Statement of Investment Principles

National Association of Head Teachers Staff Benefits Plan

December 2024

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1. Introduction

1.1. What is the purpose of this Statement of Investment Principles ("SIP")?

This SIP sets out the policy of the Trustees of the National Association of Head Teachers Staff Benefits Plan (the "Trustees") on matters governing decisions about the investments of the National Association of Head Teachers Staff Benefits Plan (the "Plan").

The Plan is a Registered Pension Scheme for the purpose of the Finance Act 2004. The Plan is a Defined Benefit ("DB") with a Defined Contribution ("DC") underpin Plan. The Plan was closed to new members in September 2008 and is open to future accrual.

1.2. What is the legal and statutory background to the SIP?

The SIP is designed to meet the requirements of the Pensions Act 1995 (the "Act") and all subsequent legislation, Regulations and guidance from the Pensions Regulator applying to UK pension plans.

1.3. Who has had input to the SIP?

This SIP has been formulated by Quantum Advisory ("Quantum"), the Plan's investment adviser, after the Trustees obtained and considered written professional advice from the Trustees' investment adviser, and consulted the National Association of Head Teachers (the "Sponsoring Employer") as required by the Act and subsequently by the Regulations. Quantum has the knowledge and experience required under the Regulations to provide professional advice on the management of the Plan's investments.

2. Investment objectives and strategy

2.1. Investment policy

The Plan's assets are held in trust by the Trustees. The investment powers of the Trustees are set out in the Plan's Trust Deed.

The Trustees are aware of the need to invest assets in the best and sole interest of the members and that the powers of investment must be exercised in a manner which supports the security, quality, liquidity and profitability of the Plan as a whole.

The Trustees recognise that the assets of the Plan must consist predominantly of investments admitted to trading on regulated markets and investment in assets which are not admitted to trading on such markets must, in any event, be kept to a prudent level.

2.2. Investment objective

The Trustees, with the help of their advisers and in consultation with the Sponsoring Employer, set the current investment strategy following a consideration of its objectives and other related matters in January 2023.

The Trustees noted the need to invest in a manner which helps ensure that the benefits promised to members are provided. Over the long term, this requires that a rate of return is achieved which supports the long-term funding plan which has been discussed with the Sponsoring Employer. In the short term, it means managing the volatility of assets relative to the value of liabilities, which has bond-like characteristics.

2.3. What is the investment strategy?

The investment strategy uses two key types of assets:

- "Matching assets": which exhibit characteristics similar to those of the Plan's liabilities. Typically, matching assets are low risk fixed income investments and the return from them is similar to the return on UK government bonds (referred to as the 'minimum risk' return);
- "Return seeking assets": which target a rate of return in excess of the minimum risk return. Typically, these are equities or a diversified pool of other non-matching assets which, over the long term, might be expected to deliver 3% to 4% pa above the minimum risk return.

Following the investment strategy review in 2023, a strategic asset allocation was agreed. The strategy aims to deliver an appropriate mix of investments, which support the Plan's investment objectives. Details of this are set out in Appendices 1 and 2.

The assets in respect of the DC underpin are invested in line with the strategy for the main Plan's assets and are not held separately.

The Trustees monitor the performance of the Plan's investments on a bi-annual basis. Written advice is received as required from its investment adviser.

It should be noted that; as part of the selection and review of investment managers for the strategy, the extent to which individual investment managers have in place appropriate policies and practices with respect to Environmental, Social and Governance ("ESG") has been considered. This specifically addresses **financially material considerations** (including, but not limited to, ESG (including climate change)) and **stewardship/voting policies**, and includes assessing screening practices and shareholder engagement, as well as a number of other areas. The Trustees also consider **non-financial factors**, when monitoring and selecting their investments. Further detail on these policies is provided in section 2.5.

2.4. What risks were considered and how are they managed?

In order to achieve their objectives, the Trustees recognised the need to invest in both risky and safer assets. The Trustees identified the following investment risks:

- the risk of a deterioration in the funding level;
- the risk that investment returns in general will not achieve expectations;
- the risk that the investment manager will not achieve the expected rate of return;
- the risk that the value of liabilities will increase due to unknown factors such as increased inflation and/or life expectancy;
- the risk of mis-match between the value of the Plan's assets and liabilities;
- the risk of a shortfall in the liquid assets held by the Plan relative to its immediate liabilities;
- the risk that the performance of any single investment within the Plan's assets may disproportionately affect the ability of the Plan to meet its overall investment objectives;
- the risk of misappropriation, unauthorised use or mis-delivery of the Plan's assets;
- the ways in which risks are to be measured and managed; and
- the risk that ESG factors, including climate change, could adversely impact the value of the Plan's assets if this is not given due consideration and/or is misunderstood.

