statement and reviewing its contents at least every three years and without delay after a significant change in investment policy,
- appointing the Investment Managers and any external consultants thought to be necessary and
- reviewing on a regular basis the Investment Managers' performance against established benchmarks and satisfying themselves as to the Managers' expertise and the quality of their internal systems and controls.

The Investment Managers (to the extent that the Trustees have delegated their discretion) are responsible for:

- the investment of the Scheme's assets in compliance with the investment mandates to which they have been appointed,
- holding portfolios as instructed from time to time by the Trustees,
- security and stock selection within appropriate asset classes, and
- providing the Trustees with regular valuations of the Scheme's assets (via any platform used).

The Investment Platform is responsible for:

- holding and administering the Scheme's investments in the selected pooled funds and
- its own compliance with prevailing legislation.

The Custodians are responsible for:

- their own compliance with prevailing legislation.

The Scheme Actuary is responsible for:

- providing the Trustees with advice as to the maturity of the Scheme and its funding level to aid the Trustees in balancing the short-term and long-term objectives of the Scheme and
- raising with the Trustees any concerns regarding investment policy that may arise through changes in liability profile or legislation.

The Investment Consultant is responsible for:

- meeting the strategic objectives set by the Trustees from time to time.