SAUL start
Your retirement savings

SAUL

Statement of Investment Principles – DC Section

The Trustee's policy on investment matters

April 2023

Superannuation Arrangements of the University of London

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SAUL's Vision Statement

Putting Members at the heart of all we do

1 – Introduction

1.1 About SAUL

The Superannuation Arrangements of the University of London (SAUL or "the Scheme") was set up in 1976 mainly for the non-academic staff of c.50 colleges and institutions that have links with higher education, including most of the colleges of the University of London, Imperial College and the Universities of Essex and Kent.

From 1 April 2023, SAUL established a Defined Contribution ("DC") Section for the first three years of SAUL membership, before Members are moved to the Defined Benefit ("DB") Section (unless they elect otherwise). The DB Section provides defined benefits on a Career Average Revalued Earnings (CARE) basis.

This Statement of Investment Principles (SIP) relates solely to the DC Section of the Scheme.

1.2 About the Trustee (or the "Board")

Twelve Directors make up the Board of the SAUL Trustee Company (STC), which is the Trustee of SAUL, and runs both the DC Section and DB Section. The Trustee is responsible for the investment of SAUL's assets and setting the investment objectives for both the DC and DB Sections. Its investment powers are set out within the Scheme's governing documentation and relevant legislation.

1.3 About the STC Executive Management Team (EMT)

The EMT supports the Trustee and leads the teams responsible for the following services to the DC Section:

- scheme secretarial,
- technical,
- communications (Employer and Member),
- oversight of outsourced member administration services,
- financial accounting and treasury, and
- investment monitoring.

1.4 About this SIP

The Trustee is required to produce a formal SIP for the DC Section of the Scheme in accordance with the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005. In preparing this Statement, the Trustee has taken proper written advice and has consulted with the Employers and Unions.

This SIP sets out what the Trustee aims to achieve with the investment options provided to Members and has an effective date of 1 April 2023.

2 – Governance

2.1 Oversight

The Trustee delegates the setting and managing of the investment strategy for the DC Section to its Investment Committee (IC), which also monitors the Default Fund and Self-Select Funds investment options to ensure they are meeting expectations.

Alongside its external advisers, the Trustee also employs a Chief Investment Officer (CIO) to monitor the investments and investment managers of the DC Section and to work with the advisers to provide further support and guidance to the Trustee on investment matters.

2.2 Decision Making

The Trustee considers the Pension Regulator's DC Code of Practice when making investment decisions with regards to the DC Section.

2.3 Knowledge and Understanding

The Trustee ensures that it receives regular training on DC matters to ensure that it can discharge its responsibilities, with a formal training plan agreed for all Board and Committee members. Records of any training undertaken are recorded and maintained by the Company Secretary.

3 – Investment Objectives

The Trustee's overall investment objective is to provide investment strategies to help Members achieve good outcomes at retirement by enabling them to grow their pension savings (after Member charges) over the longer term, and to manage risks appropriately.

The Default Fund, described below, is expected to meet this objective. Furthermore, the Trustee believes that the Self-Select Funds offered as an alternative to the Default Fund enable members to choose their own portfolio of funds, which together would allow them to achieve the same overall objective.

In considering the range of investment options, the Trustee considers the profile of potential membership including the expected range of Members' attitudes to risk, term to retirement and the choices Members might make at the point of retirement. Furthermore, the Trustee has taken advice to ensure that the Default Fund and Self-Select Funds are suitable (and these will be reviewed at least every three years).

4 – Default Fund

4.1 Rationale for the Default Fund

The Trustee has agreed a single Default Fund. In determining the investment arrangements for the Default Fund, the Trustee has considered the following matters, which are intended to ensure that assets are invested in the best interests of the majority of Members:

- The profile of potential membership and the choices Members might make at the point of retirement to access their DC Section benefit;

- The Trustee's DC Investment Beliefs which can be found on our website: https://www.legalandgeneral.com/workplace/s/saul/helpful-resources/document-library-page/.

