

**National Association of Schoolmasters and Union of Women Teachers Managed
Pension Plan**

Statement of Investment Principles (“SIP”)

Purpose of this Statement

This SIP has been prepared by the Trustees of the National Association of Schoolmasters and Union of Women Teachers Managed Pension Plan (the “Plan”). This statement sets out the principles governing the Trustees’ decisions to invest the assets of the Plan.

The Plan’s investment objectives and strategy were derived from the Trustees’ investment beliefs, set out in Appendix A. These beliefs have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

The Trustees have also taken the Myners Principles into consideration when making decisions about the Plan’s investment arrangements.

Details on the Plan’s investment arrangements are set out in the Investment Implementation Document (“IID”).

Governance

The Trustees of the Plan make all major strategic decisions including, but not limited to, the Plan’s asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees believe that their investment advisers, Isio, are qualified by their ability in, and practical experience, of financial matters, and have the appropriate knowledge and experience. The investment advisers’ remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Plan.

Investment Objectives

The Trustees invest the assets of the Plan with the aim of ensuring that all members’ accrued benefits can be paid. The Plan’s funding target is specified in the Statement of Funding Principles. The Plan’s funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Plan’s circumstances.

Investment Strategy

The Plan’s investment strategy was derived following careful consideration of the nature and duration of the Plan’s liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of contributions required to fund the Plan, and the strength of the sponsor’s covenant. The Trustees considered the merits of a range of asset classes, including various “alternative assets”.

The Trustees recognise that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and by investing in a suitably diversified portfolio of assets with the aim of minimising volatility relative to the liabilities.

The Trustees have also considered several other risks outlined in Appendix B.

The assets of the Plan consist predominantly of investments which are traded on regulated markets.

Environmental, Social and Governance (“ESG”) Considerations

The Trustees recognise that positive ESG factors can have a positive influence on the long term stability and returns of investments. However, mandates are selected with the purpose of maximising the chance of achieving the return objectives as set out in their mandates, which in combination aim to optimise the chance of achieving the Plan’s overall strategic objective.

The extent to which ESG and ethical considerations are taken into account in these decisions is delegated to the investment managers, acting within the guidelines and objectives set by the Trustees.

Investment Management Arrangements

The Trustees have appointed several investment managers to manage the assets of the Plan as listed in the IID. The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions regarding the:

- Realisation of investments;
- Social, environmental, ethical and governance considerations in selection, retention and realisation of investments;
- The exercise of rights (including voting rights) attaching to the investments.

The Trustees take investment managers’ policies into account when selecting and monitoring managers. The Trustees also take into account the performance targets the investment managers are evaluated on. 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. The measures taken to ensure managers remain incentivised to act in the Plan’s best interests and in line with the Trustees’ policies are outlined in Appendix C.

The investment managers’ remuneration is based upon a percentage value of the assets under management. The fees have been negotiated to be competitive and are reviewed on an ongoing basis. The Plan’s liability driven investment and diversified growth mandates are

also subject to a platform fee relating to being held on an investment platform. The Plan's diversified alternatives and multi-asset credit mandates are also subject to a performance related fee element.

As the Plan's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager. The custodian provides safekeeping for the assets, and performs all associated administrative duties such as the collection of dividends.

Employer-related Investments

The policy of the Trustees is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Plan invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Plan's total value. The Trustees will monitor this on an ongoing basis to ensure compliance.

Direct Investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

Governance


The Trustees of the Plan make all major strategic decisions including the Plan's asset allocation and the appointment / termination of investment managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees' investment advisers, Isio, are qualified by their ability in and practical experience of financial matters and have the appropriate knowledge and experience. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Plan.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustees consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Signed: 

Signed: 

Date: 20.02.2023

Appendix A – Investment Beliefs

1. Investment strategy is the most important decision and should be based on clear objectives

Our long term goal is to generate returns required to fund our members' current and future pensions.

Clear objectives are at the heart of our investment strategy. Risk tolerance, return requirement and timeframe are our central considerations.

Our strategy should aim to achieve the objectives with a high degree of confidence across a range of possible economic scenarios.

2. There is more to robust portfolio construction than diversification alone

Excessive diversification can introduce inefficiency, costs and fail to protect the Plan's portfolio in a market downturn.

Pay-off profile of assets: We tailor the expected pay-off profile of the Plan's investments around our required objectives.