The Trustees recognise these different types of risk and seek to minimise them as far as possible: by regular monitoring of investment performance; by a deliberate policy of diversification; by taking into account the timing of future payments; and by the pursuit of returns from the fund as a whole which exceed that which is currently believed to be required. The Trustees also recognise that assets held to cover the Plan's technical provisions must be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Plan.

2.5. Financially material considerations, non-financial matters and stewardship policies

2.5.1. Financially material considerations

The Trustees acknowledge the potential impact upon the Plan's investments (both in terms of risk and return) arising from financially material matters. The Trustees define these as including, but not limited to, ESG factors (including climate change).

With specific regard to ESG factors, the Trustees consider how these are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring the existing investment manager. The Trustees have provided the appointed investment manager with full discretion concerning the evaluation of ESG factors. The Trustees also periodically considers publicly available ESG related publications pertaining to the incumbent investment managers.

Where the Plan's investments are implemented on a passive basis, the Trustees acknowledge that this restricts the ability of the managers to take active decisions on whether to hold securities based on the investment manager's consideration of ESG factors. The Trustees do however expect passive managers, where relevant, to utilise their position to engage with companies on these matters.

The Trustees also consider ESG factors when determining future investment strategy decisions. To date, the Trustees have not established any restrictions on the appointed investment managers but may consider this in future.

2.5.2. Stewardship

The Trustees acknowledge the constraints that they face in terms of influencing change due to the size and nature of the Plan's investments. They do, however, acknowledge the need to be responsible stewards and exercise the rights associated with their investments in a responsible manner.

The Trustees consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) reviewing the existing investment manager. The Trustees have provided the appointed investment managers with full discretion concerning the stewardship of their investments.

The Trustees review their investment manager's policies on the exercise of voting rights and monitor their engagement practice and proxy voting activity via their annual reports.

2.5.3. Non-financial matters

The Trustees consider non-financial factors (where members have been forthcoming with their views) when selecting, retaining and realising investments, however the Trustees do not employ a formal policy in relation to this when selecting, retaining and realising investments.

2.6. Fund managers, style and target returns

The funds in which the Plan invests are pooled funds, which the Trustees believe are appropriate given the size and nature of the Plan. Details of the managers, funds and benchmarks used by the Plan can be found in the Appendices. The relationship with each investment manager is open ended and is reviewed on a periodic basis.

3. Additional Voluntary Contributions ("AVCs")

The Trustees have a responsibility to provide a range of investment vehicles suitable for the investment of members' AVCs. The Trustees have had regard to the long-term performance characteristics of various asset classes, in terms of their expected returns and the variability of those returns and in deciding on the range of funds to make available to members.

In deciding upon the funds to offer, the Trustees considered:

- the need to offer a diverse range of asset classes; and
- the risk and rewards of different asset classes.

The Plan's AVC assets are held with L&G Life Dynamic Diversified fund via the Mobius Life Investment platform. Details of the managers and funds are set out in Appendix 3.

The Trustees keep the appointment of all investment managers under review and will seek to replace any managers, or funds, which no longer remain appropriate to implement the Plan's investment strategy.

The relationship with each investment manager is open ended and is reviewed on a periodic basis.

At the time of signing this Statement, the Trustee's appointed Quantum Advisory to provide advice on the Plan's AVC holdings.

4. Appointment of investment managers

4.1. How many investment managers are there?

Details of the appointed investment managers, together with fund objectives and characteristics are outlined in Appendices 1 & 2 of this SIP.

The Plan accesses its investment funds through an implementation solution with Mobius Life Limited (“Mobius Life”). Further information on this can be found in section 5.

4.2. What formal agreements are there with the investment managers?

The Trustees select investment managers and funds which are appropriate to implement the investment strategy.

The Trustees have signed a policy document/agreement as appropriate with Mobius Life for the Plan and the AVC section.

The Trustees keep the appointment of all investment managers under review and will seek to replace any managers, or funds, which no longer remain appropriate to implement the Plan’s investment strategy. The relationship with each investment manager is open ended and is reviewed on a periodic basis.

4.3. What are the investment managers’ responsibilities?

The investment managers are responsible for the day-to-day management of the investments and is responsible for appointing custodians, if required.

The managers are authorised under the Financial Services and Markets Act 2000 to carry out such activities.