- The need for appropriate diversification to ensure that the overall level of investment risk and the balance of individual asset risks are appropriate;

- The requirement to use funds that offer daily dealing to enable efficient implementation of the Default Fund;

- Environmental, Social and Governance (ESG) aspects which the Trustee considers financially material over the period until a Member's retirement, or any other timeframe that the Trustee believes to be appropriate.

4.2 Objectives for the Default Fund

The objectives for the Default Fund are to provide a suitable investment strategy for the majority of Members and good outcomes at retirement. In order to achieve these, the Default Fund will invest in growth assets for the majority of a Member's investment horizon, with switches into money market investments (in stages) as the Member approaches their retirement age.

4.3 About the Default Fund

The Default Fund is comprised of two underlying funds selected by the Trustee as detailed in the table below:

Fund Name	Investment Approach
Growth Fund:	• Designed to generate a real return (above inflation) over the long-term using a diversified range of asset classes, while also integrating ESG considerations into the investment process.
Money Market Fund:	• Designed to protect the capital value of the investment and achieve a return in-line with short-term money market interest rates. It uses a diversified mix of cash deposits, short-term debt and money-market instruments across governments, high quality banks and companies.

The investment mix of the Default Fund will begin to switch out of the Growth Fund and into the Money Market Fund when a Member is 5 years from their retirement age, targeting an investment mix of 20% in the Growth Fund and 80% in the Money Market Fund at their retirement age.

The Default Fund will be formally reviewed by the Trustee at least every three years or without delay following any significant change in investment policy or the demographic profile of the DC Section's Members.

The Trustee's policies in relation to the Default Fund in respect of the matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended, are those set out elsewhere in this document.

4.4 Expected Return of the Default Fund

The expected return for the Default Fund is to achieve a real return above inflation. This will be achieved by holding investments predominantly in the Growth Fund and switching to the Money Market Fund as Members approach retirement, in order to reduce volatility and protect the capital value.

4.5 Costs of the Default Fund

The investment and administration charges for the Default Fund are borne by Members.

5 – Self-Select Funds

5.1 Rationale for the Self-Select Funds

The Trustee recognises that some Members may wish to make their own investment choices as attitudes to investment risk and the need for investment returns will vary from Member to Member. Furthermore, some Members may wish to be more closely involved in how their contributions are invested.

5.2 Objective for the Self-Select Funds

The Trustee's objective for the Self-Select Funds is to provide a Member with an appropriate mix of funds that complement the objectives of the Default Fund. The Self-Select Funds also provide an option for those Members wishing to express Shariah related investment choices.

5.3 About the Self-Select Funds

The details of the funds selected by the Trustee for the Self-Select Funds are shown in the table below:

Fund Name	Comment
Global Equity Fund:	• Designed to generate a real return (above inflation) over the long-term using shares in companies around the world. It invests in a mixture of developed market equities and emerging markets equities, while also integrating ESG considerations into the investment process.
Growth Fund:	• Designed to generate a real return (above inflation) over the long-term using a diversified range of asset classes, while also integrating ESG considerations into the investment process.
Money Market Fund:	• Designed to protect the capital value of the investment and achieve a return in line with short-term money market interest rates. It uses a diversified mix of cash deposits, short-term debt and money-market instruments across governments, high quality banks and companies.
Shariah Fund:	• Designed to generate a real return (above inflation) over the long-term using shares in companies from around the world and is compliant with Islamic Shariah principles.

The Self-Select Funds will be reviewed by the Trustee at least every three years.

5.4 Costs of the Self-Select Funds

The investment and administration charges for the Self-Select Funds are borne by Members.

6 – Relationship with Investment Managers

6.1 Introduction

The DC Section invests in pooled funds accessed via an investment platform, within the Legal & General WorkSave Pension Trust. The Default Fund and Self-Select Funds offered to Members of the DC Section are provided through a unit-linked policy of assurance issued by Legal & General Assurance (Pensions Management) Limited (Legal & General).

The Trustee has delegated the day-to-day management of the assets to Legal & General, to invest with one or more investment managers via insurance contracts or investment management agreements. The Trustee has taken steps to satisfy itself that the investment managers have the appropriate knowledge and experience to manage the investments. The investment platform provider and investment managers are regularly monitored by the CIO to ensure they are carrying out their work in line with the Trustee’s expectations.

