NATIONAL UNION OF TEACHERS STAFF SUPERANNUATION FUND

STATEMENT OF INVESTMENT PRINCIPLES

AUGUST 2020

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1 INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by the Trustees of the National Union of Teachers Staff Superannuation Fund (“the Fund”) in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Fund and the activities undertaken by the Trustee to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their Investment Adviser, Mercer Limited (“Mercer”), whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees’ investment policy for the Fund.

The Trustees will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

The Trustees' primary investment objective for the Fund is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due

In so doing, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Fund. Sustainability and corporate responsibility is important to the Trustees and the Fund's Sponsor when setting their objectives and measuring risk as they believe this will have a material impact in their long term performance.

The Trustees believe that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Scheme Actuary.

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement.
- The appointment and review of the investment managers and investment adviser.
- The assessment and review of the performance of each investment manager.
- The setting and review of the investment parameters within which the investment managers can operate.
- The assessment of the risks assumed by the Fund at a total Fund level as well as on a manager by manager basis.
- The approval and review of the asset allocation benchmark for the Fund.
- The compliance of the investment arrangements with the principles set out in the Statement.

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Mercer as the investment adviser to the Fund. Mercer provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which Mercer expects to provide advice to the Trustees include the following:

- Setting of investment objectives.
- Determining investment strategy and asset allocation.
- Determining an appropriate investment structure.
- Advising on appropriate funds.
- Setting cashflow management policies (see Appendix 2)
- Drafting and reviewing the Statement of Investment Principles

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cash flows (see Appendix 2). Mercer may be proactive in advising the Trustees regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

Mercer monitors the performance of the Fund's investment managers against their benchmarks.

Mercer makes a fund based charge. This charge covers the services specified within the Implemented Investment Consultancy Services Agreement.

Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

In particular, Mercer does not receive commission or any other payments in respect of the Fund that might affect the impartiality of their advice, and as noted below, any discounts negotiated by Mercer with the underlying managers are passed on in full to the Fund.

The Trustees are satisfied that this is a reasonable adviser remuneration structure for the Fund.

Mercer is authorised and regulated by the Financial Conduct Authority ("FCA").

3.3 ARRANGEMENTS WITH INVESTMENT MANAGERS

The Trustees are a long-term investor and do not look to change the investment arrangements on a frequent basis.

The Trustees, after considering appropriate investment advice, have appointed four investment managers: Newton Investment Management Ltd ("Newton"), Nordea Asset Management ("Nordea"), Invesco Perpetual ("Invesco") and BMO Global Asset Management ("BMO").

The investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset classes being selected.

The Trustees look to their investment advisor for their forward-looking assessment of a manager's ability to deliver upon its stated objectives over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment that the Fund invests in. The investment advisor's manager research ratings assist with due diligence and questioning managers during presentations to the Trustees. These ratings are used in decisions around selection, retention and removal of manager appointments.

If the investment objective for a particular manager changes, the Trustees will review the Fund's appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives. As the Fund invests in pooled investment vehicles, they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

The details of each manager's mandate are set out in Appendix 3. In particular, the investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

All of the investment managers engaged by the Trustees are authorised and regulated by the FCA.

The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Fund, which reduces the chance of managers making short-term investment decisions to hit their profit targets. However, Invesco, under a recent agreement, also have a performance-based fee. The Trustees consider that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustees believe that this is the most appropriate basis for remunerating managers.

The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustees are dissatisfied, then they will look to review the appointments.

3.4 SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the Fund's administrators, in so far as they relate to the Fund's investments, is set out at Appendix 4.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Fund's liability profile and their own appetite for risk, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees have also received written advice from their Investment Adviser.

The basis of the Trustees' strategy is to invest the Fund's assets across "growth" funds comprising of assets such as diversified growth funds ("DGF"), and "stabilising" or "matching" funds comprising of assets such as liability driven investments ("LDI"). The split between growth and stabilising assets is set with regard to the overall expected return objective of the Fund's assets, which is determined by the funding objective and current funding level, as well the Trustees' and Sponsoring Employer's risk tolerance. The Trustees regard the basic distribution of the assets to be appropriate for the Fund's objectives and liability profile.

The Trustees have established a benchmark allocation to each asset class, which is set out in Appendix 1.

The Trustees recognise the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where they consider it advisable to do so, the Trustees have appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustees to commit the resources necessary to make these decisions themselves.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach to rebalance the assets in accordance with their overall strategy. This approach is set out in Appendix 2.

4.2 INVESTMENT DECISIONS

The Trustees distinguish between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Fund.

