

## *Statement of Investment Governance*

**For approval by: Pension Trustees at their meeting held on 27<sup>th</sup> January 2022**

**Date due for Review: Not later than 27<sup>th</sup> January 2025**

### **Introduction:**

The purpose of this document is to outline the governance process whereby the investment objectives and strategy of the Scheme are decided and implemented. This Statement of Investment Governance will be reviewed every three years or sooner if deemed appropriate. The key components of the objectives and strategy will be incorporated into any critical review or market review that the Trustees undertake.

In framing the policy the Trustees will take account of:

- a) The membership of the scheme and the needs of different members.
- b) The nature of the Scheme as a defined contribution scheme.
- c) The key role that the default strategy will take.
- d) The need to offer the Scheme members a range of suitable funds with different attitudes to risk.
- e) The need to ensure ongoing oversight and review of the investment managers and funds.
- f) The investment managers credentials regarding sustainable investment.
- g) The need to engage with members and to assist them in understanding investment funds, attitude to risk, investment volatility and the charges that apply to the different fund choices.

### **Scheme Members:**

With over 5,000 members spread across 24 participating employers, it is recognised that there will be a wide range of members at different stages of their pension journey, different size funds being accumulated and different attitudes to and knowledge of risk. In framing the investment objectives and strategy, the need to provide a range of funds covering most of the different risk categories (European Securities and Markets Authority (ESMA) risk rating of 1-7 or similar) will be considered and in particular, the default investment strategy where the majority of members pension funds will be invested.

### **Defined Contribution Scheme:**

As the Scheme operates on a defined contribution basis, investment performance will have a direct bearing on the eventual fund that each member will have accumulated by their retirement date. In recognition of this, the Trustees' objective is to offer members a range of funds with different risk ratings, which in turn will allow members who want to make an investment choice option to reflect their own attitude to risk. The Trustees will ensure that for each of the funds offered, the information in relation to the fund will be clearly understood by members in terms of:

- a) The objective of the fund.
- b) Its risk rating.
- c) Its target rate of return.
- d) Its Environmental, Social & Governance (ESG) designation.
- e) The Annual Management Charge (AMC).
- f) The Total Expense Ratio (TER).

**Default Strategy:**

The Trustees acknowledge that a significant majority of members will be invested in the default strategy, with over 95% of members so invested at the end of 2021. While the Trustees will continue to offer a range of funds to members and will strive through member engagement to make members aware of the choices that are available, the main objective will be to ensure that the default strategy meets the requirements of the Scheme members.

Because of the difficulty in engaging with members as they approach retirement to ensure that they are invested in funds that will match their likely benefits at retirement, a key objective of the Trustees is to adopt, where possible, a default strategy that will automatically switch members into funds that will match the way the member is likely to draw their benefits at retirement. This objective will be supported by a pro-active member engagement programme to ensure that the investment fund / benefit matching process is suitable for each member.

The suitability of the default strategy will be a key metric in assessing investment managers as part of the three-year critical review and any market review / RFP that is undertaken by the Trustees. The suitability of the default strategy and the automatic fund / benefit matching process was a key factor in the selection of Irish Life's Empower Personal Lifestyle Strategy as the default strategy for the National Federation of Voluntary Service Providers Pension Scheme from January 2022.

**Investment Choice:**

The Trustees' objective is to offer Scheme members a choice of funds, ideally with one fund offering in each of the ESMA rating of 1-6 or similar risk ratings. In making this choice, the Trustees have decided not to offer a fund with a risk rating of 7 as they deemed this as unsuitable for the Scheme members.

A choice of 6 funds, in addition to the default strategy, is considered a suitable range by the Trustees in that it offers a wide choice of funds, without confusing the members by offering too many funds.

In selecting funds, the Trustees will try to ensure that the fund names and descriptions are easily understood by the Scheme members and that the target return for each fund is readily identifiable.

Any investment manager appointed will need to demonstrate that it takes ESG factors into consideration and the objective is that each fund offered will have, as far as is possible, Article 8 designation.