6.2 Investment Manager Arrangements

There is typically no set duration for the arrangement with the Legal & General WorkSave Pension Trust or the appointment of investment managers, although their continued appointments will be reviewed periodically, and at least every three years; and they can be replaced at any time by the Trustee.

The Trustee recognises that in the context of a pooled investment arrangement with potentially conflicting policies of other investors, managers may not be able to fully align their strategy and decisions to the Trustee's policies.

6.3 Investment Manager Charges and Time Horizon

The investment managers are paid a Fund Management Charge calculated as a percentage of the value of DC Section Member Accounts. These charges are reviewed periodically to ensure they remain appropriate and aligned with good Member outcomes, with the fees paid benchmarked against industry standards.

In accordance with the Regulations, the Trustee conducts an annual Value for Members assessment and will act should the provider be found to be giving poor value. In addition, in accordance with guidance from the Pensions Regulator, the Trustee will periodically review the Scheme's choice of provider to ensure their charges and services remain competitive.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of each fund. The Trustee will, having regard to an appropriate time horizon for the DC Section's investments, regularly review and monitor the alignment of the managers with the Trustee's policies.

6.4 Security of Assets

The investment options offered to Members of the DC Section are provided by Legal and General Assurance Society (LGAS) through a WorkSave Pension Trust insurance policy which is re-insured through Legal & General Assurance (Pensions Management) Limited (PMC). The Trustee holds units in this policy for the DC Section, the values of which are linked to the changes in value of the underlying securities.

The Trustee has considered in detail the financial strength of both LGAS and PMC. The Trustee has also reviewed the structure of the funds chosen. The Trustee is comfortable that the structure is appropriate when compared with other options available in the market and it will monitor the financial position of LGAS and PMC at least annually.

6.5 Realisation of Investments

The Trustee expects that the investment managers will normally be able to sell the funds within a reasonable timescale. There may, however, be occasions where the investment manager needs to impose restrictions on the timing of sales and purchases of funds during some market conditions to protect the interests of all investors in that fund.

Nevertheless, the Trustee recognises that most Members' DC Accounts have a long investment timeframe and can be managed to deliver good long-term returns while avoiding the impact of liquidity issues at retirement. The Funds are intended to be sufficiently liquid to offer daily dealing to enable members to readily realise and change their investments.

6.6 Portfolio Turnover and Costs

The level of turnover and the transaction costs resulting from it can have a detrimental impact to Members' investment outcomes over the long-term. As a result, monitoring of transaction costs and turnover is carried out at least annually.

6.7 Investment Manager Review

The investment managers are expected to provide explanations for any significant divergence from a fund's objectives. A material deviation from performance and risk targets, or approach to portfolio management, is likely to result in the fund being formally reviewed.

7 – Monitoring

The Trustee monitors the appropriateness and performance of the Default Fund and Self-Select Funds in the DC Section on a regular basis.

7.1 Default Fund

The Trustee, with the assistance of its investment adviser, undertakes an in-depth review of the Default Fund at least every three years. The review will include, amongst other factors, an assessment of the Default Fund against its objectives by considering the projected retirement outcomes that members could expect. Other factors considered include, but are not limited to, whether the Default Fund continues to provide good member outcomes, and whether alternative products are available in the wider market that might suit Members better.

7.2 Self-Select Funds

The Trustee, with the assistance of its investment adviser, undertakes an in-depth review of the Self-Select Funds at least every three years. The review will include, amongst other factors, an assessment of the suitability of the range of funds offered against the objective of the Self-Select Funds and whether the individual funds chosen continue to be appropriate.

7.3 Investment manager(s)

Investment performance and continued appropriateness of all funds is monitored and evaluated at least quarterly. At least annually, the Trustee monitors the investment manager(s) against a series of metrics:

- Performance of the funds against their respective benchmarks and peer groups (where appropriate);

- The exercise of voting rights and engagement with the management of portfolio companies;
- Level of portfolio turnover and transaction costs;
- Client service; and
- Overall value for Members.