The Trustees take all such decisions themselves. They do so after receiving written advice from their investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Fund benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustees. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Fund is invested.

4.3 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and Overseas Equities
- UK and Overseas Government Bonds, Fixed and Inflation-linked
- UK and Overseas Corporate Bonds
- Convertible Bonds
- Equity-linked bonds
- Property
- Commodities
- Hedge Funds
- Private Equity
- High Yield Bonds
- Emerging Market debt
- Diversified Growth
- Cash

All the funds in which the Fund invests are pooled and unitised. The use of derivatives is permitted by the guidelines that apply to the pooled funds. Details relating to the pooled funds can be found in Appendix 3.

The Trustees have invested into pooled Diversified Growth Funds and Multi-Asset Credit which invest across a diversified range of assets. The Trustees recognise the benefits of diversification across asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. The Trustees have decided to invest in Diversified Growth Funds (DGFs), which are actively managed multi-asset funds. The managers of the DGFs invest in a wide range of assets and investment contracts in order to implement their market views.

4.4 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the Fund's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance ("ESG") factors.

The Trustees undertook an ESG survey in order to determine their policies in this regard and facilitate the drafting of this document. The survey was sent to all of the Trustees and the responses have been taken into consideration while drafting this document. From the responses, the Trustees believe they have a fairly well developed understanding of ESG.

The Trustees are mindful that ESG factors provide both risk and opportunities at this point in time. The Trustees believe that good practice in relation to ESG matters and stewardship are in the best interests of the beneficiaries, and that these will be considered regardless of financial materiality. The Trustees agree that ESG information will be applied to investment decision-making selectively rather than broad brush, and therefore, the Trustees will focus on the most relevant asset classes and strategies.

The Trustees believe that ESG risk arising within the Fund's portfolio creates reputational risk for the Fund, therefore, the Trustees will be mindful of ESG risk when making investment decisions. This is a prudent approach to investment and risk management that the Trustees believe will result in long-term benefits to the Fund, its members and the Fund’s Sponsor.

The Trustees believe that climate change is already materially impacting asset prices today and will therefore be a current priority within the Fund’s portfolio. However, the Trustees believe they need additional training and information regarding climate change risks, their relationship to investment decision making, their fiduciary duty and the management of the Fund.

Sustainability and corporate responsibility is important to the Trustees and the Fund's Sponsor. The Trustees will therefore encourage portfolio companies to manage broader ESG issues in line with both theirs and the Sponsor's principles, where possible. However, since the Fund’s assets are invested in pooled investment vehicles, the Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their appointed fund managers invest. The Trustees will therefore rely on the policies and judgement of their investment managers. The Trustees will periodically review the policies of their investment managers to ensure that these policies remain appropriate and consistent with their own beliefs and the beliefs of the Fund’s Sponsor.

The Trustees will also consider the investment adviser’s assessment of how each investment manager embeds ESG into its investment process and how the manager’s responsible investment philosophy aligns with the Trustees’ responsible investment policy. This includes the investment managers’ policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.

4.5 NON-FINANCIAL CONSIDERATIONS

The Trustees’ objective is that the financial interests of the Fund’s members are its first priority when choosing investments. Non-financial considerations, such as ethical views, are currently left to the discretion of the investment managers. The views of the members of the Fund have not been explicitly sought but it is believed Fund members are generally of the opinion that businesses have a wider social responsibility than simply making a profit.

The Trustees believe that asset managers should provide clear guidance on their ESG policies and approach to Responsible Investing, as well as information on how these are integrated into their investment processes. This will enable the Trustees and their advisers to form their own views on the appropriateness of the investment manager’s approach. This should apply to all asset classes and pooled funds offered by managers.

4.6 CORPORATE GOVERNANCE AND VOTING POLICY

The Trustees’ policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the Fund’s investment managers. The Trustees expect the investment managers to use their discretion to act in the long-term financial interests of investors and exercise these rights in accordance with their respective published corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees note that the investment managers’ corporate governance policies are available on request and on their respective websites. The Trustees can review these policies and challenge manager decisions that appear out of line with the investment fund’s objectives or the objectives/policies of the Fund.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise their right in accordance with what they believe to be the best interests of the majority of the Fund’s membership.

5 RISK

The Trustees are aware, and seek to take account of a number of risks in relation to the Fund's investments. Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a Fund-specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by appointing Mercer to monitor and replace any managers where concerns exist over their continued ability to deliver the investment mandate.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Fund over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Fund's assets are invested in pooled funds which are readily realisable.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Fund and to make good any current or future deficit.
- It is managed by assessing the interaction between the Fund and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. Regular updates on employer covenant are provided to the Trustees by senior staff of the sponsor.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

- The Trustees acknowledge that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Fund's investment manager takes.

