

**Retirement Benefits Plan of the Queen’s University of Belfast**  
**Statement of Investment Principles**  
**September 2020**

## 1. INTRODUCTION

- 1.1. The Trustees of the Retirement Benefits Plan of the Queen’s University Belfast (the “**Plan**”) have prepared this Statement of Investment Principles (“the **SIP**”) to govern the investment decisions of the Plan in order to meet its investment objective.
- 1.2. In preparing the SIP and prior to any future changes to the SIP the Trustees will obtain and consider appropriate investment advice from BlackRock (the “**Manager**”).
- 1.3. The Trustees will review the SIP whenever there is a material change in the investment strategy. As a minimum, the Trustees will review the SIP every three years. The Trustees will notify the Manager of any material changes to the Plan’s circumstances. Furthermore, any material changes to the covenant of The Queen’s University of Belfast (the “**University**”) or Plan will trigger a strategy review, at which point the Trustees will notify the Manager.
- 1.4. The SIP has been prepared in accordance with Section 35 of the Pensions (Northern Ireland) Order 1995, as amended by the Occupational Pension Schemes (Investment) Regulations (Northern Ireland).
- 1.5. The SIP will be made available on a publicly accessible website.

## 2. PLAN DETAILS

- 2.1. The Plan operates for the sole purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.
- 2.2. The Plan is a defined benefits Plan that was set up on 1 August 1958 by the Queen’s University Belfast to provide retirement and death benefits for its eligible employees.
- 2.3. The Plan is open to new members and open to future accrual.

## 3. GOVERNANCE

- 3.1. The Trustees are responsible for ensuring the investment policy is consistent with the Plan’s funding objectives and its assessment of the University’s covenant.
- 3.2. The Trustees have appointed the Manager to manage the Plan’s assets in line with the Investment Management Agreement between the Trustees and the Manager (the “**IMA**”).
- 3.3. The Trustees delegate the day-to-day investment decisions to the Manager.

## 4. OBJECTIVES

- 4.1. The objective of the Plan is to invest the assets prudently with the intention that the benefits promised to members are provided.

## 5. INVESTMENT STRATEGY

- 5.1. The Trustees have reflected its investment strategy and investment objective in the IMA with the Manager whereby, within certain permitted ranges, the Manager determines an appropriate asset allocation which seeks to achieve such investment objective. In doing so the Manager takes into account the restrictions contained within the IMA, which outlines the parameters the Manager must operate within. The IMA is subject to change over time as the strategy evolves.
- 5.2. Further details of the investment strategy are set out in the Appendix to the SIP.

## 6. RISK MANAGEMENT

- 6.1. The Trustees recognise that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities (“**funding risk**”). The Trustees have identified a number of risks which have the potential to cause a deterioration in the Plan’s funding level and therefore contribute to funding risk. These are as follows:
  - The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“**mismatching risk**”). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.
  - The risk of a shortfall of liquid assets relative to the Plan’s immediate liabilities (“**cash flow risk**”). The asset allocation has taken into account the Plan’s liability cashflow profile from the most recent Actuarial Valuation. This

should offer sufficient liquidity to meet liquidity needs. Should liquidity requirements change then the Trustees will notify the Manager and update the IMA accordingly.

