Wycombe Abbey 1966 Pension Scheme for Non – Teaching Staff

Statement of Investment Principles

September 2020

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1 Introduction

This Statement of Investment Principles (the "Statement") has been prepared by the Trustees of the Wycombe Abbey 1966 Pension Scheme for Non – Teaching Staff (the "Scheme") 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 Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles. The Statement also details the Trustees' compliance with the Pension Regulator's 'Investment Guidance for Defined Benefit Pension Schemes'.

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, 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 Trustee's investment policy for the Scheme.

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 Scheme 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 doing so, the Trustees also aims to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that its 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.

The Trustees carry out their duties and fulfils 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 advisers.
- 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 Scheme at a total scheme level as well as on a manager by manager basis.
- The approval and review of the asset allocation benchmark for the Scheme.
- 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 recently started to appoint Mercer as the investment adviser to the Scheme as and when advice is required. To date, Mercer have provided advice on cashflow management and the production this Statement only. Matters on which Mercer can provide advice to the Trustees include the following:

- Setting of investment objectives.
- Determining investment strategy and asset allocation.
- Determining an appropriate investment structure.
- Framing manager mandates.
- Assistance in determining funds and investment managers that are suitable to meet the Trustees' objectives.
- Selecting and replacing investment managers.
- Setting cashflow management (investment and disinvestment) policies (Appendix 2).

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 is remunerated on a project-by-project basis with a fee being agreed in advance of the project commencing. Mercer does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice. The Trustees believe that this is the most appropriate adviser remuneration structure for the Scheme.

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

3.3 Arrangements with Investment Managers

The Trustees, after considering appropriate investment advice, have appointed a professional authorised investment manager, Cazenove Capital ("Cazenove"), to manage the assets of the Scheme.

The details of the managers' mandate is set out in Appendix 3.

In particular, Cazenove appoints underlying fund managers who are responsible for all decisions concerning the selection and de-selection of the individual securities within the funds they manage.

When engaging with Cazenove as investment manager, the Trustees are mindful of the need for Cazenove to be incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular long-term liabilities.

Investment managers are appointed by Cazenove based on their capabilities and therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. As Cazenove manages the Scheme's assets by way of investment in other underlying pooled funds, the Trustees accept that they do not have the ability to determine the risk profile and return targets of the funds. Instead, the Trustees expect Cazenove to manage the assets in a manner that is consistent with the Trustees' overall investment objectives and strategy as outlined in this Statement.

Should Cazenove fail to align its investment strategies and decisions with the Trustees' policies, it is open to the Trustees to renegotiate commercial terms or to terminate Cazenove's appointment.

Cazenove does not make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by Cazenove Capital to manage assets. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term.

The investment manager engaged by the Trustees is authorised by the PRA and authorised and regulated by both the FCA and the PRA. All underlying fund managers are authorised and regulated by the FCA, PRA or both.

The investment manager and all underlying investment managers are remunerated by ad valorem charges based on the value of the assets that it manages on behalf of the Scheme. The Trustees believe that this is the most appropriate basis for remunerating the manager. In particular, the Trustees consider this method of remuneration to be consistent with incentivising the managers not to make short term decisions.

3.4 Summary of Responsibilities

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the scheme administrator, in so far as they relate to the Scheme's investments, is set out at Appendix 5.

4 Investment Strategy

4.1 Setting Investment Strategy

The Trustees have determined its investment strategy after considering the Scheme's liability profile and its own appetite for risk, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant.

The basis of the Trustees' strategy is to divide the Scheme's assets between a "growth" portfolio, comprising of equities, a "matching" portfolio, comprising of bonds and cash to provide added liquidity. The basis of the split between these two portfolios will change over time for a number of reasons, for example, as the proportion of deferred and pensioner liabilities change. Thus, the Trustees regard the basic distribution of the assets to be appropriate for the Scheme'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 within the asset classes, 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 the investment manager to select and manage the allocations within the portfolio, 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 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 security-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 Scheme.

The Trustees take all such decisions themselves. They do so after receiving written advice from an 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 matching portfolios.
- Determining the allocation to asset classes within the growth and matching portfolios.
- Determining the Scheme 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.

Security Selection Decisions

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

4.3 Types of Investments to be Held

The Trustees are permitted to invest across a wide range of asset classes. All the funds in which the Scheme invests are pooled and unitised. The use of derivatives is as permitted by the guidelines that apply to the pooled funds.

