

The Trinity College Staff Pension Scheme (the “Scheme”)

Statement of Investment Principles (the “Statement”)

Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005). The effective date of this Statement is 1 October 2020. The Trustees will normally review this Statement and the Scheme’s investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy.

Consultations Made

The Trustees have consulted with the Principal Employer prior to writing this Statement and will take the employer’s comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Trinity College Staff Pension Scheme and have obtained and considered written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Cartwright Group Ltd.

The day to day management of the Scheme's assets has been delegated to investment managers which are authorised and regulated by the Financial Conduct Authority. A copy of this Statement will be provided to the investment managers appointed and is available to the members of the Scheme.

Objectives and Policy for Securing Objectives

The Trustees’ objectives for setting the investment strategy of the Scheme have been set with regard to the Scheme’s Statutory Funding Objectives.

The Trustees’ primary objectives are:

- “funding objective” - to ensure that the Scheme is fully funded using assumptions that contain an appropriate margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the employer;
- “stability objective” – to have due regard to the likely level and volatility of required contributions when setting the Scheme’s investment strategy; and
- “return objective” - to secure the maximum total return (income and capital combined) over the projected time horizon of the fund consistent with the degree of prudence which the Trustees and the investment manager as its agent ought to observe, having regard to the liabilities of the Scheme.

If a conflict arises between the investment strategy and the primary objectives the Trustees will consult the Principal Employer before making any change to the strategy.

The Trustees understand that the Employer is willing to accept some volatility in the Employer’s contribution requirements in the expectation that the total contributions payable would be lower than they otherwise would be (although in practice the actual contributions required could be much higher or much lower if the investments perform differently to expected).

The time horizon for which investments will be used to pay benefits for the Scheme is the period until the last member dies or exits the Plan. The Trustees note the duration of the liabilities was circa 18 years as at 30 June 2019.

Choosing Investments

The Trustees request the Scheme Actuary to provide them with an updated Scheme liability profile at the time of each triennial actuarial valuation. His Valuation Report also covers the risks involved should the investments held be mis-matched against Scheme liabilities. The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustees' objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes.

The assets of the Scheme are invested predominantly in regulated markets (with investments not in regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

The Scheme may invest directly or indirectly in derivatives. The Scheme does not currently hold directly any investments in derivatives.

The Balance Between Different Kinds of Investments

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation. They therefore retain responsibility for setting asset allocation, and take expert advice as required from their professional advisers.

The Trustees review their investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustees may take written advice from their professional advisers and will consult the College regarding an appropriate investment strategy for the Scheme.

A broad range of available asset classes has been considered. This includes consideration of so called "alternative" asset classes (namely property, private equity, and hedge funds).

Investment Risk Measurement and Management

The key investment risks are recognised as arising from asset allocation. These are assessed triennially in conjunction with the actuarial valuation of the Scheme, following which the Trustees take advice on the continued appropriateness of the existing investment strategy.

Risks associated with changes in the employer covenant are assessed by monitoring the PPF Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy) and by receiving periodic updates on the employer's financial position from the Senior Bursar. If the Trustees consider that the employer covenant has changed significantly, then they will re-consider the continued appropriateness of the Scheme's existing investment strategy.

The Trustees monitor the risks arising through the selection or appointment of fund managers by receiving regular reports from their investment managers. Expected deviation from the benchmark (for a passive manager) or out-performance target (for an active manager) is detailed in the appendix of this statement. The Trustees have appointed the Senior Bursar to alert them on any matters of material significance that might affect the ability of each fund manager to achieve its objectives.

The Trustees acknowledge that investment returns achieved outside the levels of expected deviation (positive or negative) maybe an indication that the investment manager is taking a higher level of risk than indicated.

Custody

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. The managers of the pooled fund are responsible for the appointment and monitoring of the custodian of the fund's assets. The encashment of the units can only occur in a manner complying with the Scheme's Trust Deed.

Northern Trust acts as custodian of units held in the Schroder Life Managed Balanced Fund. The custodian of the underlying assets of the fund is J P Morgan. Units are held in an insurance policy in the name of the Scheme. Assets can only be transferred from the Custodian on the written instructions of any two Trustees including the Chairman or Administrator.

Expected Returns on Assets

Over the long-term the Trustees' expectations are:

- to achieve a minimum rate of return on the Scheme's assets of 4% p.a. in excess of the increases in the Retail Prices Index (over the very long term from 1 August 2012).
- For Schroder Investment Management Limited to achieve a total rate of return which exceeds the performance of the 80:20 Equity: Fixed Income bespoke benchmark (previously, to 30 June 2016, the CAPS Pooled Pension Fund Balanced Median).

Returns achieved by the fund managers are assessed against performance benchmarks set by the Trustees in consultation with their advisers and fund managers.

The Trustees require investment managers to report on the turnover of securities within invested portfolios and on the associated transaction costs, in order to assess whether such activity, and changes in it, appears reasonable, taking account of the nature of the fund concerned.

Realisation of Investments/Liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (through the sale of units in pooled funds).

The Trustees believe that units held in Schroder Life Managed Balanced Fund are marketable on a short term basis.

Environmental, Social and Corporate Governance ("ESG")

The Trustees believe that their primary responsibility is to invest the Scheme's assets for the longer-term financial best interests of the Scheme's members, as reflected by the Trustees' strategic investment objectives described above (including the Scheme's investment time horizon). The Trustees believe that ESG factors (including climate change risks) can potentially have a material positive or negative financial impact on the Scheme. This means that the Trustees are able to take a long-term view of the Scheme's investments when assessing managers' performance and/or asset allocation.