- The failure by the Manager to achieve the rate of return required to meet the investment objective (“**manager risk**”). This risk is considered by the Trustees upon the initial appointment of the Manager and on an ongoing basis thereafter (for example by regular monitoring).
  - The failure to spread investment risk (“**risk of lack of diversification**”). The Plan’s assets are invested across a range of pooled fund investments representing different assets classes in order to target the Plan’s objective, as set out in the IMA.
  - The possibility of failure of the University (“**covenant risk**”). The Trustees considered this risk by taking external advice when setting investment strategy and consulted with the University as to the suitability of the proposed strategy.
  - The risk that exposure to overseas currencies has an adverse influence on investment values (“**currency risk**”). The Trustees considered this risk when setting the Plan’s investment strategy and this is managed risk by hedging a proportion of the overseas currency exposure.
  - The risk that environmental, social and governance factors have an adverse effect on the long-term performance of the Plan’s assets (“**ESG Risks**”). The Trustees will ensure that the Manager explicitly incorporates ESG information into investment decisions when considering the appointment and de-selection of investment managers.
  - The risk that a custodian defaults (“**custodian risk**”). Assets are managed primarily within pooled funds and custody-related risks in relation to underlying pooled fund investments are managed by management companies or operators of such pooled funds. Outside of the pooled fund investments, the Trustees have appointed a Plan custodian (BNY Mellon) to manage cashflows and settle trades on time.
  - The risk that events outside the control of the Plan have an adverse influence on investment values (“**event risk**”). The Trustees periodically review stress tests on the portfolio to understand the effect that extreme events could have on the Plan’s funding level so that they are able to plan accordingly. In addition, the Plan invests in a diversified portfolio of assets to help manage volatility.
  - The risk that a counterparty fails to fulfil its side of the agreement it makes in connection with derivative transactions (“**counterparty risk**”). The Trustees have appointed the Manager to mitigate this risk by assessing the credit quality of the counterparties it transacts with, ensures appropriate counterparty diversification and that collateral payments are made where required.
  - The risk of fraud, poor advice or acts of negligence (“**operational risk**”). The Trustees have sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- 6.2. The Trustees consider risk holistically across the Plan’s portfolio and hence the Plan’s assets are invested across a diverse range of investments. Asset classes and instruments that may be used as part of the investment strategy include, but are not limited to, the following:
- Equities – both active and passive strategies invested across different regions,
  - Credit – both active and passive across the spectrum of risk including Investment Grade, High Yield, Emerging Market,
  - Alternatives – these are often less liquid than other risky assets where an illiquidity premium is rewarded. These are designed to offer a diverse return stream to traditional risky assets such as equity. The Manager will seek approval from the Trustees prior to investing in this asset class,
  - Liability Driven Investments – using derivatives and physical assets.
- 6.3. The Trustees, with the aid of the Manager, monitor risk on both a qualitative and quantitative basis.
- 6.4. Implementing portfolio investments has been delegated to the Manager under the IMA.

## 7. RESPONSIBLE INVESTING

- 7.1. The Trustees recognise that ESG risks could impact the ability of the Plan to meet its investment objectives and therefore the Trustees have considered how to evaluate and manage these risks when setting its investment strategy as set out in the following paragraphs (along with other matters).
- 7.2. The Trustees will ensure that the Plan’s Manager shall, alongside other investment risks, integrate consideration of ESG risks throughout its investment decision making processes,

### 7.3. The Trustees will request that:

- the Manager, as part of its due diligence, assesses the approach of all the Plan's investment managers in integrating ESG risks considerations into the selection, retention and realisation of investments, before appointing them;
- the Manager, as part of its ongoing monitoring, will review the adherence of the Plan's investment managers to their ESG principles and, on at least a quarterly basis, will report on key ESG metrics for the Plan's investment managers and aggregate these to portfolio level where appropriate;
- the Manager, as part of its ongoing monitoring, reviews the execution of voting and engagement responsibilities and periodically reports back its findings to the Trustees (for example where the Plan invests in pooled funds, the Plan's investment managers are responsible for exercising voting rights and reporting on how they have exercised those rights); and
- where UK-domiciled investment managers are not signatories to the FRC's UK Stewardship Code, the Manager shall consider the investment manager's rationale for this position and, where appropriate, report back its findings to the Trustee.

7.4. The Trustees do not take into account non-financial matters when selecting, retaining and realising investments. Non-financial matters are defined as the views of members and beneficiaries, including (but not limited to) their ethical views, and their views relating to social and environmental impact and quality of life.

## 8. STEWARDSHIP

8.1 The Trustees understand that stewardship can enhance value over the long term and recognises that it has a responsibility to act as a good steward and protect and grow the long-term value of the Plan for the benefit of the Plan's members.