4.4 Financially Material Considerations

The Trustees consider many risks which they anticipate could impact the financial performance of the Scheme's investments over the Scheme's expected lifetime. Such risks are set out in the next section of this Statement.

The Trustees recognise that environmental, social and corporate governance ("ESG") factors, such as climate change, can influence the investment risk and return outcomes of the Scheme's portfolio and it is therefore in the members' and the Scheme's best interests that these factors are taken into account within the investment process.

The Trustees further recognise that investing with a manager which approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken. Therefore, other factors being equal, the Trustees would seek to invest in funds which incorporate ESG principles.

The Trustees note that ESG considerations are not paramount to the first level decision making process within the funds. However, they understand that fund managers will embed ESG considerations into the management of the underlying securities where it is appropriate to do so.

The Trustees believe that the importance of ESG considerations will increase over time and will therefore review the situation on an on-going basis to make sure that their policy evolves in line with emerging trends and developments.

The Trustees are therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

4.5 Non - Financial Matters

The Trustees have determined that the financial interests of the Scheme members are their first priority when choosing investments.

They have decided not to consider non-financial considerations, such as ethical views, or to take members' preferences into account when setting the investment strategy for the Scheme.

4.6 Stewardship

The Scheme is invested solely in pooled investment funds. The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects the fund managers to use their discretion to act in the long term financial interests of investors.

If the Trustees are specifically invited to vote on a matter relating to corporate policy, they Trustees would exercise its right in accordance with what they it believes to be the best interests of the majority of the Scheme's membership.

5 Risk

The Trustees are aware, and seeks to take account, of a number of risks in relation to the Scheme's investments, including the following.

Under the Pensions Act 2004, the Trustees are required to state its 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.
- They are managed by setting a scheme-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.

Liquidity Risk

- This is monitored according to the level of cash flows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The majority of the Scheme's assets are invested in quoted markets and are as readily realisable as the Trustees feel appropriate given the cashflow position of the Scheme and the expected development of the Scheme's liabilities, both of which are monitored by the Trustees.

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 regular assessment of the levels of diversification within the investment policy.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Corporate Governance Risk

- This is assessed by reviewing the Scheme's fund managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustees on request and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme 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.

Other Price Risk

- This is the risk of volatility in fund values and principally arises in relation to the growth assets, for which the Scheme invests in equities.

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 Scheme's assets.
- The Trustees manage this risk by investing in well-respected fund managers where ESG principles are part of the investment decision making process.

6 Monitoring of Investment Adviser and Manager

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 reports on the Scheme’s assets from Cazenove.

The Trustees’ focus is on the medium to long-term financial performance of Cazenove. The Trustees receive quarterly returns, showing the performance of the overall portfolio (net of costs) and performance by asset class (net of relevant underlying costs) versus a relevant index.

Cazenove have been appointed for over 20 years.

6.3 Portfolio Turnover costs

The Trustees do not receive portfolio turnover costs from Cazenove. Cazenove do not levy any transaction charges on deals undertaken for the Trustees’ portfolio.

7 Code of Best Practice

The Trustees are aware of the recommendations set out by the Pension Regulator in the paper 'Investment Guidance for Defined Benefit Pension Schemes', which was released in March 2017. The Trustees have considered these recommendations when formulating its investment policy and has included them within this Statement. The Trustees review its compliance with the recommendations regularly.

The key themes of the guidance are detailed in Appendix 4.

8 Compliance

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

A copy of the Scheme's current Statement is also supplied to the Sponsoring Employer, the Scheme's investment manager, the Scheme Auditors and the Scheme Actuary.

This Statement supersedes all others and was approved by the Trustees on the **23rd September 2020.**

Appendix 1: Scheme Asset Allocation Benchmark

The Scheme's asset allocation benchmark is set out below.

	Allocation (%)
Growth Assets	**80**
UK Equities	40
Global Equities	40
Matching Assets	**20**
Bonds	10
Cash	10

Source:

The above allocations will naturally alter over time as market conditions change.

The Trustees will monitor this allocation and make changes if considered appropriate after receiving investment advice.

The Trustees are able to hold an overweight position to cash should they deem it appropriate at any point in time.

