Staff Pension and Life Assurance Scheme of the Royal Hospital for Neuro-disability Defined Contribution Section

Statement of Investment Principles – March 2025

# Introduction

The Trustees of the Staff Pension and Life Assurance Scheme of the Royal Hospital for Neuro-disability (the “Trustees” and “Scheme” respectively) have drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 (as amended), and the Occupational Pension Schemes (Investment) Regulations 2005.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments.

The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.

# Governance

The Trustees make the key strategic decisions relating to the Scheme’s investments, and to support the objectives of the Scheme’s investment strategy.

When making decisions, and when appropriate, the Trustees take proper advice.

The Trustees’ investment consultants, Capita Employee Benefits, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide advice.

# Scheme Constitution

The Scheme provides pension benefits on both a Defined Benefit and a Defined Contribution basis. The Defined Contribution (“DC”) Section of the Scheme was introduced for all new entrants after 1 November 2001, following the closure of the Defined Benefit (“DB”) Section to new members, and for all future pension provision following the closure of the DB Section to future accrual on 30 September 2006The DC Section of the Scheme closed to future contributions on 30 September 2019, with all the Hospital's current and future employees joining the Aviva Master Trust. The Trustees received advice on the transfer of the DC Section assets in respect of all contributions up to 30 September 2019 and on 30 July 2020, £20.5m of assets for 1,276 members were transferred from the DC Section of the Scheme to the Aviva Master Trust.

# Investment Objectives

The Trustees recognise that individual members have different investment needs and that these may change during the course of their working lives. They also recognise that members have differing attitudes to risk.

As noted above, in order to provide this the majority of DC member benefits were transferred to the Aviva Master Trust.

At the same time some, during this exercise, through the process of settling some benefits (to either members or beneficiaries) or tracing some legacy members, all remaining members assets were transferred to cash pending settlement. For those members who did not transfer those benefits have continued to be held pending settlement.

The Trustees previously offered members a range of investment options, which they believed were suitable for meeting the ongoing investment objectives of the membership, but remaining assets, pending settlement are held as cash in the Trustee bank account

# Investment Mandates

The Trustees have selected Legal & General Investment Management (“LGIM”) as the appointed investment manager to manage the remaining assets of the Scheme. The investment manager is regulated under the Financial Services and Markets Act 2000.

The Trustees have a rolling contract with their investment manager.

The Trustees monitor the performance of their investment manager on a regular basis.

The Trustees have set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

# Investment Manager Remuneration

The Trustees monitor the remuneration and incentives that are paid to their investment manager, and how it rewards key staff who manage client funds.

As part of the monitoring that the Trustees carry out on a regular basis, they ensure that this policy is in line with their investment strategy.

# Investment Manager Philosophy and Engagement

The Trustees monitor the investment manager’s processes for assessing the businesses it invests in, and whether business performance over the medium to long-term involves appropriate incentives and a holistic look beyond mainly accountancy measures.

The Trustees are conscious of whether the investment manager is incentivised by the agreement with the Trustees to engage with the investee business and to what extent any engagement focuses on improving medium to long-term performance.

# Investment Manager Portfolio Costs

The Trustees monitor costs of buying, selling, lending and borrowing investments and they look to monitor the costs breakdown on a regular basis, as long as the investment manager provides these costs using the Cost Transparency Initiative template. The Trustees will also ensure that, where appropriate, their investment manager monitors the frequency of transactions and portfolio turnover. If there are any targets, then the Trustees will monitor compliance with these targets.

Responsible Investment (including ESG factors) and non-financial matters. The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Scheme’s members. The Trustees believe that environmental, social and governance (“ESG”) considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the Scheme.

The Trustees have elected to invest predominantly in a pooled fund at one appointed manager and it is difficult to, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest (especially where assets are managed passively). However, the Trustees will seek to understand these deeper and as part of this they are keen that their manager is a signatory of the UN Principles of Responsible Investment, which is currently the case.

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees have already spoken to their investment manager and note that their investment manager votes on all their funds and that their manager is also a signatory of the UK Stewardship Code. The Trustees are aware of the limited scope of Stewardship given the limited investments now held.

The Trustees are aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their investment manager.

The Trustees are committed to being a responsible investor in line with its legal duties under the Investment Regulations. Responsible Investment is an approach which seeks to integrate ESG considerations into investment management and ownership practices. In this regard the Trustees are aware of the investment manager’s ESG record, in particular in voting and engagement.

Non-financial matters, including members’ views are not taken into account explicitly.

# Employer-Related Investments

The Trustees’ policy is not to hold any employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

# Fee Structures

The investment manager is paid a management fee on the basis of assets under management.

The investment consultant is paid on a project basis, which may be a fixed fee or based on time cost, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment manager.

Overall fees including portfolio turnover are monitored on an annual basis by the Trustees as part of the annual Chair’s Statement.

# Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy.

Signed on behalf of the Trustees of the Staff Pension and Life Assurance Scheme of the Royal Hospital for

Neuro-disability