The Professional Footballers' Pension Scheme (2011 Section)

Statement of Investment Principles

19 September 2019

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1. Introduction

This Statement of Investment Principles (SIP) has been drawn up by the Trustees of The Professional Footballers' Pension Scheme ("The Scheme") in accordance with:

- Section 35 of the Pensions Act 1995, amended by Section 244 of the Pensions Act 2004;
- and the Occupational Pension Schemes (Investment) Regulations 2005; as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010; the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018.

2. The decision making process

The Trustees

The 2011 Section is a Defined Contribution (DC) section of the scheme. Within the constraints and nature of a DC arrangement, the Trustees exercise their responsibilities as set out in the remainder of this SIP.

The investment of the Scheme's assets is the responsibility of the Trustees and the Scheme Rules give the Trustees broad powers on investment. There are no restrictions (however expressed) on any power to make investments by reference to the consent of the Employer.

The Trustees' policy is to seek professional advice on investment strategy, structure and options. They decide on these after considering investment advice from the Investment Consultant (as appointed at the time of requiring the advice). The Trustees recognise that their level of investment expertise must be kept under review in order to be able to critically evaluate this advice.

The Trustees meet regularly and ensure that adequate time is set aside to discuss investment issues. In determining their investment strategy, structure and options, the Trustees address the following:

- the need to consider a full range of asset classes,
- the risks and rewards of a range of alternative asset allocation strategies,
- the suitability of each asset class, and
- the need for appropriate diversification.

The Investment Consultant

The Investment Consultant advises on an investment strategy appropriate to the investment objectives and also monitors and reports on the performance of the Investment Managers.

The Investment Consultant is paid a fee for their advice and their appointment is reviewed from time to time by the Trustees.

Barnett Waddingham LLP has been appointed as the Investment Consultancy to the Trustees with effect from September 2019, on the basis that their representatives are reasonably believed by the Trustees to be suitably qualified by their ability in, and practical experience of, financial matters and have the appropriate knowledge and experience of the management of the investments of such schemes.

Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority.

The Employer

The Trustees will consult with the Premier and Football Leagues (as representatives of the Employer Clubs) as part of the process for deciding on their investment strategy.

Delegation

The Trustees have a policy of delegating all day-to-day powers of investment to the Investment Managers who are authorised and regulated by the Financial Conduct Authority.
The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

3. Investment objectives

Funding Objective

The primary purpose of the 2011 Section of the Scheme is to provide pension and lump sum benefits to members on their retirement or death on a defined contribution basis, as set out in the Trust Deed and Rules.

Investment Objectives

The Trustees' high level objectives with regard to investing the Scheme assets are to adopt an approach that recognises the need to balance risk with the achievement of a satisfactory investment return.
The Trustees have taken into consideration the facts that:

- the liabilities of the Defined Contribution Section are equal to the assets since these define the benefit promise,
- members' pension benefits are maximised by achieving maximum investment returns, and
- individual members' financial profiles and attitudes to risk may vary.

Performance Objective

The Investment Managers have each been set Performance Objectives to achieve returns in line with, or in excess of, a benchmark.

4. Investment strategy

Members are not required to make contributions into the 2011 Section. The Transfer Levy is used to make contributions to the 2011 Section in respect of each member. These contributions are invested into the Footballers' Retirement Fund (FRF), a blended mix of unitised funds.

The Trustees have appointed Mobius Life Limited as the Platform Investment Manager in respect of the FRF unitised fund. The Trustees took investment advice both to choose the investment platform and select the funds to be offered to members. Mobius Life Limited is authorised and regulated by the Financial Conduct Authority and has been selected in order to effect cost and operational efficiencies in the management of the assets.

The FRF comprises of a blend of Mobius Life's Target Return/Diversified Growth funds. The Trustees have the power to change the make-up of the FRF at any time, including the managers/funds or proportions used. This is kept under regular review. Details of the current strategic benchmark allocation can be found in the latest version of the supplementary Funds Currently in Use document.

A key feature of the target return funds used is that they diversify and manage risk very efficiently. The Investment Managers are generally not constrained by having to hold investments in any particular class and are free to invest in cash, bonds, equities, property, financial instruments and collective investment schemes including unit trusts and insured managed schemes.

The target return funds are not guaranteed return products and there can be no assurance that they will achieve their investment objectives. The target return funds may use investment techniques including option transactions, margin transactions, short sales, futures and forward contracts, among others. The target return funds invest in traditional asset classes such as equities and bonds. Derivatives are used to manage exposure to markets. The funds are run by teams of highly experienced investment professionals.

