St Paul's Schools' Pension Scheme for Non-Teaching Staff

Statement of Investment Principles

Barnett Waddingham LLP

September 2024

Contents

1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustees of the St Paul's Schools' Pension Scheme for Non-Teaching Staff (the "Scheme"). This statement sets down the principles which govern the decisions about investments.

1.2. In preparing this statement the Trustees have consulted St Paul's School and St Paul's Girls' School (together the "Schools") and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3. 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.

1.4. The Trustees completed a bulk annuity insurance transaction with Just Retirement (the "Insurer"). This was effective from 30 April 2024.

2. Choosing investments

2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of the Scheme 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. Effective from 30 April 2024, the Trustees entered into a bulk annuity insurance contract with the Insurer, which, following a period of data cleansing, is expected to match all defined benefits due to members of the Scheme. The Insurer is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

2.3. The Trustees hold no other investments beyond cash in the Scheme's bank account. The Trustees are able to draw on additional monies held in escrow.

2.4. The Trustees review the appropriateness of the Scheme's investment strategy on a periodic basis but would consider it unlikely that any material future changes will be made prior to the bulk annuity policy being assigned to individual members and the Scheme then being wound up. The Trustees will consult the Schools before amending the investment strategy.

3. Investment objectives

3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme'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 hold assets that provide a high likelihood that members' entitlements under the Trust Deed and Rules will be met in full as they fall due;
- to invest in assets of appropriate liquidity to meet potential remaining liabilities that are not covered by the bulk annuity policy; and
- to reduce the risk of the assets failing to meet the liabilities over the long-term.

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 Scheme's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property, alternatives and annuity policies. The Scheme's current investment strategy involves holding the majority of the Scheme's assets in a bulk annuity insurance contract, with a small residual cash holding to meet ongoing cashflow requirements.

4.2. Given the Scheme's investment strategy, it is not expected that the Scheme will hold any Employer-related investments. However, this is typically checked annually by the Scheme's auditors.

4.3. The Trustees expect the primary role of any investment made in derivative instruments to be either to generate a reduction in the overall level of risk in the portfolio or to assist in efficient portfolio management.

5. The balance between different kinds of investments

5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives.

5.2. The Scheme holds a bulk annuity policy expected to produce cashflows that meet the benefit entitlements of Scheme members. The remainder of the Scheme's assets are held in cash.

6. Risks

6.1. The various types of investment risk which may affect the Scheme's liabilities are largely covered under the bulk annuity purchase with the Insurer. Therefore, the vast majority of the risks set out below are covered by the insurance policy and are therefore judged to have minimal impact on the Scheme's ability to meet the liabilities of the Scheme as they fall due. However, the Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities:

Risk versus the liabilities	The Trustees note that by securing the Scheme's benefits with an insurer, the risk of benefits not being met is now low.
Covenant risk	The Scheme is less reliant on the strength of the covenant provided by the Schools as the Scheme's benefits have wholly been secured with the Insurer. When converting the buy-in policy into a buy-out policy with the Insurer, the Scheme will be reliant on the Employer to make good any shortfall in excess of the small amount of assets held outside of the insurance contract. An escrow account has been set up to facilitate this process and help mitigate risk.
Insurer counter party risk	The risk of the insurer defaulting has been managed through the selection of a reputable UK regulated insurer and potentially supported by the insurance compensation regime in place should an insurer fail.
Investment manager risk	The Scheme's residual assets, following the purchase of the bulk annuity policy, are held solely in cash, and are not invested with an investment manager. Therefore, there is no longer any investment manager risk.
Environmental, Social, Governance ("ESG") and sustainability	The Trustees have limited scope to influence ESG and sustainability issues due to the illiquid nature of buy-in policies. The intention is that such policies will be held for the long-term and in some instances may be irrevocable. Nonetheless, the Trustees considered whether the

	insurer's ESG & sustainability approach was aligned with their policies prior to the transaction. The Trustees also have the option to engage with the insurer on these issues for as long as the buy-in policy remains an asset of the Scheme. The Trustees' expectation is that the Insurer will undertake good stewardship and positive engagement in relation to the assets held.
Concentration risk	The Insurer is expected to manage broadly diversified portfolios and spread assets across a number of holdings.
Liquidity risk	The Scheme is expected to have access to sufficient cash to meet the remaining cashflow requirements that are not covered by the bulk annuity insurance contract. The Schools monitor the level of cash available in the Scheme's bank account and the escrow account.
Currency risk	The Scheme's liabilities and the income produced by the bulk annuity contract are both denominated in sterling.
Loss of investment	In the event of the Insurer becoming insolvent, the Scheme could suffer losses on the contract, but would still retain the liability to pay members' benefits. This risk is mitigated by the regulatory regime and capital requirements in place for UK insurers. The risk of loss of investment by the Insurer was considered 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 chosen to invest the vast majority of assets in a bulk annuity policy to match the Scheme's projected benefit payments with income from the policy. The remaining assets are held in cash, bearing in mind the nature of the potential additional liabilities that may fall due on the Scheme that are not covered by the policy, and ongoing expenses.

7.2. The Trustees have not set an expected return on the bulk annuity policy, given that its primary purpose is as an insurance contract rather than a return-seeking investment.

8. Realisation of investments

8.1. The annuity policy with the Insurer is not readily realisable and the Trustees do not expect to need to surrender or realise the contact given its nature and purpose. The income from the bulk annuity policy will be used to pay benefits covered by the policy.

8.2. The remaining assets of the Scheme are held in cash, which can be deployed at short notice.

9. Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities, and policy on arrangements with investment managers

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 Schools, the Scheme Actuary and the Scheme auditor upon request.

Signed:...   **Date:**.....................