Any performance requirements for the investment managers are detailed in Appendix 2.

4.4. Custodians and administrators

The Plan’s investments are through pooled investment vehicles. Therefore, there is no need for the Trustees to formally appoint a custodian as the investment comprises units held in listed investment vehicles rather than the underlying stocks and shares.

With respect to funds held via Mobius Life, custody of the assets is held under the Mobius Life name.

5. Implementation solution

5.1. Implementation solution

An implementation solution is a service that enables pension plans to buy, sell and hold their investments all in one place. This allows greater flexibility and efficiency when switching investments as the Plan strategy changes or fund managers have to be replaced.

The centralisation of funds also allows consolidated reporting to be obtained more easily and more regularly, assisting in ensuring that an investment strategy and associated flight path can be effectively tracked and monitored. All of these features allow pension plans greater administrative efficiency, enhanced ease of strategy implementation, potential for access to wider fund universe, and potential fee reductions through economies of scale.

5.2. Accessing an implementation solution

The Plan has entered into a unit linked life policy through a Trustee Investment Policy ("TIP") for the main Plan. The policy's value is linked to the underlying investments, which Mobius Life, has been directed to purchase. Mobius Life is responsible for investing into the underlying funds and takes responsibility for the relationship with the underlying fund managers. This includes transactions, reporting and governance. This differs from a traditional relationship that a pension plan would have had with their fund managers where they would have invested directly with these managers and maintained a number of these individual relationships.

5.3. Safe guarding and protection of Mobius Life assets

There are a number of regulatory layers of protection in relation to the Plan's assets with Mobius Life. The key points to note are set out below.

- The Plan's assets are held in a Pooled Life Fund, which is held separately to Mobius Life's shareholder and other Company assets.
- Submissions are made to the Prudential Regulation Authority and Financial Conduct Authority on a regular basis, which require the Mobius Life Board and an independent qualified actuary, the Actuarial Function Holder, to monitor the solvency of the Mobius Life business in relation to regulatory capital requirements. Mobius Life have appointed an independent qualified actuary to carry out this function, and any regulatory capital calculations are audited by the independent auditors.
- Mobius Life undertakes an annual Own Risk and Solvency Assessment (ORSA) together with the Actuarial Function Holder, as part of regulatory requirements of running an insurance company.

In Mobius Life's Security of Assets document, they state that Mobius Life is a regulated life insurance company, the Plan has access to the Financial Services Compensation Scheme ("FSCS") in the event of Mobius Life becoming either insolvent or liquidated. The level of cover provided by the FSCS is currently 100% of the policy value when investing in insurance policies, with no upper limit, if Mobius Life defaults.

6. Other matters

6.1. What is the Trustees' policy on the realisation of investments?

The investment managers have discretion over the timing of realisation of investments within the pooled vehicles held by the Plan and in considerations relating to the liquidity of investments.

Under the circumstances where the Plan experiences negative cash flow, the Trustees and their advisers will decide on the amount of cash required for benefit payments and other outgoings and will inform the investment managers of any liquidity requirements.

In the absence of any strong conviction concerning the future movement of markets, assets will be disinvested to rebalance the Plan's assets taking into account the asset allocation outlined in Appendix 1; and the costs and risks associated with any rebalancing.

With regards to the AVCs, the assets are either invested in line with the default strategy or in accordance with member requests.

The assets are held in pooled funds, most of which can be realised easily if the Trustees so require.

6.2. How are various parties who are involved in the investment of the Plan's assets remunerated?

Quantum is remunerated on a fixed fee or time-cost fee basis, with budgets agreed for projects where possible. Quantum does not receive commission.

The DB and AVC Sections of the Plan invest in pooled funds. The Trustees note that the investment strategy and decisions of the fund managers cannot be tailored to the Trustees' policies and the managers are not remunerated directly on this basis. However, the Trustees, with the help of Quantum, set the investment strategy for the Plan and select appropriate managers and funds to implement the strategy.

The Trustees do not directly incentivise the investment managers to engage with the issuers of debt or equity to improve their performance. The Trustees do, however, expect the investment managers to participate in such activities as appropriate and necessary to meet the investment objectives of the respective fund. The funds utilised typically include an objective that is expected to result in a positive return over the medium-to-longer term and, as such, the investment managers engagement with the issuers of debt or equity is expected to be undertaken so as to target medium-to-long term value creation.

The Trustees consider the fees and charges associated with each investment before investing.