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

Appendix 2: Cashflow and Rebalancing Policy

Monies will be raised through the sale of assets in such as a way as to move the portfolio closer to the strategic asset allocation, subject to consideration of liquidity issues, transaction costs, market conditions and the speed with which monies are required.

Similarly, where cash inflows are received, monies will be invested in such a way as to move the portfolio closer to the strategic asset allocation, unless market conditions suggest otherwise.

In each instance, the Trustees will seek advice from their investment adviser with regard to the investment or disinvestment of these monies.

Appendix 3: Investment Manager Information

The Scheme's assets are currently hosted on an investment platform provided by Cazenove, which facilitates investment into the underlying investment managers' funds.

For avoidance of doubt, this Statement will not be updated solely in response to a replacement of one of the underlying investment managers, although it will continue to be reviewed on a regular basis.

Appendix 4: tPR Investment Guidance

The key themes of the investment guidance set out by the Pensions Regulator are set out below.

Legal Duties
The fundamental aim of a trustee board is to generate returns to enable to scheme to pay promised benefits as they fall due. Trustees have a statutory power to make any kind of investment, but subject to the restrictions of a scheme's governing documentation and Employer Related Investment regulations. Trustees must also obtain advice from a suitability qualified individual when preparing or revising the Statement of Investment Principles and before investing.
Investment Governance
Trustees should set up an appropriate governance structure for the scheme's investments. Trustees much ensure they are familiar with the basic legal principles and scheme documents governing the scheme, that they obtain advice where appropriate, they understand and challenge proposals and have consulted with the employer on the Statement of Investment Principles. Collaboration between trustees and the employer is encouraged. Trustee boards should consider the appropriateness and effectiveness of governance structures in place. Clear roles and responsibilities are encouraged and the effectiveness of decision making should be monitored.
Investing to fund Defined Benefit Liabilities
Trustees should set clear objectives, have a clear risk appetite and understand risk capacity when setting investment strategy. An Integrated Risk Management framework (taking in to account both employer covenant and funding strategy) should be adopted. The key risks the scheme is exposed to should be identified, understood, quantified, documented, managed or mitigated and monitored. The strategy should be monitored and should evolve over time as the scheme evolves.
Matching Defined Benefit Liabilities
Trustees are legally required to invest in a way that is appropriate to the nature, timing and duration of the expected future retirement benefits payable.
Defined Benefit Growth Assets
Trustees need to recognise that investment in growth assets involves taking risk to target the desired return. Trustees should understand the return drivers and key risks. Further, trustees should consider the use of diversification to reduce risk.
Implementing a Defined Benefit Investment Strategy
When implementing a strategy, the operational risks, security and transition should be given appropriate consideration.
Monitoring a Defined Benefit Investment Strategy
Effective monitoring should prioritise the most important issues, including funding level, employer covenant and investment strategy. Trustees should consider the development of a key issues dashboard focussing on changes in funding level, risk metrics, reasons for changes, returns and hedging levels. Monitoring should be timely and actionable.

Appendix 5: Responsibilities of Parties

Trustee

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 Managers and custodian (if required).
- Assessing the quality of the performance and processes of the Investment Managers 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.

Investment Adviser

The Investment Adviser's responsibilities can include the following:-

- Participating with the Trustees in reviews of this Statement of Investment Principles.
- Production of independent performance monitoring reports.
- Advising the Trustees, at their request, on the following matters:
  - Through consultation with the Scheme Actuary, how any changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested.
  - How any changes in the Investment Managers organisation could affect the interests of the Scheme.
  - How any changes in the investment environment could present either opportunities or problems for the Scheme.
- 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.

Investment Managers

The Investment managers' responsibilities include the following:

- Providing the Trustees on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios.
- Informing the Trustees of any changes in the internal performance objectives and guidelines of any pooled fund used by the Scheme 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.
- Giving effect to the principles contained in the Statement as far as is reasonably practicable.

Scheme Actuary

The Scheme Actuary's responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.
- Assessing the funding position of the Scheme 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.

Custodian

The Custodian's responsibilities within the pooled funds include the following:

- The safekeeping of the assets of the Scheme.
- Providing the Trustees with quarterly statements of the assets, cash flows and corporate actions.
- Undertaking all appropriate administration relating to the Scheme's assets.
- Processing all dividends and tax reclaims in a timely manner.
- Dealing with corporate actions.