The NFER Retirement Savings Plan

Statement of Investment Principles

This is the Statement of Investment Principles made by the Trustee of The NFER Retirement Savings Plan ("the Plan") in accordance with the Pensions Act 1995. It is subject to periodic review by the Trustee.

The attached appendix is an integral part of, and should be read in conjunction with, this statement.

In preparing this statement the Trustee consulted with the principal employer of the Plan and has taken advice from Jagger & Associates, who have also undertaken a review of this document.

The Trustee reviews the investment performance, investment strategy and manager arrangements from time to time taking advice as required.

The Trustee's investment advisers are authorised and regulated by the IFoA regulated under the DPB regime

1. INVESTMENTS

1.1 Socially Responsible Investment and Corporate Governance

The Trustee believes that good stewardship, environmental, social and corporate governance ("ESG") issues can have a positive impact on investment returns.

Having considered the views of Trustee Directors the Trustee has resolved that ESG should form part of any investment manager's investment selection and ongoing involvement regarding the portfolio.

The Trustee has delegated responsibility for the selection, retention and realisation of investment securities to each of its appointed investment managers and included within this each manager is required to advise the Trustee of its ESG policy and update the Trustee on an annual basis.

As part of the initial ESG policy introduction the Trustee has considered the ESG policies of the various managers and where passive funds are used emphasis is concentrated on the Governance aspect of ESG.

It is not the policy of the Trustee to impose restrictions on the managers. However having considered the various manager ESG policies the Trustee is confident that ESG factors are taken into account when assessing sustainability in the exercise of their delegated duties.

The Trustee excludes other non-financial matters in the selection, retention and realisation of investments.

1.2 Voting policy

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to its appointed investment managers as part of the delegated duties under its ESG policy.

As the Trustee uses pooled funds, their asset managers are not incentivised to align their investment strategy and decisions with the Trustee's policies, nor are they incentivised to make decisions based on assessments about medium to long-term performance of an issuer of debt or equity, nor to engage with those issuers in order to improve their performance. However, the managers may make such decisions and/or engage of their own accord.

Performance monitoring, manager remuneration and duration of manager appointments are covered elsewhere in this Statement or in the Trustee's Report & Accounts. As the Trustee uses pooled funds, there is no targeted portfolio turnover or turnover range.

As the Trustee uses pooled funds, they do not need to have an engagement policy in relation to monitoring the capital structure of companies they invest in, or any associated potential conflicts of interest.

The scheme invests in a unit linked life trustee investment policy. Funds established through this policy invest in underlying pooled funds.

The Trustees expect the life company and their sub fund managers to adhere to the UK Stewardship Code and for the sub fund managers to be signatories to the Principles for Responsible Investment (PRI) Association. The Trustees will also consider how any sub fund managers exercise their rights (including voting rights) in relation to the underlying investments they hold in line with the UK Stewardship code.

2. MONITORING OF INVESTMENT ADVISERS AND MANAGERS

2.1 Investment adviser

The Trustee measures the performance of its advisers on an on-going basis in a qualitative way.

2.2 Investment managers

The appointment of the investment managers will be reviewed by the Trustee, based on the results of its monitoring of performance and considerations of suitability.

2.3 Investment Objectives

The Trustee recognises that members of the Plan have differing investment needs and attitudes to risk that may change during the course of their working lives. They therefore aim to offer members a range of 'self-select' funds that, taken together, satisfy their needs for real long-term growth, inflation protection, capital stability and tracking of annuity costs. However, in order to maintain simplicity and to help moderate administration workloads, the Trustee believes that the number of investment options available should be limited to a core range of funds.

Included in the self-select range are three different pre-set investment strategies that target above inflation returns during members' younger years and then switch into assets that target preferred methods of withdrawing benefits in later years.

The Trustee recognises that many members may not wish or consider themselves able to make investment decisions. As such, they make available a default investment strategy. This aims to provide real long-term investment growth in the early and middle part of members' working lives but then, over the 9 years approaching age 65, switches gradually into funds that are more suited to the member requirements at retirement. To ensure members give careful selection to their retirement needs the Trustee advises members in advance of retirement of the various investment options open to them in the latter years of their membership. If a member does not make a selection the Trustee has selected the Annuity Lifestyle as the default option.

