

**TRINITY COLLEGE OF MUSIC PENSION
AND ASSURANCE SCHEME**



**STATEMENT OF
INVESTMENT
PRINCIPLES**

(Reviewed by Trustees of the Scheme on 22nd January 2021)

1.0 INTRODUCTION

- 1.1 This is the Statement of Investment Principles (the ‘Statement’) for the Trinity College of Music Pension and Assurance Scheme (the Scheme).
- 1.2 The Statement has been adopted by the Trustees who act on the delegated authority of the Scheme. The Statement is subject to review from time to time and certainly within six months of any material change in investment policy or other matters as required by law. In preparing this Statement the Trustees have consulted with the sponsoring employer (Trinity Laban Conservatoire of Music and Dance).

2.0 SCHEME OBJECTIVE

- 2.1 The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.
- 2.2 The Trustees aim to fund the Scheme in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Scheme’s assets and that an appropriate level of contributions is agreed by the employer to meet the cost of any Recovery Plan required to meet the costs of future benefits accruing.
- 2.3 This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

3.0 INVESTMENT STRATEGY

- 3.1 In accordance with the rules of the Scheme, The Trustees shall have the following power in relation to the whole or part of any moneys from time to time forming part of the Scheme Assets and which they are not required to expend immediately in making any payment or payments pursuant to the provisions of this Deed , namely, the power to invest the same in or upon any securities for the time being authorised by law for the investment of trust funds or by placing the same on deposit with any bank or insurance company or building society of good repute at such rate of interest and upon such terms as the Trustees shall think fit or in annuity or assurance or sinking fund contracts or policies with any Authorised Insurer as hereinafter more particularly provided or in such stocks, shares, securities or unit trust units, with power to vary any such investments for others of a nature hereby authorised.
- 3.2 The Trustees have translated its objectives into a suitable asset allocation benchmark for the Scheme. The benchmark is reflected in the investment structure adopted by the Trustees; this comprises a mix of segregated and pooled, active and passive manager mandates. The Scheme benchmark is consistent with the Trustees’ views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking into account market volatility and risk and the nature of the Scheme’s liabilities.
- 3.3 The Trustees monitors its investment strategy relative to the agreed asset allocation benchmark. It is intended that the investment strategy will be reviewed at least on an annual basis. This document should be read in conjunction with the **“Statement of Funding Principles”** signed by the Trustees on 12th June 2019.

3.4 **Limits on investments**

The trustees' policy is to invest in a range of assets appropriate to the liabilities. The range limits of these is as follows:

Equities 74 - 76%

Fixed Interest 24 - 26%

3.5 **Types of investment to be held**

3.4.1 The Scheme may invest in quoted and unquoted securities of UK and overseas markets, including equities, fixed interest and index linked bonds, cash, currency, property and commodities, either directly or through pooled Schemes. This list is not intended to be exhaustive and other types of investment may be held if the Trustees feels that they are appropriate to the overall objective of the Scheme.

3.4.2 The Scheme may also use contracts for differences and other derivatives either directly or in pooled Schemes, for the purpose of efficient portfolio management or to hedge specific risks. The Trustees considers all these assets classes of investment to be suitable in the circumstances of the Scheme.

3.4.3 The strategic asset allocation of the Scheme includes a mix of asset types across a range of geographies in order to provide diversification of returns.

3.5 **Balance between different kinds of Investments**

3.5.1 The Trustees have appointed **Legal & General Investment Management Ltd (LGIM)** as the Scheme's Investment Managers. LGIM are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

3.5.2 The Trustees, having sought appropriate investment advice, have agreed specific benchmarks with LGIM so that, in aggregate, they are consistent with the overall asset allocation of the Scheme. The Scheme's investment managers will hold a mix of investments which reflect their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or within pooled vehicles.

4.0 **RISK**

4.1 The Scheme is exposed to a number of risks which pose a threat to the Scheme meeting its objectives. The principal risks affecting the Scheme are:

4.2 **Funding Risks**

4.2.1 - ***Financial mismatch***

1. The risk that Scheme assets fail to grow in line with the developing costs of meeting Scheme liabilities.
2. The risk that unexpected inflation increases the pension and benefit payments and the Scheme assets do not grow fast enough to meet the increased cost.

- ***Changing demographics***

The risk that longevity improves and other demographic factors change increasing the cost of Scheme benefits.

- ***Systemic risk***

The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting Scheme liabilities.

4.2.2 Having set a strategic asset allocation, the Trustees monitors the Scheme's asset allocation and investment returns relative to the benchmark. Risk is also addressed by monitoring the way in which the Scheme's assets move relative to its liabilities.

4.2.3 Mortality and demographic assumptions are kept under review and these assumptions are considered formally as part of the actuarial valuation.

4.2.4 The Trustees seeks to mitigate systemic risk through maintaining a portfolio which is diversified by asset class and geography. It is, however, not possible to make specific provision for all possible eventualities that may arise under this heading.

4.3 **Asset Risks**

4.3.1 - **Concentration**

The risk that significant allocation to any single asset class category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- **Illiquidity**

The risk that the Scheme cannot meet its immediate liabilities due to the fact that it has insufficient liquid assets.

- **Manager underperformance**

The failure by the investment managers to achieve the rate of investment return assumed in setting their mandates.

4.3.2 The Trustees ensures that the Scheme's assets are diversified between different asset classes and different geographic regions. Investment management agreements all include specific objectives and individual benchmarks, and account is taken of manager process in order to constrain risk within the Trustees' expected parameters. The Trustees recognises the need to have access, on occasions, to short-term liquidity and the asset allocations reflects this.

4.4 **Other provider risk**

4.4.1 - **Transition risk**

The risk of incurring unexpected costs in relation to the transition of assets between different investment managers. When carrying out significant transitions the appointment of specialist transition managers is considered.

- **Custody risk**

The risk of losing economic rights to Scheme assets, when held in custody or when being traded.

- **Credit default**

The possibility of default of a counterparty in meeting its obligations.

4.4.2 It is expected that the Trustees will take account of these risks when proposing a particular course of action within these areas.

5.0 EXPECTED RETURN ON INVESTMENTS

5.1 Over the long term, the overall level of investment returns is expected to exceed the rate assumed by the actuary in funding the Scheme.

6.0 REALISATION OF INVESTMENTS

6.1 The majority of investments within the Scheme may be realised quickly if required.

7.0 SOCIAL, ENVIRONMENTAL AND ETHICAL CONSIDERATIONS

7.1 The Trustees recognise that social, environmental and ethical considerations are amongst the factors which investment managers need to take into account, where relevant, when selecting investments for purchase, retention or sale. The Trustees also recognise that governance procedures within companies also need to be taken into account.

7.2 The Trustees has considered the environmental, social and governance (ESG) policies of its appointed investment managers and is comfortable that they are an integral part of the decision making processes. As a result, the Trustees has asked the investment managers to act according to their policies, and to take action which they feel safeguards the best long-term economic interests of the Scheme.

8.0 APPROVAL AND REVIEW

8.1 The Scheme's auditors will review the controls applicable to investment funds and report on the effectiveness of their operation to Trustees on an annual basis in accordance with the internal audit plan approved by the Trustees.

8.2 This Statement of Investment Principles was prepared by the Scheme Administrator on behalf of the Trustees of the Scheme to provide a framework for the management of its investment assets. It will be reviewed on an annual basis to ensure continuing appropriateness.

Approved by the Trustees:

Signed:

Dennis Scard (Chair)

Dated: 22nd January 2020

Noted by the Trustees:

Reviewed at Meeting Date: 22nd January 2021

Reference minute: Minute 10.2