The Scheme's investment funds are chosen to aim to achieve the Scheme's strategic investment objectives, with consideration given to ESG factors over the Scheme's investment time horizon when these fund choices are both made and reviewed from time-to-time. The Trustees are aware of and regularly monitor the Scheme's investment time horizon. This means that the Trustees are able to take a long-term view of the Scheme's investments when assessing managers' performance and/or asset allocation.

The Scheme's investment funds are deliberately and consciously chosen to align with the Scheme's strategic investment policies and objectives, in particular the investment funds' asset class exposure(s), the balance between different asset classes (where appropriate) and expected return and risk. In addition, the fees applicable to the Scheme's investment funds are taken into account to ensure that these are also consistent with the Scheme's investment policies and objectives, as well as being compatible with the asset class(es) that the fund invests in and returns it is seeking to achieve.

A key element of the selection of the Scheme's investment funds is the Trustees' assessment of the likelihood of each investment fund achieving its performance target over the medium/long term and on a sustainable basis. For actively managed funds this is in part based on each investment fund's ability to select investee companies, for both debt and equity, that are sustainable and will produce good medium/long term performance on financial measures.

The Trustees also believe that, in general, good long term performance on non-financial measures will support and contribute to good long term performance on financial measures.

An important part of each investment fund's ability to invest sustainably in this way is to use the fund's position as a stakeholder, either unilaterally or in concert with other stakeholders, to engage with investee companies to look to improve their financial and non-financial performance. The Trustees believe that active engagement with company management can often lead to better outcomes in the long term than simply excluding companies or sectors from portfolios.

The Trustees measure and monitor the performance versus target of all their investment funds on an after fees basis where practical to do so. Part of this monitoring process includes the consideration of the portfolio turnover costs of each investment fund and whether (or not) the twelve-month turnover is consistent with the investment philosophy and process of the investment fund. Any inconsistencies will be considered. The portfolio turnover costs will be part of the after fees fund performance and are therefore reflected in that figure.

The Trustees' intention is to appoint investment managers for the long term and avoid switching between investment funds based solely on short term performance, thus incurring transaction costs which may or may not be offset by future returns. However, if the Trustees believe that an investment fund can no longer achieve its performance target, and they believe that it is in the Scheme's best interests to make a change, they will do so.

Due to the Trustees' use of pooled investment funds, the application of ESG factors and the stewardship of the assets (including the exercising of voting and other rights attached to investments), are, ultimately, delegated to each investment manager and may differ depending on the objectives of each investment fund and the manager's own policies in this regard.

The Trustees periodically obtain and review the relevant ESG and Stewardship policy documents for each pooled investment fund in which they are invested. When relevant, the Trustees will challenge the investment manager on their policies. Should the Trustees be unsatisfied with the response, they will take the approach that is believed to be in the best interests of the Scheme's beneficiaries, which could involve further engagement with the investment manager or disinvesting in favour of a more appropriate investment fund. This creates an incentive for the investment manager to ensure that they are aware of, and as far as possible, meet the Trustees' expectations with regard to ESG and Stewardship policies.

When making investment decisions about which funds to use to implement the Scheme's investment strategy, the Trustees do not explicitly take into account the views of the Scheme's beneficiaries, including (but not limited to) ethical views and views in relation to social and environmental impact and present and future quality of life of the Scheme's beneficiaries.

Timing of Periodic Review

This review will occur no less frequently than every three years to coincide with the Actuarial Valuation. Any such review will again be based on written, expert investment advice and will be in consultation with the employer.

Mr Richard Turnill

Signature

Date

5/1/20

Dr Jeremy Fairbrother

Signature

Date

5/1/21

The Trinity College Staff Pension Scheme (the “Scheme”)

Appendix to Statement of Investment Principles

This appendix sets out the Trustees’ current investment strategy, and is supplementary to the Trustees’ Statement of Investment Principles (the “attached Statement”).

The Trustees’ investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement. The details are laid out below:-

1. Asset Allocation Strategy

Managed Balanced Fund (predominantly equities)	97.5%	+/- 5%
Cash Balances	2.5%	+/- 5%

2. Investment Management Arrangements

The following describes the mandates given to the fund managers within each asset class.

Balanced Fund	Schroder Investment Management Limited	80:20 Equity:Fixed Income bespoke benchmark	+1.0% p.a. (net) over rolling 3 year periods
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Investments are held in the name of the Trustees of the Trinity College Staff Pension Scheme.

2.1 Cash balances

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustees’ intention to hold a significant cash balance.

2.2 Re-balancing arrangements

In order to ensure the assets are re-balanced in line with the Asset Allocation Strategy, the Trustees review the balance of the assets periodically following the receipt of reporting from investment managers, following which appropriate corrective action is taken.

3. Fee structure for advisers and managers

3.1 Advisers

The Trustees' investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (e.g. one off special jobs, or large jobs, such as asset and liability modelling), the Trustees will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given and that no investment decisions have been delegated to the adviser.

3.2 Investment managers

For passive mandates, or mandates where the manager is seeking to add incremental value in excess of the performance benchmark, the investment manager is remunerated as a set percentage of the assets under management. This is in keeping with market practice.

3.3 Summary of investment management fee arrangements

Manager	Fee Scale	Performance Fee
Schroder Investment Management Limited	0.5% annual fee	Not applicable

4. Additional Voluntary Contributions

Additional Voluntary Contributions are not separately invested, but are included within the main managed fund.