**Oversight and Review:**

The Trustees will monitor the performance of each fund on a quarterly basis, review them on an annual basis and undertake a critical review every three years. If the Trustees consider it appropriate or necessary, the critical review may lead to a full market review / Request for Proposal (RFP).

The Trustees will take immediate action if warranted based on a fund or investment manager not meeting the expected performance / requirement of the Trustees. This could include significant underperformance versus an agreed benchmark or failing to maintain an agreed position regarding ESG investment.

The above oversight will be performed against agreed benchmarks.

**Market Review / Request for Proposal (RFP):**

A full market review / RFP will be undertaken if considered warranted on completion of the critical review or in any event every five years. This review will follow the formal EU tender process as required based on the size of the Scheme's assets.

The investment requirements and the significance of investment and other aspects of the Scheme to be evaluated will be set out in the RFP as agreed by the Trustees at the time but, will reflect the objectives and strategy outlined in this document.

**Sustainable Investment:**

The Trustees are conscious of the need to take account of sustainable investment issues as part of their investment objectives and strategy and will form part of the process for selecting investment managers and investment funds.

Investment managers will need to demonstrate how ESG factors are taken into consideration in terms of:

- a) Engagement with companies to encourage a more ESG focused approach.
- b) Pursuing a pro ESG voting strategy at formal shareholder meetings.
- c) Positive tilting in favour of "good" ESG companies.
- d) Screening out of companies with poor ESG records.

The Trustees will include a specific question in any RFP as follows:

*"ESG and sustainability issues and the incorporation of these considerations into the Scheme's investment options are particularly important to the Trustees. Tenderers should set out their ESG credentials / expertise, how they have incorporated ESG into their investment solutions, what further ESG related changes they intend to implement in the future. In particular, how ESG considerations are incorporated into the default strategy should be clearly set out".*

**Member Engagement:**

The Trustees' objective is to implement a member engagement policy to assist members in understanding pension fund investment. This will include explaining the different fund choices that have been made available, how the default strategy works and the different charges that apply to each of the funds.

The engagement programme will include booklets and information sheets, group presentations, webinars and videos, and individual engagement by the appointed Scheme advisors.

To enable members to fully understand the charges that apply to each fund, both the annual management charge (AMC) and the total expense ratio (TER) will be published in member communications.

**Appointment of Investment Managers:**

Following the 3-5 year tender process and the identification of the successful investment manager, a written agreement will be entered into setting out the terms of the appointment. This agreement will set out:

- a) The term of the agreement for a three-year period with the option to extend for a further two years.
- b) A 90-day notice period that can be implemented by the Trustees at any stage but, typically if the Registered Administrator (RA) appointment is being terminated.
- c) The initial range of funds selected, including the default strategy.
- d) The charges that will apply to each of the funds (both AMC and TER).
- e) The agreed target return / benchmark for each fund.
- f) The ESG designation of each fund (Article 8).
- g) The process for reviewing and, where necessary, replacing any of the selected funds.
- h) The information to be provided to the Trustees on a quarterly and annual basis and at the end of the three-year period to enable the Trustees to carry out a critical review.
- i) The process, if required, for transferring assets to a new investment manager including the facilitation of an in-specie transfer.

**Statement of Investment Policy Principles (SIPP):**

A Statement of Investment Policy Principles (SIPP) has been put in place and this will be reviewed every 3 years, or more frequently if there is a fundamental change to the investment strategy or the funds that are made available to members. The current SIPP has an effective date of 15/6/2021, having been updated to incorporate ESG considerations. A revised SIPP reflecting the change in investment manager at 1/1/2022 is to be drafted.



Signed: \_\_\_\_\_  
**John McHugo,**  
**Chairman.**

**Date: 27<sup>th</sup> January, 2022**



Signed: \_\_\_\_\_  
**James Skehan,**  
**Professional Trustee.**

**Date: 27<sup>th</sup> January, 2022**