Although the scheme is non-contributory, members can make Additional Voluntary Contributions (AVCs) into the Scheme. Members have the option to invest these AVCs in the FRF units, as above. In addition, the Trustees have made available a variety of alternative actively managed and index tracking funds provided by Standard Life Investments Limited.

Standard Life's index tracking funds are managed externally by Vanguard Asset Management Limited, a large respectable index tracking fund manager. The available core funds, along with their benchmarks and Total Expense Ratio (TER) are shown in the table overleaf.

Fund Name	Benchmark Index	Fees (TER)
Cash Funds		
Deposit and Treasury	Overnight LIBOR	0.16%
Money Market	SONIA + 0.3%	0.21%
Balanced Managed Funds		
Ethical	ABI (Pension) Mixed Investment 40-85% Shares Sector	0.51%
Managed	CAPS Balanced Median	0.52%
Multi Asset Managed (20-60% Shares)	ABI Mixed Investment 20%-60% Shares	0.52%
Equity Funds		
Asia Pacific ex Japan Equity	MSCI AC Pacific Basin Free ex Japan	0.74%
European Equity	FTSE World Europe excluding UK Index	0.62%
Global Equity	MSCI World	0.67%
Global Equity 50:50	50% FTSE All-Share / 50% FTSE World ex UK	0.51%
Global Equity 50:50 Tracker	50% FTSE All-Share / 50% FTSE World ex UK	0.11%
Institutional Global Equity Select 60:40	60% FTSE All-Share / 40% FTSE World ex UK	0.61%
Institutional Global UK Equity Select	FTSE All Share Index	0.71%
Japanese Equity	MSCI Japan Index	0.62%

North American Equity	S&P 500 Composite	0.61%
Overseas Equity	MSCI World ex UK	0.61%
Overseas Equity Tracker	FTSE World ex UK Index	0.11%
UK Equity	FTSE All Share	0.51%
Vanguard FTSE Developed Europe ex UK Equity Index	FTSE World Europe (ex UK) Index	0.11%
Vanguard FTSE UK All Share Index	FTSE All Share Index	0.11%
Vanguard Pacific ex Japan Stock Index	MSCI Pacific ex Japan Index	0.11%
Vanguard US Equity	S&P 500	0.11%
Bond Funds		
Corporate Bonds	Merrill Lynch Sterling Non-Gilts All Stocks + 0.8% p.a.	0.31%
Index Linked Bond	FTSE British Govt. Index-Linked > 5 yrs	0.31%
Global Bond	JP Morgan Global Bonds	0.31%
Long Bond	FTSE British Government > 15 yrs	0.31%
Long Corporate Bond	Merrill Lynch £ Non Gilt > 10 Years	0.31%
UK Gilt	FTSE British Govt All Stocks	0.31%
UK Mixed Bonds	50% FT British Govt All Stocks Index/50% Merrill Lynch £UK Non Gilt All Stocks Index	0.31%
Vanguard UK Government Bond Index	FTSE British Gov All Stocks Index	0.11%
Target Return Funds		
Global Absolute Return Strategies	6 month LIBOR + 5%	0.72%
Other Funds		
Pooled Property	AREF/IPD UK Quarterly Property Funds Index - All Balanced Funds Median	0.51%

Index tracking funds, which include the Vanguard funds, invest monies on a passive basis, in such a way that they should always return the same performance (before charges) as the appropriate index for the asset class. This approach should result in broadly average performance when compared to other investors in the same type of assets (before charges). The investment charges for index tracking funds are generally much lower than for actively managed funds.

Actively managed funds, rather than investing in line with the market index, aim to achieve higher performance by the choice of individual stocks held in their fund. The charges for active management are higher than for passively managed funds.

5. Investment managers

The Trustees utilise a number of Investment Managers, either directly or indirectly through the Mobius Life Platform, to manage the assets of the Scheme. The Investment Managers are authorised and regulated under the Financial Conduct Authority.

The Trustees have decided to invest in pooled funds, other collective investment vehicles, and cash. The Scheme does not invest directly in stocks, shares, bonds, derivatives etc.
The Trustees have decided to invest in pooled funds because:

- pooled funds allow the Scheme members to invest in a wider range of assets, which serves to reduce risk; and
- pooled funds provide a more liquid form of investment than certain types of direct investment.

