The Cambridge University Assistants’ Contributory Pension Scheme (the “Scheme”)

Statement of Investment Principles (the “Statement”)

1. 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 Scheme’s assets are held in trust by C U Pension Trustee Limited (“the Trustee”) which is responsible for the Scheme. The investment powers of the Trustee are set out in Clause 18 of the Rules of the Cambridge University Assistants’ Contributory Pension Scheme dated 5 August 2016 and as amended from time to time.

The effective date of this Statement is 6 March 2017. The Trustee will 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.

2. Responsibility for the Scheme’s investment strategy

The Trustee is responsible for the investment strategy of the Scheme. It has obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Hewitt Ltd (the "Investment Consultant") who are authorised and regulated by the Financial Conduct Authority.

The Trustee has consulted with the University Registrar acting on behalf of the Principal Employer, prior to writing this Statement and will take the employer’s comments into account when it believes it is appropriate to do so.

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 has been provided to the investment managers appointed and is available to the members of the Scheme.

3. Investments Committee

The Trustee has established an Investments Committee to act on its behalf in matters relating to the investments of the Scheme. The Investments Committee operates under Terms of Reference and has been consulted on the drafting of this document.
4. Objectives

The Trustee’s objectives for the investment strategy of the Scheme have been set with regard to the Scheme’s Statutory Funding Objectives as set out in the Statement of Funding Principles.

The Trustee’s primary objectives are:

- “funding objective” - to ensure that the Scheme is fully funded using assumptions that contain a modest 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

- “security objective” – to ensure that the solvency position of the Scheme (as assessed on a gilt basis) is expected to improve.

5. Investment Risk Measurement and Management

The Balance Between Different Kinds of Investments

The Trustee recognises that the key source of financial risk (in relation to meeting its objectives) arises from asset allocation. It therefore retains responsibility for setting asset allocation, and takes expert advice as required from its professional advisers.

The Trustee reviews its 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 Trustee takes written advice from its professional advisers regarding an appropriate investment strategy for the Scheme.

A full range of available asset classes is considered. This includes consideration of so called “alternative” asset classes (including property and hedge funds).

Employer Covenant

Risks associated with changes in the employer covenant are assessed by the Trustee on a regular basis. The Trustee recognises the importance of the Employer Covenant in the ongoing security and solvency of the Scheme.

Fund Managers

The Trustee monitors the risks arising through the selection or appointment of fund managers on a quarterly basis via investment monitoring reports prepared by its professional advisors. The Trustee has appointed Aon Hewitt Limited to alert it on any matters of material significance that might affect the ability of each fund manager to achieve its objectives.

The Trustee acknowledges that investment returns achieved outside the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher level of risk than indicated.

For due diligence purposes the Investments Committee typically meets quarterly and aims to see each fund manager at least once per year.
6. Choosing Investments

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

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 Trustee’s objectives.

Assets held to cover the scheme’s technical provisions (the liabilities of the scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the scheme.

The Trustee exercises its 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.

Investment management responsibility is delegated to the investment managers appointed by the Trustee. With regards to the review and selection of investment managers, the Trustee takes expert advice.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and appropriately 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.

Investment in derivatives is only made in so far as they contribute to the reduction of investment risks or to facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

7. Custody

Investment in pooled funds gives the Trustee a right to the cash value of the units rather than to the underlying assets. The managers of the pooled funds are responsible for the appointment and monitoring of the custodian of the fund’s assets.

The custodians are independent of the employer.

8. Expected Returns on Assets

Over the long-term the Trustee’s expectation is to achieve a return which at least keeps pace with the increase in national average earnings. The Trustee is willing to incur short-term volatility in asset price behaviour with the expectation that over the long term these assets will outperform asset classes which may be regarded as matching the liabilities.

Returns achieved by the fund managers are assessed against performance benchmarks set by the Trustee in consultation with its advisers and fund managers.
9. Realisation of Investments/Liquidity

The Trustee recognises 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 (either through the sale of direct holdings of stocks, bonds etc. or the sale of units in pooled funds).

10. Social, Environmental or Ethical Considerations and Activism

The Trustee aims to be a responsible investor in a manner which is consistent with its investment objectives and legal duties, believing this approach to protect and to enhance the value of the Scheme’s assets.

The Trustee therefore expects its investment managers
   a. to integrate material extra-financial factors (such as corporate, environmental, social, governance and ethical considerations) into the selection, retention and realisation of the Scheme’s investments;
   b. to give appropriate weight to such extra-financial factors in the monitoring of the policies and practices of current and potential investee companies;
   c. to follow good practice themselves;
   d. to encourage good practice in investee companies, including where feasible by the exercise of voting rights attaching to the Scheme’s investments;
   e. to consider collaboration with others, as permitted by relevant legal and regulatory codes, where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed;
   f. to choose the investment which seems best to reflect material extra-financial factors if there is a choice to be made between two or more investments with identical financial properties.

The Trustee reviews the position regularly, to stay in line with good practice.

11. Additional Voluntary Contributions (“AVCs”) Arrangements

Some members obtain further benefits by paying AVCs to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions.

From time to time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members’ needs.