The investment managers are remunerated on a fee that is calculated as a fixed percentage of the total Plan funds they hold under management. This structure has been chosen to align the fund managers' interests with those of the Plan. In addition, the fund managers pay commissions to third parties on many trades they undertake in the management of the assets.

The Trustees can seek to obtain annual statements from the investment managers setting out all the costs of the investment of the Plan.

Mobius Life are remunerated on an ad valorem fee basis, which is calculated as a fixed percentage of the total value of the Plan's funds they hold under management. This structure has been chosen to align the implementation solution's interests with those of the Plan.

6.3. Direct investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly. The latter are known as direct investments.

The Trustees' policy is to review its direct investments (if any) and to obtain written advice about them at regular intervals. When deciding whether to make any new direct investments or terminate any direct investments, the Trustees will obtain written advice from the Plan's investment adviser. If the Trustees believe that an investment is no longer suitable for the Plan, they will withdraw the assets from the arrangement deemed to be unsuitable and select a suitable alternative.

The written advice will consider suitability of the investments, the need for diversification and the principles contained in this SIP. The adviser will have the knowledge and experience required under Section 36(6) of the Pensions Act to provide this advice.

6.4. Do the Trustees take any investment decisions themselves?

The Trustees are responsible for the investment of the Plan's assets. The Trustees take some decisions themselves and delegate others.

When deciding which decisions to take, and which to delegate, the Trustees take into account whether it has the appropriate training and expertise in order to make an informed decision.

The Trustees have established the following decision-making structure:

Trustees

- Set structures and processes for carrying out its role.
- Agree structure for implementing investment strategy.
- Select and monitor planned asset allocation.
- Select and monitor investment advisers and fund managers.
- Select and monitor direct investments.
- Prepare and maintain the Statement of Investment Principles.
- Report on compliance with this Statement.

Investment adviser

- Advise on all aspects of the investment of the Plan's assets, including implementation.
- Advise on this Statement.
- Provide required training.

Investment (or fund) managers

- Select individual investments with regards to their suitability and diversification for the individual pooled vehicles.
- Ensure the suitability of the chosen benchmark for the respective investment vehicle.

6.5. Conflicts of interest

The Trustees consider any potential and actual conflicts of interest (subject to reasonable levels of materiality) at the start of each Trustees' meeting and document these in the minutes.

6.6. Capital structure of investee companies

The responsibility for monitoring the capital structure of investee companies (including any relevant developments) is delegated to the investment managers. Investment managers are expected to partake in a sufficient level of monitoring and action that is appropriate to the nature of the mandate.

7. Review

7.1. How often are investments reviewed?

Strategy reviews are undertaken periodically. Typically, these occur in conjunction with triennial actuarial valuations of the Plan; but more frequent reviews can occur in light of a material change of circumstances. Any change in investment strategy may necessitate a change in investment managers, regardless of the underlying performance of the funds.

Investment return experience and the performance of individual funds is reviewed with assistance from Quantum as required.

7.2. How do the Trustees monitor portfolio turnover and costs?

The Trustees have delegated the selection of holdings to the appointed investment managers. The Investment Consultant reviews the portfolio turnover and the associated costs of all funds on behalf of the Trustees at least on an annual basis. The Trustees receive an annual report from the investment managers setting out portfolio turnover and the associated costs.

The Trustees have not set a specific portfolio turnover target for each investment manager and recognise that portfolio turnover and costs may vary with market conditions. Each manager has ultimate responsibility for the underlying holdings within their funds and they are expected to change these underlying holdings to the extent required to achieve their investment objectives.

On behalf of the Trustees, the Investment Consultant will compare the annual turnover and associated costs for each fund with previous years to ensure each investment manager's process and philosophy remain consistent.

7.3. How often is this SIP reviewed?

The Trustees will review this SIP at least every three years and without delay after any significant change in investment policy. Any change to this SIP will only be made after: (i) having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in, and practical experience of, financial matters, and to have the appropriate knowledge and experience of the management of pension plan investments; and (ii) consulting the Sponsoring Employer.

Signed by:
Orla Davy-Shields
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Signature

Orla Davy-Shields
Name

For and on behalf of the Trustees of the National Association of Head Teachers Staff Benefits Plan

Appendix 1 – Asset Allocation

The following table shows the agreed long-term strategic asset allocation for the Plan. At the date of signing this Statement the Trustees were in the process of implementing the investment strategy.

Once the long-term investment strategy is implemented, if the allocation to any asset class moves outside the tolerance ranges detailed below, the Trustees will, with the help of its investment adviser, consider undertaking the necessary switches to bring the relevant funds back to the central benchmark.