7.4 Master Trust Supervision

As an authorised master trust, the DC Section is under the supervisory regime of the Pensions Regulator (tPR). The Trustee provides regular reporting to tPR, including an annual supervisory return, with information about the Trustee's monitoring of the DC Section's investments, in order to continue to maintain its status as an authorised master trust.

8 – Risks

8.1 Risk Identification

The Default Fund and Self-Select Funds made available to Members have been chosen with regards to consideration of the following risks.

Principal Investment Risks:

i. **Inflation Risk** - investment returns over Members' working lives may not keep pace with inflation and, as a result, do not produce adequate retirement benefits.

ii. **Benefit Conversion Risk** - investment conditions just prior to retirement may increase the cost of turning Members' fund values into retirement benefits.

iii. **Volatility / Market Risk** - shifts in market sentiment (for example, in response to economic news or geopolitical events) or momentum in general market trading can lead to widespread changes and/or volatility in asset values over the short-term which could impact fund values prior to retirement and lead to a reduction in retirement benefits.

Other Investment Risks:

iv. **Currency Risk** - changes in exchange rates will impact the values of investments outside the UK when they are being bought or sold.

v. **Liquidity Risk** - funds which invest in assets which cannot be easily bought or sold (such as property) may at times not be able to accept new investments or disinvestments of existing holdings.

vi. **Counterparty Risk** - the risk that another party in a transaction doesn't fulfil its part of the deal which could lead to losses.

vii. **Active Management Risk** - where a fund manager is choosing the securities to hold in search of outperformance, they may instead underperform the fund's objective (and/or investment markets generally).

viii. **ESG Risks** - the risks resulting from not fully integrating sustainability and environmental, social and governance related factors within the investment decision making framework.

ix. **Climate Risk** - the extent to which climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

x. **Legislative/Regulatory Risks** - changes in government policy or taxation may have a long-term positive or negative impact on certain sectors of a country's economy or one country relative to its neighbours over the medium to longer-term. Changes in Regulations can also affect the operational costs, tax efficiency and security of one investment vehicle relative to other vehicles over the shorter-term.

xi. **Concentration Risk** - failure to diversify increases the risk of losing money if one particular investment does not perform as expected.

8.2 Risk Management

Risks are managed (but not eliminated) through a variety of methods, including:

i. Investing in equities and other growth orientated assets which are expected to produce returns well in excess of inflation over the longer term;

ii. For those Members approaching retirement, using a lifestyle approach to de-risk their investments by gradually investing in cash deposits and other short-term interest-bearing investments to provide a high degree of (but not complete) capital security;

iii. Funds investing in bonds, or a mix of assets or investment techniques intended to manage short-term risks may be expected to be subject to lower levels of short-term fluctuations in values; and

iv. Investing with investment managers that demonstrate robust integration of ESG considerations, including climate change. This also extends to engagement to encourage companies to recognise, monitor and manage ESG and climate change risks.

8.3 Risk Monitoring

In order to ensure robust monitoring of the above risks, the IC regularly reviews its Investment Risk Log for the DC Section and escalates issues to the Board as it deems necessary.

9 – Sustainability and Environmental, Social and Governance Issues

9.1 Introduction

The Trustee believes that integrating sustainability and ESG considerations that incorporate a range of factors within investment decision making, can protect and enhance the value of Members' investments over the long-term. These risk factors include a company's strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance. This also extends to climate change risk management, where companies should be able to demonstrate sufficient knowledge at board level to understand the risks (and opportunities) of climate change, along with the impact of any climate-specific pledges they publicise. Therefore, the Trustee requires the investment managers to integrate these considerations into their investment decision-making processes.

SAUL has been a signatory to the UN-backed Principles for Responsible Investment (PRI) since 2013 and reviews periodically membership of other organisations or industry initiatives to help meet our ESG goals, promote best practice and encourage positive change.

Further details of the Trustee's approach to ESG matters and climate change risk management can be found in SAUL's Responsible Investment Policy (DC Section) which can be found on our website: https://www.legalandgeneral.com/workplace/s/saul/helpful-resources/document-library-page/.