The Trustee has delegated to its investment managers the discretion over the day to day management of assets, including short-term asset allocation and stock selection, subject to the requirements of the Statement.

All contributions are invested via the Mobius Life Platform.

The details of the funds offered and their expected returns are detailed in the Appendix.

The Trustee believes the default lifestyle strategy is in the best interests of members and beneficiaries, by its addressing the four main risk types faced by members, which are outlined for them in the member materials.

3. TRUSTEE'S POLICIES

3.1 Types of investments to be held and diversification

After obtaining and considering investment advice, pooled funds have been chosen by the Trustee as the appropriate vehicle for the investment of the Plan members' assets for the following reasons:

- To achieve greater diversification and easier access to markets compared to investing directly into these markets;
- Simplification of administration;
- Obtaining competitive charges.

The Trustee has adopted a fund range so as to meet member needs for long-term growth, inflation protection, capital preservation and annuity conversion protection. This range provides growth funds aimed at providing long term returns in excess of price and average earnings inflation and defensive funds aimed primarily at members who are approaching retirement. The Trustee periodically reviews the fund range to ensure an appropriate mix between growth and defensive assets in both the default and self-select strategies such that members have sufficient investment opportunities to achieve good outcomes at retirement.

3.2 Risk measurement and risk management processes

The Trustee has considered risk from a number of perspectives, both in relation to the default investment arrangements and self-select fund choices. These include:

a) The risk that future investment returns over members' working lives do not exceed inflation and therefore undermine members' efforts to achieve an adequate retirement income. This is measured by examining periodically the long-term performance of different assets relative to inflation. It is managed by investing in growth assets that are expected to produce returns that exceed long term inflation within the default strategies and making such funds available under the self-select range of funds.

b) The risk that unfavourable market movements in the years just prior to retirement lead to a substantial reduction in the levels of members' retirement savings. This is managed primarily by making available three different pre-set lifestyle strategies that switch members' funds from growth oriented assets to less volatile assets over the nine years prior to the member's Target Retirement Age.

c) The risk of there being insufficient investment options available to allow members to meet their specific risk/return requirements. This is managed by the Trustee engaging with the Employer Consultative Committee and periodically reviewing members' investing patterns as well as market innovations and emerging best practices.

d) The risk that the funds in which monies are invested under-perform in comparison to the investment managers' stated objectives. This is measured by the Trustee receiving quarterly reports on fund managers' performance against benchmark and managed by obtaining professional advice on what actions might be appropriate. Also, investing predominantly in passive funds helps to reduce this risk.

e) The risk that the cost of an annuity increases by more than the value of investments as members approach retirement. This is managed by making available an annuity purchase fund that targets changes in annuity prices and by also making available a pre-set lifestyle strategy that switches members' funds from growth assets into the annuity purchase fund over the years prior to Target Retirement Age.

3.3 Realisation of investments

The Trustee's policy is that there should be sufficient investments in liquid or readily realisable assets to meet cash flow requirements, including the payment of benefits when due.

Members' Retirement Accounts are held in funds that can be realised to provide pension benefits on retirement, or earlier on transfer to another pension arrangement. All of the pooled funds used within the DC Section operate daily dealing cycles.

The Trustee has delegated responsibility for the selection, retention and realisation of individual investment securities to the investment managers.

3.4 Suitability of investments

The Trustee has taken advice from its investment advisor to satisfy the aim that the default investment arrangement and self-select fund range reflect its aims and objectives and are suitable for members' needs.

The Trustee reviews the suitability of its default investment arrangement at least every three years having regard to factors such as membership demographics and how it expects members to withdraw benefits at retirement.

4. ADDITIONAL DISCLOSURES RELATING TO THE DEFAULT INVESTMENT ARRANGEMENTS

The 'Main Default Strategy' is an annuity purchase arrangement.

In addition, there are two 'self-select' funds which are offered to members as they approach retirement to accommodate members who wish to take the proceeds of their account in cash or transfer to a drawdown option.

4.1 Objectives of the Main Default Strategy

The Trustee's objectives in relation to the Main Default Strategy and the ways in which it seeks to achieve these are detailed below:

- To generate returns in excess of inflation during the "growth" phase.