Asset class	Manager	Fund	Asset allocation (%)
Return seeking assets			**5.0**
Diversified Growth	LGIM[1]	Dynamic Diversified Fund	5.0
Matching assets			**95.0**
Gilts	LGIM	Over 15 Year Gilts Index Fund	15.4
Gilts	LGIM	5 to 15 Year Gilt Index Fund	3.5
Index-Linked Gilts	LGIM	Over 5 Year Index-Linked Gilts Index Fund	31.0
Corporate Bonds	LGIM	LGIM Investment Grade Corporate Bond – Over 15 Year	20.0
Corporate Bonds	LGIM	LGIM Maturing Buy and Maintain Credit 2020-2024	16.6
Corporate Bonds	LGIM	LGIM Maturing Buy and Maintain Credit 2025-2029	
Cash	LGIM	LGIM Sterling Liquidity	8.5
Total			**100.0**

Appendix 2 – Managers & funds

The table below shows the benchmarks and outperformance targets for each fund the Plan is invested in.

Asset class	Fund	Benchmark	Objective / Outperformance target	Annual Management Charge[1]	Date of appointment
Return seeking assets					
Diversified Growth	LGIM Dynamic Diversified Fund	Bank of England Base Rate	The investment objective of the fund is to provide long-term investment growth through dynamic exposure to a diversified range of asset classes. The long-term expected annualised rate of return for this fund is the Bank of England Base Rate +4.5% per annum, over a full market cycle.	0.40%	August 2021
Matching assets					
Gilts	LGIM Over 15 Year Gilts Index Fund	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	The investment objective of the fund is to track the performance of the benchmark to within +/-0.25% p.a. for two years out of three.	0.09%	August 2021
Gilts	LGIM 5 to 15 Year Gilt Index Fund	FTSE Actuaries UK Gilts 5-15 Years Index	The investment objective of the fund is to track the performance of the FTSE Actuaries UK Conventional Gilts 5-15 Years Index to within +/-0.25% p.a. for two years out of three.	0.09%	February 2023
Index-Linked Gilts	LGIM Over 5 Year Index-Linked Gilts Index Fund	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index	The investment objective of the fund is to track the performance of the benchmark to within +/-0.25% p.a. for two years out of three.	0.09%	August 2021
Corporate Bonds	LGIM Investment Grade Corporate Bond – Over 15 Year	Markit iBoxx GBP Non-Gilts Over 15 Years Index	The investment objective of the fund is to track the performance of the Markit iBoxx £ Non-Gilts Over 15 Years Index to within +/-0.5% p.a. for two years out of three.	0.11%	March 2024
Corporate Bonds	LGIM Maturing Buy and Maintain Credit 2020-2024	No benchmark	The fund aims to provide investors with credit risk exposure through investing principally in a globally diversified portfolio of non-government bonds and avoiding investment in bonds which in the opinion of the Investment Manager are likely to default or experience a significant deterioration in credit quality.	0.225%	March 2024
Corporate Bonds	LGIM Maturing Buy and Maintain Credit 2025-2029	No benchmark	The fund aims to provide investors with credit risk exposure through investing principally in a globally diversified portfolio of non-government bonds and avoiding investment in bonds which in the opinion of the Investment Manager are likely to default or experience a significant deterioration in credit quality.	0.225%	March 2024
Cash	LGIM Sterling Liquidity	SONIA	The fund aims to offer access to liquidity whilst providing capital stability. The investment objective of the fund is to provide diversified exposure and a competitive return in relation to SONIA (Sterling Overnight Index Average). Performance may be	0.10%	March 2024

			shown relative to this rate, but the fund does not specifically target this performance objective.		

This excludes assets temporarily held as cash and in the Trustees' bank account.[1]Annual management charge includes the fee to hold the respective fund on the Mobius Platform.

Appendix 3 – AVCs

The following table shows details of the managers, funds and investment objectives of the Plan's AVC investments.

Asset class	Fund	Benchmark / Target	Objective / Outperformance target	Annual Management Charge[1]	Date of appointment*
Diversified Growth	LGIM Dynamic Diversified Fund	Bank of England Base Rate	The investment objective of the fund is to provide long-term investment growth through dynamic exposure to a diversified range of asset classes. The long-term expected annualised rate of return for this fund is the Bank of England Base Rate +4.5% per annum, over a full market cycle.	0.40%	September 2021

This excludes assets temporarily held as cash and in the Trustees' bank account. [1]Annual management charge includes the fee to hold the respective fund on the Mobius Platform.