

# Trustee Statement of Investment Principles

## 1. Introduction

The Pensions Trust (the Trust) provides pensions for employees and former employees of charitable, social, educational, voluntary and not-for-profit organisations. In considering the appropriate investments the Corporate Trustee, Verity Trustees Limited (the Trustee) has obtained and considered the written advice of Mercer Investment Consulting, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005. The Trustee has consulted all the participating employers about this Statement of Investment Principles.

## 2. Appointments and Delegation

The Trustee has delegated investment decisions and compliance stewardship (other than the decisions on investment strategy referred to in sections 3 and 4 below) to a formal Investment Committee which reports back to the Trustee. The Investment Committee has delegated investment management to authorised discretionary managers and has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Trust's investments. These appointments are regularly reviewed. The details of individual managers are published each year in the investment report within the Trustee's Annual Report.

## 3. Investment Strategies for Benefit Structures Operating on a Defined Benefit Basis

Investment strategy primarily involves the decision on the mix between the main asset classes (equities, bonds and property) and the role of alternative asset classes, e.g. insurance policies and annuities and non-traditional asset classes such as private equity and hedge funds. The investment strategy for each individual scheme will be determined after considering the liability and risk profile of the scheme. In addition, the investment strategy takes into account the underlying financial strength of the employer(s) and its ability and willingness to contribute appropriately to the scheme. In order to meet the long-term funding objectives with an acceptable level of contributions, the Trustee has generally decided to control investment risk relative to each scheme's liabilities but without exactly matching them. The strategy adopted therefore targets a greater return than assets which exactly match the liability would provide whilst maintaining a prudent approach to meeting the liabilities for each scheme. Investment risk is measured by reference to the likely annual variation in return between the matching portfolio of investments and the investment strategy adopted. The strategy for each scheme is reviewed at least every three years to ensure it remains appropriate.

## 4. Investment Strategies for Benefit Structures Operating on a Defined Contribution Basis

The Trustee recognises that individual members have differing investment needs, that these may change during the course of members' working lives and that members have differing attitudes to risk. The Trustee therefore makes available a range of investment options, including

a balanced managed fund, after taking appropriate written advice. In doing this the Trustee has taken into account the risk that the investments might not, over a member's working life, produce adequate returns and that during the period preceding retirement a change in investment market conditions might lead to a reduction in anticipated benefits.

## 5. Investment Return

The Investment Committee determines the targets for each manager and monitors their performance using quarterly independent reports. The Committee believes it is desirable to balance return and risk by using a combination of index-tracking and active managers, and by taking account of the different investment styles of active managers. In the longer-term this approach is expected to produce overall returns in excess of those of the relevant market indices.

## 6. Management and Risk

Investments are held by custodians. Only designated persons can authorise the transfer of assets between managers. Each investment manager executes its own stock selection policy within asset allocation control targets agreed with the Investment Committee. The discretionary managers determine the investments held, subject to objectives agreed and reviewed from time to time. Most assets are quickly marketable on recognised stock exchanges. Investments may be realised from time to time as required to provide funds to make payment of benefits. Formal meetings are held regularly with the investment managers and custodians. By using a number of investment managers, the risk attached to adverse performance by any one manager is reduced. Derivative contracts can only be used with the prior agreement of the Investment Committee.

## 7. Voting and Engagement

It is the Trustee's policy in the exercise of rights attaching to investments (including voting rights) for the investment managers normally to follow the National Association of Pension Funds Corporate Governance Policy and Voting Guidelines – November 2007 and the Organisation for Economic Co-operation and

Development Principles of Corporate Governance. It is also the Trustee's policy in the general portfolio for the disclosure and risk management of social, environmental and governance matters to be dealt with by the investment managers following, wherever possible, the guidelines issued by the Association of British Insurers. The Investment Committee takes appropriate steps to implement and monitor both of these policies. Where requested the Trustee does provide a defined contribution specialist ethical investment vehicle. A Socially Responsible Investment (SRI) portfolio is also available if requested and if appropriate for the investment of a defined benefit scheme's assets.

## 8. Funding Requirements

The Trustee receives independent professional advice from its Actuary in order to ensure that the funding obligations of the Pensions Act 1995 and the Pensions Act 2004 are complied with. Each scheme is individually valued in order to assess its own funding position relative to its obligations to members.

## 9. Compliance

The Investment Committee requires all investment managers to confirm quarterly in writing that the investments are diversified and suitable, and that they have complied with the principles set out in this Statement. The Trustee will review this Statement annually and without delay after any significant change in investment policy. Consultation with participating employers will be undertaken if these investment principles change. The investment strategy and expected return details of individual schemes will be available to members of that scheme on request from the Trust.

Approved by Verity Trustees Limited  
30 September 2008.