9.2 Voting Approach

The Trustee recognises the important role that voting plays in the stewardship of assets and has delegated responsibility for the this to the investment managers. As a result, the Trustee has reviewed the voting approach of the managers and is content that they meet its requirements. The investment managers report on voting activity to the Trustee at least annually.

9.3 Engagement Approach (Investment Managers)

The Trustee invests in multiple companies across the globe through a number of asset classes and recognises that it has a fiduciary duty, through engagement, to ensure that these companies have adequate corporate governance mechanisms for the benefit of SAUL's Members. Engagement also provides a forum to tackle ESG issues, all of which contribute to long-term sustainability and value creation. Engagement is also an important relationship building tool and ensures better understanding of the rationale of management regarding business risks, opportunities and strategy.

In order to ensure that effective company engagement takes place, the Trustee delegates most of its engagement activities to the investment managers. As a result, the Trustee has reviewed the engagement approaches of the investment managers and is content that they meet its requirements. The investment managers report on engagement activities to the Trustee at least annually.

9.4 Engagement Approach (the Trustee)

The Trustee recognises that, given resource constraints, there are limits to the influence that it can achieve on its own and so SAUL will focus mainly on collaborative engagements with other interested parties, and will continue to review the merits of these on a case-by-case basis.

9.5 Climate Change

Although the Trustee has a focus on integrating broad ESG considerations within the Default Fund and Self-Select Funds, the Trustee views climate change as one of the most significant risks over the long-term. Given this view, the Trustee has (where possible) chosen investment managers who have clearly articulated policies for managing financially material considerations including climate change.

9.6 Approach to Exclusions

The Trustee has agreed to accept the exclusion of certain securities from the Default Fund and Self-Select Funds owing to the financial risks of such investments. This has been implemented through making investments in pooled funds for which the investment manager has policies and procedures in place to restrict investments in securities of companies that may be, for example not aligned to a net zero pathway, involved in the manufacture and production of controversial weapons or perennial violators of the United Nations Global Compact (UNGC), an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies.

In offering the range of investment options, the Trustee has satisfied itself that the managers' approach to exclusions will not have a detrimental effect on the long-term performance of the investment options when compared to the range of funds that do not implement these exclusions.

The Trustee will review the managers' approaches to these exclusions at least annually.

9.7 Members' views and non-financial matters

The Trustee requires the managers to integrate ESG considerations into their investment decision-making processes. However, the Trustee does not take in to account any non-financial matters (ie matters relating to the ethical and other views of Members, rather than considerations of financial risk and return) in setting the strategy for the Default Fund.

The Trustee recognises that some Members may wish to invest specifically in a Shariah compliant fund and offers a Self-Select Fund to achieve this.

10 – Conflicts of Interest

SAUL has a robust conflicts of interest policy in relation to the Directors and external members appointed to various internal Boards and Committees, and members of the Executive Team and STC Investment Team. The Company Secretary maintains a comprehensive register of declared interests and conflicts which is updated formally on an annual basis.

SAUL requires that its investment managers and other investment service providers disclose any changes to their conflicts of interest policies and any conflicts that fall outside their policies at least annually. These are reviewed by the CIO with any issues being escalated to the IC for further action.

11 – Reporting Against this Statement

In addition to the preparation and publication of this Statement, the Trustee arranges for the publication of:

- The audited Annual Report and Accounts for the Scheme;

- The Annual Governance Statement by the Chair of Trustee describing the DC Section's investment costs, value for Members and governance during the previous year;

- An annual Implementation Statement describing how the policies and practices described in this Statement have been followed during the previous year;

- An annual Task Force on Climate-related Financial Disclosures (TCFD) report describing the management and reporting of climate change risks;

The Trustee also provides an annual supervisory return to the Pensions Regulator for the continued master trust authorisation of the DC Section.

12 – Review of this Statement

The Trustee will review this Statement at least every three years or more frequently in response to any material changes to any investment aspects of the DC Section.

In accordance with its statutory obligations, the Trustee takes written investment advice and will consult the Employers who sponsor the Scheme as part of that review process should changes to this statement be proposed.

If you would like more information about the DC Section, please write to:

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