Excess liquidity of our Plan: We utilise excess liquidity in order to access any illiquidity premium (where illiquidity is rewarded), taking into consideration known cashflow requirements and the need for flexibility.

True diversification: We aim to optimise true diversification of underlying risk drivers.

3. We aim to select the most appropriate opportunities in the market

A strategy that buys the right asset, at a fair price, will serve us better than buying the wrong asset at a cheap price.

We consider the most appropriate potential market opportunities in order to help us achieve our long term objective.

4. A long term mindset can be used to enhance returns

As a long term investor we pursue incremental growth that rewards adherence to our strategic plan, rather pursuing short term opportunities rewarding speculation.

We will mitigate or manage risks that we are not rewarded for.

Returns are more predictable over a longer time period, as risk is diversified across different economic cycles.

5. Excessive costs will erode performance

An appealing investment opportunity can be wholly undermined by too high a cost base.

Passive management, where viable, is considered the default approach.

Active management is employed where value-add can be expected with confidence.

6. Good governance improves our decision making

We continuously strive to enhance our knowledge of the investment opportunities and risks facing the Plan.

We monitor the performance of our strategy and investment managers to improve our decision making.

7. Our investment process reflects our beliefs on responsible investing.

We consider environmental, social and corporate governance factors when selecting, monitoring and engaging in the investments we make.

Appendix B – Risks

A non-exhaustive list of risks that the Trustees have taken into consideration and sought to manage, where appropriate, is shown below;

Interest rate risk

- The risk of mismatch between the value of the Plan's assets and present value of its liabilities from changes in interest rates.

Inflation risk

- The risk of mismatch between the value of the Plan's assets and present value of its liabilities from changes in inflation.

Liquidity risk

- Difficulties in raising sufficient cash when needed without adversely impacting fair market value of the investment.

Currency risk

- Adverse currency movements impacting the value of the Plan's investments.

Longevity risk

- Members of the Plan living longer than expected, leading to a larger than expected liability.

Credit risk

- Default on payments due as part of a financial security contract.

Counterparty risk

- A counterparty failing to meet its financial transaction obligations.

Concentration risk

- Excessive exposure to a single issue/stock/sector which has a potentially disproportionate impact on the Plan's investments.

Reinvestment risk

- Proceeds from the payment of principal and interest which may be reinvested at a lower rate than the original investment.

ESG risk

- Is difficult to measure, however, the Trustees recognise that exposure to Environmental, Social and Governance factors, including climate change, can impact the performance of the Plan's investments.

Non-financial risks

- Reflect any factor that is not expected to have a financial impact on the Plan's investments. These are not currently considered in the selection, retention or realisation of investments by the Trustees.

Appendix C - Incentivisation

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

<p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.</p>	<ul style="list-style-type: none"> • As the Plan is invested in pooled funds, there is not 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. • The Plan's mandates held with Partners Group are each subject to a performance related fee.
<p>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.</p>	<ul style="list-style-type: none"> • The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.
<p>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.</p>	<ul style="list-style-type: none"> • The Trustees review the performance of all the Plan's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • Where applicable, the Trustees evaluate performance over a sufficiently long time period to represent the medium-to-long term, such as that stated in the investment managers' performance objective, which is typically 3 to 5 years. • Investment manager fees are reviewed periodically to make sure the correct amounts have been charged and that they remain competitive.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<ul style="list-style-type: none"> • The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as their performance is measured on a net of cost basis.

<p>The holding period of the Plan's arrangements with the investment managers</p>	<ul style="list-style-type: none"> ● The holding period of each arrangement is considered in the context of the type of fund the Plan invests in. <ul style="list-style-type: none"> ○ For closed-ended funds or funds with a lock-in period, the Trustees ensure the timeframe of the investment or lock-in is in line with the Trustees' objectives and Plan's liquidity requirements. ○ For open-ended funds the holding period is flexible, and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.
<p>Voting policy – How the Trustees expect investment managers to vote on their behalf</p>	<ul style="list-style-type: none"> ○ The Trustees have acknowledged responsibility for the voting policies that are implemented by the Plan's investment managers on their behalf.
<p>Engagement policy – How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'</p>	<ul style="list-style-type: none"> ○ The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Plan's investment managers on their behalf. ○ The Trustees, via their investment advisers, will engage with managers about 'relevant matters' at least annually.