On behalf of the St Paul's Schools' Pension Scheme for Non-Teaching Staff

Appendix 1 Note on investment policy of the Scheme as at 30 April 2024 in relation to the current Statement of Investment Principles

1. Choosing investments

The Trustees have appointed Just Retirement (via a bulk annuity policy) to carry out the day-to-day investment of the Scheme. The performance of the Insurer will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances.

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters.

2. The balance between different kinds of investment

Most of the Scheme's assets are held in a bulk annuity policy. The remaining assets are held in cash.

3. Investments and disinvestments

The Scheme's cashflow requirements are expected to be met by the Scheme's remaining cash holdings and the annuity policy.

4. Fee agreements

The Trustee paid a premium to the Insurer to enter into the bulk annuity contract.

The Trustees have appointed Barnett Waddingham LLP to advise on actuarial, risk transfer and investment matters. Barnett Waddingham are remunerated on a fixed fee basis, with work falling outside of this scope typically being subject to agreed project costs or charged on a time-cost basis.

Appendix 2 Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities, and policy on arrangements with investment managers

1. Financially Material Considerations

The Trustees have considered long-term financial risks of the Scheme and believe that ESG factors (including, but not limited to, climate change) are potentially financially material and therefore have a policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments. The management of ESG and climate change by the Insurer was considered by the Trustees as part of the decision to purchase the bulk annuity policy.

The Trustees appreciate that the method of incorporating ESG in the investment strategy and process may differ between asset classes. The Trustees are also cognisant of the different investment timeframes that may apply to investments. The Trustees believe that ESG issues may have a greater impact over a longer timeframe, compared to investments that are held for a shorter timeframe.

The Trustees accept they have limited scope to influence ESG and sustainability issues due to the illiquid nature of buy-in policies. However, the Trustees have an expectation that the Insurer will consider ESG-related issues in selecting securities and other investments or will otherwise engage with the issuers of their underlying holdings on such matters in a way that is appropriate for the nature of the assets under consideration.

The Trustees have not imposed any restrictions relating to ESG issues on the Insurer and have not imposed any exclusions on their investment arrangements based on ESG factors.

The remainder of the Scheme's assets are held in cash. The expectation is that the cash holding will be depleted over a short period of time (less than 2 years). As such, ESG issues are not considered material in relation to the cash holding.

2. Approach to monitoring ESG policy

The Scheme's assets are held as a bulk annuity policy and cash. Given the nature of the current holdings in the Scheme, the Trustees will review and monitor the ESG policy as they deem appropriate, considering the risks that present themselves.

3. Policy on the exercise of voting rights and engagement activities

The Trustees note that by securing the Scheme's benefits with an insurer, they have limited ability to influence the voting and engagement activities undertaken on behalf of the Insurer.

Responsibility for engagement with the issuers of investments underlying the bulk annuity policy, including voting policy (where applicable), is the responsibility of the Insurer. However, the Trustees have an expectation that the Insurer will engage with the issuers of the underlying holdings in a way that is appropriate for the nature of the assets under consideration.

The Insurer has discretion over where in an investee company's capital structure it invests, whether directly or as an asset within a pooled fund. The Trustees consider it to be a part of the Insurer's role to assess and monitor developments in the capital structure for each of the companies in which the Insurer invests.

The Scheme's residual assets are expected to be held in cash, where the impact of engagement on risk/return is expected to be limited (particularly given the short timeframe over which cash is expected to be held).

Based on the current investment strategy, and the expectation that all liabilities will be bought-out with the Insurer over the short-term, the Trustees have not set stewardship priorities.

4. Conflicts of interest

The Scheme's investment adviser is independent, and no arm of their business provides asset management services. This, and their FCA-regulated status, makes the Trustees confident that the advice provided is free from conflicts of interest.

The Trustees expect their investment managers (noting none are currently appointed) and Insurer to have conflicts of interest policies in relation to their engagement and ongoing operations. The Trustees therefore believe they have managed the potential for conflicts of interest in the appointment of investment managers, the Insurer, and investment adviser, and conflicts of interest between the Trustees, investment adviser, investment managers, the Insurer, and any underlying investee companies.

5. Non-financially material considerations

When constructing the investment strategy and selecting investment managers, the Trustees do not prioritise non-financial matters. Given the bulk annuity purchase, the Trustees have limited ability to address non-financial matters.

The Trustees will review their policy on whether or not to take account of non-financial matters periodically.

6. Policy on arrangements with investment managers

Incentivising alignment with the Trustees' investment polices

Arrangements for incentivising any investment managers of the assets underlying the bulk annuity policy are expected to be addressed by the Insurer.

Method and time horizon for assessing performance

The Scheme invests exclusively in a bulk annuity policy, with a small residual cash holding. Therefore the Trustees do not undertake regular formal monitoring. However, the Trustees would undertake such monitoring if the situation were to change and it was deemed necessary.

Should the Scheme invest via an investment manager, the Trustees would ask the Scheme's investment consultant to assess if any potential asset management fees were in line with the market when the manager is selected. The appropriateness of any annual management charges would also be considered as frequently as the Trustees considered appropriate in light of the prevailing circumstances.

Portfolio turnover costs and duration of arrangement

The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. If an investment manager were appointed in the future, the Trustees would consider both past and anticipated portfolio turnover levels as part of the appointment process. If underperformance were identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments may reflect the market conditions and peer group practices.

The Trustees accept they have little influence over the turnover of the Insurer's portfolio. However, they would expect turnover to be kept to the level required for the ongoing efficient management of the assets held in light of the Insurer's liabilities.

The buy-in policy is expected to be held during a period of data cleansing. Following this period, the expectation is that the Scheme will convert the bulk-annuity policy into individual policies with each Scheme member.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs 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 (if assets are invested via an investment manager), and the specific funds used, is assessed.