

# RoSPA Retirement & Death Benefits Plan

## Statement of Investment Principles

### 1 Introduction

- 1.1 Under the 1995 Pensions Act, as subsequently amended by the Pensions Act 2004, and in addition to the Occupational Pension Plans (Investment) Regulations 2005, the Trustees are required to prepare a statement of principles governing investment decisions, including the extent (if any) to which social, environmental or ethical considerations are taken into account in their investment policy, together with the Trustees' policy (if any) on exercising rights attached to investments. This document fulfils that requirement.
- 1.2 The Trustees will consult with the sponsor on changes in investment policy as set out in this document. However, the ultimate power and responsibility for deciding investment policy and employing or removing investment managers lies solely with the Trustees. Investment policy and the performance of the investment managers will be reviewed on an annual basis.
- 1.3 In drawing up this document, the Trustees have sought advice from the Plan's investment consultant, Isio Group Limited. The Trustees will review it at least once every three years, and without delay, if there are relevant, material changes to the Plan and/or sponsor. These may include changes in the Plan's liabilities and the attitude to risk of the Trustees and the sponsor.

### 2 Long Term Policy

- 2.1 The primary long term investment objectives of the Trustees is as follows:
  - a. Investment in a range of assets which will generate sufficient income and capital growth to meet, together with contributions from the sponsor, the cost of benefits as set out in the Trust Deed and Rules;
  - b. To understand and limit the risks of the assets failing to meet the liabilities over the long term, in particular, in relation to statutory funding measures; and
  - c. To control the long term cost of the Plan by maximising the return on the assets whilst having regard to the objective shown under 2.1a.
- 2.2 The Trustees recognise that the general long term objectives set out above do not provide a measurable benchmark to set the investment managers. Therefore a set of measurable objectives have been developed which are believed to be consistent with the achievement of the Plan's longer term objectives.
- 2.3 The Trustees aim to meet the Plan's long term objectives through the following:
  - Ensuring that the strategic asset allocation position of the Plan takes into account the liability profile and appropriate diversification;
  - Monitoring the manager(s) to ensure that they comply with the guidelines and that there is a reasonable expectation that they can meet their performance objective going forward;

- Seeking advice from all the Plan’s professional advisers, including the Plan Actuary, and the investment consultant.
- 2.4 Having taken these factors into account, the Trustees consider the current strategic asset allocation to be consistent with the funding objective as stated in the Trustees’ Statement of Funding Principles.

### 3 Investment Policy

- 3.1 The investments are made through a platform provider, who acts as the investment manager. With advice, the Trustees will select underlying funds from the platform to implement the chosen strategy. The platform provider will be responsible for:
- Investing in the chosen underlying funds in the proportions agreed by the Trustees, adjusting as necessary from time to time;
  - Providing the Trustees with quarterly performance reports and asset valuations;
  - Providing any initial asset transition plan for the investment consultant to review;
  - Asset rebalancing and meeting cashflow requirements.
- 3.2 The Trustees have appointed Mobius Life as the platform provider.
- 3.3 The investment strategy and underlying funds are summarised in the table below. Custody is undertaken within each pooled fund.

Asset class	Fund manager	Fund name	Benchmark Allocation (%) <sup>2</sup>	Expected Return relative to gilts (% p.a.) <sup>1</sup>
Diversified Growth	Schroder	Life Intermediated Diversified Growth Fund	50.0	3.5
Absolute Return Bonds	BlackRock	Fixed Income Global Opportunities Fund Hedged	30.0	2.4
LDI	Insight	LDI Enhanced Selection Funds	20.0	0.0
<b>Total</b>			<b>100.0</b>	<b>2.5</b>

1. As at 31 March 2019  
2. The Trustees acknowledge that the Plan’s allocation to LDI is expected to move in a similar manner to the Plan’s liabilities, and therefore it may not be beneficial to maintain the benchmark allocation over the long term. The Trustees will monitor this on a regular basis.

- 3.4 As agreed by the Trustees, Mobius Life are instructed to maintain the asset allocation close to the strategic target by way of automatic rebalancing on a quarterly basis. As the Liability Driven Investment mandate is providing a hedge against interest rates and inflation, these funds are not included as part of the ongoing rebalancing.

### 4 Financial Material Considerations and Stewardship Policy

- 4.1 The Trustees have considered all financially material considerations over the appropriate time horizon of the investments. This includes how those considerations are taken into

account in the selection, retention and realisation of investments. The Trustees have decided that there are no non-financial matters which fund managers need to be instructed to account for in the selection, retention and realisation of investments.