  The Main Default Strategy's growth phase invests 80% of members' Retirement Account in passively managed equities and 20% in corporate bonds. These investments are expected to provide long term growth with some protection against inflation erosion.

- To provide a strategy that reduces investment risk for members as they approach retirement.

  As a member's Retirement Account grows, investment risk will have a greater impact on retirement outcomes. Therefore, the Trustee believes that a default strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. From 9 years before the default retirement age (age 65), investment in growth assets gradually reduces and gilts, corporate bonds and other fixed income assets are introduced.

- To offer members a mix of assets at retirement that is broadly appropriate for withdrawing tax free cash at retirement, purchasing an annuity or moving to a drawdown policy. Members are provided with the option to select a pathway suited to their requirements.

4.2 Members' interests

Based on the Trustee's understanding of members' needs, the Main Default Strategy's targeting an annuity and a tax-free cash lump sum (up to 25% of a member's Retirement Account) at retirement is expected to be broadly appropriate to meet a typical member's requirements for income in retirement.

Taking into account the demographics of the Plan's membership and the Trustee's views of how the membership might behave at retirement, the Trustee believes that the Main Default Strategy is appropriate in the medium term and will continue to review it regularly. A more formal review of the suitability of the default arrangements will be carried out at least triennially, or after significant changes to the Plan's demographic profile, if sooner.

The Trustee reviews investment performance and risk on a quarterly basis, and takes professional advice as appropriate.

This statement will be made available via the NFER website

The Trustee is aware that they must prepare a statement setting out how they have implemented their investment policies and explaining and giving reasons for any change made to them. It will also cover engagement policy, outlining how the various governance requirements have been followed during the year, and describes the voting behaviours of the asset managers on their behalf. They will include this implementation statement in the annual report and will ensure that the link included in the annual benefit statement sent to members also refers to this implementation statement.

Signed………………………………………….

On behalf of the trustee of the Plan

15 September 2020

Appendix – Investment Manager Information

Individual Fund Options

Note that under the new arrangements, each fund has been given a simplified name that better describes the purposes of the fund. The table below shows the new name and the actual fund that is used.

Fund name	Actual Fund used	Active/ Passive	Fund charge	Fund objectives
Global Equity Index Fund	BlackRock Equity (60:40) Fund	Passive	0.15% p.a.	This fund aims to capture the returns of the UK and overseas stock markets. The fund is split approximately 60% in the UK share markets and 40% in overseas markets.
Long Gilts Index Fund	BlackRock Long Gilts Index Fund	Passive	0.15% p.a.	This fund invests in over 15 year gilts and is aimed at reducing volatility as a member approaches retirement.
Long Corporate Bond Index Fund	BlackRock Long Corporate Index Fund	Passive	0.15% p.a.	This fund aims to reduce volatility and is invested in over 15 year corporate bonds.
Diversified Growth Fund	50% Baillie Gifford Multi Asset Fund, 50% L&G Diversified Fund	Active	0.40% p.a.	This fund aims to provide long-term investment growth up to and during retirement, and to facilitate the drawdown of retirement income. It invests globally in a range of different asset classes, including equities.
Annuity Purchase Fund	Legal & General Pre-Retirement Fund	Active	0.13% p.a.	This fund invests in Over 15 year gilts and highly rated corporate bonds. The mix of assets in the fund is determined by L&G and reflects the investments underlying a typical non-inflation linked annuity product
Cash Fund	Legal & General Cash Fund	Active	0.12% p.a.	This fund invests in short term cash deposits and money market instruments.

Lifestyle strategies

The Plan offers members a choice of three lifestyle strategies, each one targeting a different way of withdrawing benefits at retirement. They work by changing the type of investments that are held in members' Retirement Accounts as they get closer to retirement. When members are younger, their Retirement Accounts are invested in growth assets (the 'Growth Phase'). However in order to consolidate gains and reduce the risk of significant falls in investment as retirement approaches, the Retirement Accounts are gradually switched out of growth assets and into less volatile assets (the 'Consolidation Phase'). This gradual switching continues until the member's Target Retirement Age (the 'Retirement Phase'). The Retirement Phase has three routes, annuity, drawdown or cash as selected by the member. Full details of the lifestyle switching matrices can be found in the member booklet and "Lifestyle Specification" document.