Market Risk

- This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk: currency risk, interest rate risk and other price risks.

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, it may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- Within the Diversified Growth Funds, the management of the currency risk related to overseas investments is delegated to the underlying investment managers, but by investing in a diversified investment portfolio, the impact of currency risk is mitigated.

Interest rate risk

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- The Trustees recognise that the Fund's liabilities are exposed to a significant level of interest rate and inflation risk and for this reason it is desirable for the Fund's assets to be exposed to a similar level of risk. The Trustees manage the Fund's interest rate and inflation risks by considering the net risk when taking account of how the liabilities are valued.
- The Trustees have invested into LDI funds, which provide a significant level of protection against movements in interest rates and market-implied inflation.

Other Price risk

- This is the risk of volatility that principally arises in relation to the return seeking assets. The Trustees acknowledge that a Fund can manage its exposure to price risk by investing in a diverse portfolio across various markets and has therefore invested a large proportion of the Fund's return seeking assets in DGFs in order to achieve a diversified exposure to different investment markets and manage this risk.

ESG risk

- This is the risk that Environmental, Social or Corporate Governance concerns, including climate change, have a financially material impact on the return of the Fund's assets.
- The Trustees intend to manage this risk by starting to develop an understanding of the ESG policies of the Fund's managers and using this to formulate views as to the appropriateness of such policies.
- The exercise of voting rights are delegated to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustees from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Fund's advantage.
- The Trustees are aware that Responsible Investing is one of the core beliefs of the investment adviser. As a result part of the rating process of the investment adviser and decision making process of the Investment Manager in relation to the underlying investment managers is based on its financial stewardship and how well the investment manager integrates governance and sustainability into its investment process.

5 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1 INVESTMENT ADVISER

The Trustees continually assess and review the performance of their adviser in a qualitative way.

6.2 INVESTMENT MANAGERS

The Trustees receive regular asset statements and quarterly performance reports from each of their appointed investment managers. This presents performance information over 3 months, 1 year and 3 years. The Trustees review the absolute and relative performance against a suitable index used as the benchmark, and against the manager's stated target performance (over the relevant time period) on a net of fees basis. The Trustees' focus is on long term performance but will put a manager 'on watch' if there are short term performance concerns.

If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustees may ask the manager to review their fees – either the Annual Management Charge or the performance related fee element.

In addition, the Trustees receive verbal reports from Mercer on their investment managers and the performance of the underlying funds against their benchmarks and performance objectives at Trustee meetings, which are recorded in the minutes.

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis. All funds are open-ended with no set duration for their appointments.

They take a long-term view when assessing whether to replace the investment managers, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of the investment manager by Mercer's Manager Research Team. This in turn would be due to a significant reduction in Mercer's confidence that the investment manager will be able to perform in line with their fund's mandate over the long term.

Changes will be made to the managers however if there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.

6.3 PORTFOLIO TURNOVER COSTS

The Trustees do not currently monitor portfolio turnover costs for the funds in which the Fund is invested, although they note that the performance monitoring received is net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

Given that the Fund invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Fund.

However, the Trustees recognises that portfolio turnover and associated transaction costs are a necessary part of portfolio management and therefore expect Mercer to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Fund's investment mandates.

The Trustees receive MiFID II reporting from their investment manager but do not analyse the information. However, the Trustees will continue to monitor industry improvements concerning the reporting of portfolio turnover costs.

6 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The National Union of Teachers Staff Superannuation Fund has no AVC arrangements.

7 CODE OF BEST PRACTICE

The Trustees note that in March 2017, the Pensions Regulator released ‘Investment Guidance for Defined Benefit Pension schemes’.

The Trustees have received training in relation to this guidance and are satisfied that the investment approach adopted by the Fund is consistent with the guidance so far as it is appropriate to the Fund’s circumstances.

The Trustees meet with its investment adviser periodically, monitoring developments both in relation to the Fund’s circumstances and in relation to evolving guidance, and will revise the Fund’s investment approach if considered appropriate.

8 COMPLIANCE

The Fund's Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of the Fund's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Fund's investment managers, the Fund's auditors and the Scheme Actuary, as well as being available on Sponsoring Employer's website

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others. The Trustees agreed to this Statement of Investment Principles on **30th September 2020**.

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Fund's initial strategic asset allocation benchmark is set out below.