- 4.2 The Trustees have also considered how to exercise the rights (including voting rights) attached to the investments, and how to undertake engagement activities in respect of the investments (including the methods and circumstances by which the Trustees would monitor and engage with relevant persons about relevant matters), i.e. stewardship.
- 4.3 All decisions about the day-to-day management of the assets, including the above considerations, have been delegated to the investment managers via a written agreement. The Trustees take investment managers' policies in the above respects into account when selecting and monitoring managers. The investment managers are expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.
- 4.4 Details of how risks and financially material considerations have been addressed and managed by the Trustees are outlined in section 6.

## **5 Monitoring and Implementation of Investment Policy**

- 5.1 The appointment of the platform provider and underlying funds will be reviewed by the Trustees on an annual basis (or more frequently if required).
- 5.2 The Trustees have identified the criteria by which the platform provider and underlying funds should be selected (or deselected). These include:
  - Quality of the investment process - an analysis of the investment process, investment team and business management to provide evidence that the process will continue to be successful in the future;
  - Role suitability - the type, size and quality of the organisation and its ability to fulfil the role required by the Trustees;
  - Service - the quality and comprehensiveness of the communication and administration;
  - Cost effectiveness - to ensure that the Plan is able to access investments at a competitive fee rate.
- 5.3 The platform provider and/or underlying funds may be replaced (on the advice of the investment consultant) under the following circumstances:
  - a. they consistently fail to meet performance objectives;
  - b. the Trustees believe that the manager is incapable of achieving the performance objectives in the future; or
  - c. the manager fails to comply with their responsibilities.

## 6 Risk Management

6.1 The Trustees recognise a number of risks as to the investment of the assets of the Plan:

- *Solvency risk and mismatching risk* - addressed through the asset allocation strategy and through ongoing triennial actuarial valuations;
- *Strategy risk* – the risk that the asset allocation deviates from the Trustees’ investment policy. This is addressed through the platform provider’s rebalancing process;
- *Liquidity risk* - ensuring that sufficient liquidity is available;
- *Currency risk* - the risk of an adverse influence on investment values from political intervention or any other cause is reduced by diversification of the assets across many countries and the use of currency hedged versions of investments where deemed appropriate;
- *Manager risk* – addressed through the ongoing monitoring of the platform provider and funds used. This risk is reduced by diversification of the assets across managers;
- *Inappropriate investments* – addressed through constraints on the use of certain asset classes and other restrictions;
- *Custodian risk* – addressed through the monitoring of the custodian by the respective fund managers for each pooled fund used;
- *Fraud/dishonesty risk* – addressed through restrictions applied to who can authorise the transfer of cash and the account to which transfers can be made; and
- *Environmental, Social and Governance risk* – addressed through the ongoing monitoring of the platform provider and funds used from the Trustees considering the managers’ approaches to ESG.

## 7 Corporate Governance Policy Issues

7.1 The Trustees’ policy is that, in regard to the investment of the Plan’s assets including the exercise of rights attached to investments, decisions should be made by the Investment Managers on the Trustees’ behalf having regard to the best financial interests of the beneficiaries, taking into account such characteristics as an integral part of the decision making process.

7.2 The Trustees’ policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Plans (Investment) Regulations 2005, except where the Plan invests in pooled vehicles that may hold employer-related investments, in which case the total exposure to employer-related investments will not exceed 5% of the Plan’s assets.

## 8 Compliance

8.1 This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Plans (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustees consulted the sponsoring employer and took appropriate written advice. The Statement is

reviewed at least every three years, and without delay after any significant change in investment policy.

Signed .....  .....

Date: 20/09/2020 .....

**For and on behalf of the Trustees of the RoSPA Retirement & Death Benefits Plan.**

## Appendix A

The Trustees have the following policies in relation to the investment management arrangements for the Plan:

<p><b>How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.</b></p>	<ul style="list-style-type: none"> <li>As the Plan is invested in pooled funds, there is no scope for these funds to tailor their strategy and decisions in line with the Trustees' policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective.</li> </ul>
<p><b>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity, and to engage with them to improve performance in the medium to long-term.</b></p>	<ul style="list-style-type: none"> <li>The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.</li> <li>The Trustees monitor the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process.</li> <li>The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.</li> </ul>
<p><b>How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees' policies.</b></p>	<ul style="list-style-type: none"> <li>The Trustees review the performance of all of the Plan's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.</li> <li>The Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.</li> <li>Investment manager fees are reviewed annually to make sure the correct amounts have been charged and that they remain competitive.</li> </ul>
<p><b>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</b></p>	<ul style="list-style-type: none"> <li>The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.</li> </ul>
<p><b>The duration of the Plan's arrangements with the investment managers</b></p>	<ul style="list-style-type: none"> <li>The duration of the arrangements is considered in the context of the type of fund the Plan invests in.             <ul style="list-style-type: none"> <li>For closed ended funds or funds with a lock-in period, the Trustees ensure the time frame of the investment or lock-in is in line with the Trustees' objectives and Plan's liquidity requirements.</li> <li>For open ended funds, the duration is flexible and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.</li> </ul> </li> </ul>