8.2 In order to be a good steward, the Trustees have set a policy which states that they expect the Plan's respective stakeholders undertake activities in relation to issues that have a material impact on the long-term value of the Plan's investments.

8.3 The Trustees expect the Manager to ensure that the stewardship policy is appropriately implemented as far as is reasonably practicable. The policy includes ensuring to the extent possible that the underlying or external managers exercise on the Trustees' behalf rights and duties as an investor. This should include, where appropriate, voting and engaging with underlying investee companies, as part of an effective stewardship approach that meets the Trustees' expectations. The Trustees expect that voting and engagement activities are carried out in the best financial interests of the assets being managed.

8.4 The Trustees have delegated monitoring of underlying or external managers to the Manager. As part of this responsibility, the Manager is expected to:

- Request voting and/or stewardship policies of the underlying or external managers.
- Enquire about underlying manager's voting activity with respect to their stated policies, where appropriate.
- Request that underlying investment managers report on an annual basis a summary of the voting actions which have been taken and any votes cast which differ from the stated voting policy of that manager.
- Provide a summary to the Trustees of the overall level of voting activity on an annual basis.

8.5 The Trustees will engage with the Manager to understand any reports which have been provided and challenge any outcomes which they feel are not in keeping with policy. The Manager is expected to engage with the underlying or external managers as and when required to facilitate this. Where an underlying or external manager is not adhering to this policy in line with the Trustees' expectations, the Trustees would expect the Manager to consider appropriate actions having regard to the long-term financial wellness of the Plan.

## 9. ARRANGEMENTS WITH MANAGERS

9.1 The Trustees recognise that the arrangements with all of the managers of the Plan are important to ensure that its interests are aligned as far as is reasonably practicable. This includes arrangements with the Manager and the underlying or external managers. In particular, the Trustees seek to ensure that the Manager is incentivised to act in a way which generates the best long-term results for the Plan.

9.2 The Trustees agree to share the SIP with the Manager and request that the Manager reviews the SIP and confirms that the investment strategy is aligned with the Trustees' policies.

9.3 The Trustees' policy on arrangements with asset managers will take into account the following five considerations:

- How the arrangement with the Manager incentivises the Manager to align its investment strategy and investment decisions with the Trustees' investment policies.

- How that arrangement incentivises the Manager to make decisions based on assessments about the medium to long-term financial and non-financial performance of issuers of debt or equity.
- How the method and time horizon of the evaluation of the Manager's performance and the remuneration for services are in line with the Trustees' investment policies.
- How the Trustees monitor "portfolio turnover costs" incurred by the Manager, and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of the arrangement with the Manager.

9.4 The Trustees recognise that there are different ways to engage with their managers including legal documentation as well as more informal arrangements such as ad hoc communication and reporting and monitoring deliverables provided by each manager.

9.5 The Trustees recognise that the predominant manager it has arrangements with is their Manager. The arrangement is governed by the IMA between the Trustees and the Manager. The Trustees ensure that appropriate restrictions are outlined in the IMA in order to seek to ensure that the decisions which the Manager makes are in line with the long-term interests of the Plan. This includes, but is not limited to, setting a clear investment objective, eligible instruments, asset allocation ranges and which asset classes are in scope for active and/or passive strategies.

9.6 The Trustees have also ensured that the IMA (and the supplemental disclosures provided by the Manager) include conflicts of interest policies in order to seek to ensure that incentives are aligned between the Trustees and the Manager as far as is reasonably practicable.

9.7 The Manager provides the Trustees with an annual cost transparency report. The report provides information in line with latest regulatory requirements for Managers. On a quarterly basis the Manager reports total performance net of fees so that the Trustees are able to take into account the impact of fees and costs when evaluating performance. The Trustees believe that in order to appropriately assess the performance of their managers, the net of costs performance returns should be monitored over various time periods to ensure that managers are evaluated in line with the Trustees' policies.

9.8 The Trustees will review the arrangements with the Manager on a regular basis, however there is no restriction on the duration of any arrangement.