The Investment Managers appoint individual custodians to hold the securities owned by the Scheme.

6. Corporate governance

The Trustees wish to encourage best practice in terms of activism. The Trustees accept that by using pooled investment vehicles the day-to-day application of voting rights will be carried out by the Investment Managers. Consequently the Trustees expect the Scheme's Investment Managers to adopt a voting policy that is in accordance with best industry practice.

7. Responsible investment

The Trustees believe that the consideration of financially material factors, such as Environmental (including climate change), Social and Governance ("ESG") factors in investment decision making are financially material and can lead to better risk adjusted investment returns over the time horizon over which benefits are paid, which may be up to around 40 or 50 years. The Trustees, therefore, have a policy to consider these, alongside other factors, when selecting, retaining or realising the Scheme's investments.

The Trustees expect their investment managers, when exercising discretion in investment decision making, to take financially material ESG factors into account.

On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the ESG integration capability of their investment managers.

The Trustees considered advice from their investment consultant to form their views on the financially materiality of ESG factors as they apply to the Scheme's current investments.

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect their Investment Managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a material reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG, quality of life considerations and ethical views) in relation to the selection, retention and realisation of investments.

The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustees cannot exercise their responsibilities directly as they do not hold investments in their name. The Trustees expect their Investment Managers, to exercise voting rights on all resolutions at annual and extraordinary general meetings of companies. The Trustees have seen the policy objectives of each of the Investment Managers regarding voting and engagement and believes that they are compatible with its own policy. The Trustees expect the Investment Manager to report to them on the implementation of, and any changes to, their policies on voting and engagement.

The Trustees expect their Investment Managers to exercise ownership rights attracted to investments, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees will assess the stewardship and engagement activity of its Investment Managers (delegating to the Investment Consultant where appropriate). This will be done by reviewing the Investment Manager's voting and engagement policy, summary reports detailing the engagement and voting activity undertaken by the Investment Managers, and asking questions directly to the Investment Managers.

8. 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 Scheme (Investment) Regulations 2005.

9. Risks

The Trustees recognise that a number of risks are involved in the investment of the assets of the Scheme. They have identified the following principal risks which have the potential to reduce the return achieved on the assets to below their benchmarks:

- Platform Provider Risk: The risk that the Platform Provider does not manage the investments in line with the agreed strategy.
- Manager risk: The failure by the Investment Managers to achieve the rates of investment return assumed.
- Custodian risk: The risk of failed or inadequate performance by the custodian.
- Political risk: The financial risk that a country's government will suddenly change its policies.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. Some of these risks may also be modelled explicitly during the course of such reviews.

The policy of the Trustees is to monitor, where possible, these risks on a regular basis. The Trustees therefore consider:

- Investment Managers' performance versus their respective benchmarks and targets.
- Level of annual management charges.

- The range and number of funds available to the members, including the unitised funds and allocations used for the investment of the Transfer Levy.
- Any significant issues with the Investment Manager that may impact their ability to meet investment performance objectives set by the Trustees.

10. Fee Structures

The Investment Managers are 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 administration costs of running the scheme are currently met by the Trustees from other scheme funds. However, provision exists for an expense loading to be applied to the FRF units if needed. This is not applied at present.

11. Best Practice Principles

In October 2008 the Government published the results of its consultation on revisions to the Myners' principles in response to recommendations made by the National Association of Pension Funds (NAPF) in 2007. This takes the form of six high level 'Best Practice' principles set out below, supported by best practice guidance and trustee tools that can be used to assess compliance.

1. Effective decision-making
2. Clear objectives
3. Risk and Liabilities
4. Performance assessment
5. Responsible ownership
6. Transparency and Reporting

These best practice issues have evolved over time and now come under the purview of the Investment Governance Group (IGG) chaired by the Pensions Regulator, working with the DWP.

In addition, the IGG have set out some specific governance issues for DC sections/schemes. Included in this are six main elements that contribute to good member outcomes in retirement:

- Appropriate contribution decisions
- Appropriate investment decisions
- Efficient and effective administration
- Protection of assets
- Value for money
- Appropriate retirement decisions

The Trustees periodically review their compliance with the best practice Principles and other guidance. The Trustees believe that they comply with the spirit of the Principles. There may be some instances of deviation from the published guidance where the Trustees believe this to be justified.

For and on behalf of the Trustees of the Professional Footballers' Pension Scheme

20/9/19

Date