Asset Class	Strategic Allocation	Guideline Range
Growth Assets	**67%**	
Diversified Growth Funds	67%	**+/- 16.5%**
Matching Assets	**33%**	
Liability Driven Investments	33%	**+/- 16.5%**
Total	**100%**	

As covered in Section 4.1, the strategic asset allocation may change over time to reflect the relative performance of Fund's assets. Should this result in the asset allocation breaching the agreed guideline ranges, the Fund's asset allocation will be rebalanced in line with the guideline ranges, unless that would result in a material change to the interest rate and inflation hedge ratios that the LDI assets are providing.

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 2.

Appendix 3 provides information about the funds in which the assets are invested.

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Where possible, cash outflows will be met from cash balances held by the Fund and from income from the Fund's investments in order to minimise transaction costs.

Investments or disinvestments should be applied in such a way as to bring the actual asset allocation back towards the Fund’s central benchmark asset allocation, as set out in Appendix 1.

The Trustees note that the LDI manager may require additional assets from time to time in order to support the operation of the LDI funds. The Trustees will take advice from their investment adviser as appropriate in the event of any cash calls for or distributions from the LDI funds.

The Trustees will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in the Fund’s cashflow requirements.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The tables below show the details of the mandate(s) with each manager.

GROWTH ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Diversified Growth				
Invesco Global Targeted Returns Pension Fund	3 month LIBOR	The fund aims to achieve a return of 3 month LIBOR +5%, gross of fees, with a volatility of half the level of equities, over a rolling 3 year period.	Daily	Level 2
Nordea Diversified Return Fund	1 month LIBOR	The fund aims to achieve a return of 1 month LIBOR + 4.0% p.a. gross of fees over rolling 3 year periods with volatility between 4.0% – 7.0%.	Daily	Level 2
Newton Real Return Fund	1 Month LIBOR +4%	The Fund is managed to seek a minimum return of cash (1 month GBP LIBOR) +4% p.a. over 5 years before fees.	Daily	Level 2

MATCHING ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Liability Driven Investment				
BMO Real Dynamic LDI Fund	The liability profile of a typical UK DB pension scheme	To provide hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK DB pension scheme	Daily[1]	Level 2
BMO Nominal Dynamic LDI Fund	The liability profile of a typical UK DB pension scheme	To provide hedging by offering interest rate protection which replicates the liability profile of a typical UK DB pension scheme	Daily[1]	Level 2
BMO Short Profile Real Dynamic LDI Fund	The liability profile of a typical UK DB pension scheme	To provide hedging by offering interest rate protection which replicates the liability profile of a typical UK DB pension scheme	Daily[1]	Level 2

*The implementation of the LDI investment strategy initially seeks to hedge up to 100% of the interest and inflation risk of the *funded* liabilities.

Mercer's Manager Research Team will monitor the investment managers and recommend a suitable rated alternative manager should one of the managers be downgraded. For avoidance of doubt, this SIP will not be updated solely in response to a replacement of one of the underlying investment managers.

[1] Daily dealing is available, however may incur a transaction cost.

APPENDIX 4: RESPONSIBILITIES OF PARTIES

TRUSTEES

The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Scheme Actuary
- Appointing the investment manager and custodian (if required)
- Assessing the quality of the performance and processes of the investment manager by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis, in consultation with the Investment Adviser

INVESTMENT ADVISER

The Investment Adviser’s responsibilities include the following:

- Participating with the Trustees in reviews of, and drafting the, Statement of Investment Principles
- Production of performance monitoring reports
- Advising the Trustees, at their request, on the following matters:
  - Through consultation with the Scheme Actuary, how any changes within the Fund’s benefits, membership, and funding position may affect the manner in which the assets should be invested
  - How any significant changes in the Investment Managers’ organisation could affect the interests of the Fund
  - How any changes in the investment environment could present either opportunities or problems for the Fund
- Undertaking project work, as requested, including:
  - Reviews of asset allocation policy
  - Research into and reviews of Investment Managers
- Advising on the selection of new managers and/or custodians

PLATFORM PROVIDER

The Platform Provider’s responsibilities include the following:

- Ensuring that contributions are invested/disinvested in accordance with the Trustee’s instructions, and that the asset allocation remains within the guideline range
- Providing the Trustees, on a quarterly basis (or as frequently as agreed), with a statement and valuation of the assets and appropriate management information and reporting.

INVESTMENT MANAGERS

The underlying investment managers are appointed via the Mobius Life Platform provider and therefore have no direct responsibility to the Trustees. The investment managers’ responsibilities include the following:

- Informing the Platform provider of any changes in the internal performance objectives and guidelines of any pooled fund used by the Fund as and when they occur.
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments.

SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Fund's investment strategy given the financial characteristics of the Fund
- Assessing the funding position of the Fund and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

ADMINISTRATOR

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the Investment Managers according to the Trustees' instructions.