9.9 The Trustees expect the Manager to review arrangements with the underlying or external managers which also have no restriction on duration of any arrangement. The Manager is expected to review these arrangements on an ongoing basis and take action to seek to revise any arrangements where it is understood to be in the best long-term interests of the Plan.

9.10 The Manager is expected to take into consideration the Trustees' investment objective as well as Responsible Investing and Stewardship policies when selecting and/or appointing new underlying or external managers. The Manager is also expected to monitor the underlying managers or external managers and take into consideration the investments that they are permitted to make in order to seek that they are aligned with the long-term interests of the Plan.

9.11 The Trustees believe that they have a governance framework in place in order to seek to ensure that the Manager's actions are aligned with the five arrangements policies listed above. If the Trustees have reason to believe that the Manager is acting outside of the Trustees' policies, the Trustees will bring this to the attention of the Manager as soon as is reasonably practicable and engage with the Manager so that the parties can understand such actions and seek to resolve any concerns. Where the Manager consistently shows a lack of alignment with the Trustees' policies, it will be required to account for this to the Trustees, and it may ultimately result in the termination of their mandate. The fees paid to the Manager, and the possibility of the mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions agreed with the Trustees.

## **10. REALISATION OF ASSETS**

10.1 Assets can be held in pooled funds across a range of liquid and illiquid strategies which can be liquidated in accordance with the dealing cycle of the pooled funds that are invested in by the Plan. Any allocation of Plan assets to illiquid strategies will be considered with the Plan's overall cashflow position in mind and requires prior approval by the Trustees.

## **11. MONITORING**

11.1 The Trustees monitor the performance and risk exposures of the portfolio on a regular basis. The Trustees receive periodic reports showing:

- Commentary over the period covering performance, macroeconomic factors and portfolio positioning,
- Risk decomposition across the portfolio, including scenario stress tests,
- Return attribution across the portfolio, including underlying pooled fund monitoring,

- Estimated funding ratio change, including a summary of contributors/detractors,
- Review of the funding level including any de-risking triggers,
- Asset allocation summary versus the permitted ranges, and
- Interest rate hedge ratios versus target.

11.2 Monitoring of the underlying investment managers' suitability is delegated to the Manager. The Manager has been delegated the responsibility for ensuring the underlying pooled fund investments are satisfactory and appropriate for the investment strategy.

**Signed for and on behalf of the Trustees of the Retirement Benefits Plan of the Queen's University Belfast**

-----  
Signature of Trustee/Director



-----  
Print Name

Bronach Doyle

-----  
Date 30 September 2020

-----  
Signature of Trustee/Director



-----  
Print Name

Wendy Galbraith

-----  
Date 30 September 2020

## Appendix

### Investment strategy

The investment strategy for the Plan is to:

- Invest in a portfolio of assets to achieve an initial target return of approximately 2.5% above gilts per annum.
- Invest in a portfolio of assets which aims to immunise a proportion of the interest rate risk inherent within the Plan's liabilities (the "**matching portfolio**"),
- Invest in a diversified portfolio of assets to achieve an efficient risk / reward trade off with the objective of generating sufficient returns to close the Plan's funding deficit (the "**growth portfolio**"),
- When the funding level has achieved a predetermined level, the Plan will seek to achieve a minimum level of interest rate and inflation hedging,

As at the date of the SIP, the Trustees have instructed the Manager under the IMA to manage the asset allocation in such a way to aim to achieve the Investment Objective taking into account the restrictions set out in the Asset Allocation Table below:

#### Asset Allocation Table

Portfolio Strategy	Permitted Ranges	
	Minimum (%) <sup>1</sup>	Maximum (%) <sup>1</sup>
<b>Growth Strategy</b>	<b>0%</b>	<b>70%</b>
<i>Liquid Assets</i>	<i>0%</i>	<i>70%</i>
<i>Illiquid Assets</i>	<i>0%</i>	<i>12%</i>
<b>Matching Strategy</b>	<b>30%</b>	<b>100%</b>

<sup>1</sup> As a percentage of Total Portfolio assets by market value