The Professional Footballers' Pension Scheme (Cash Benefit Section)

Statement of Investment Principles

19 September 2019

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1. Introduction

This Statement of Investment Principles 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;
- 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. Decision Making Process

The Trustees

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. They decide on the investment strategy after considering investment advice from the Investment Consultant. 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 the Trustees address:

- 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,
- the need for appropriate diversification, and
- the Scheme's Investment and Funding Objectives

The Investment Consultant

The Investment Consultant advises on an investment strategy appropriate to the investment objectives. This advice is provided after each formal actuarial valuation and on a regular basis between formal valuations. The Investment Consultant 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 funding objective of the Scheme is to ensure, as far as possible, that there are sufficient assets to provide benefits to the Scheme members as and when these fall due.

Investment Objectives

The Trustees' high level objectives with regard to investing the Scheme assets are to:

- achieve a return which is sufficient, over the longer term, to meet the Funding Objective.
- adopt an approach that recognises the need to balance risk with the achievement of a satisfactory investment return.

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

An investment strategy review was conducted in February 2010 and revised in May 2012, October 2013 and November 2016 with the Trustees' previous Consultant.

Given their investment objectives, the Trustees have agreed the following strategic asset allocation:

	Strategic Asset Allocation

Growth Target Return Funds (equity replacement but with low volatility)	90%
Target Return Funds (bond based with very low volatility)	10%

The assets are held in a combination of pooled funds and are fully and readily realisable.

The Trustees agreed the range of funds used in the strategy taking into account the maturity of the liabilities. The Trustees are satisfied that the funds selected are consistent with their investment objectives and that the range agreed is sufficiently robust to allow easy adjustment between the funds as the risk appetite changes and the Scheme matures.

The Trustees may from time to time decide to change the funds used within the overall investment strategy and the investment allocation between the funds, as alternatives emerge, funds change, and the Scheme develops.

5. Cashflow and Rebalancing

New money will be invested (or disinvestments required for cash flow purpose) on a mechanical basis to bring the asset allocation back to the benchmark strategy as far as possible.

The Trustees are mindful of the need to rebalance the assets of the Scheme in line with the Scheme's strategic benchmark asset allocation and/or when any control limits are breached. The Trustees will monitor the Scheme's actual asset allocation on a regular basis and will decide on a course of action, which may involve redirecting cash flows, a switch of assets, or taking no action, taking into account advice from the Investment Consultant.

6. Expected Return

The Trustees expect the return on assets to be consistent with the investment objective and investment strategy outlined above.

The Trustees expect to generate a return over the long term, of circa 3.8% per annum (net of expenses) above long term Cash (LIBOR). This return is a 'best estimate' of future returns that has been arrived at given the Scheme's longer-term asset allocation and in the light of advice from the Investment Consultant.

The Trustees recognise that over the short term performance may deviate significantly from this long term expectation. This 'best estimate' will also generally be higher than the estimate used for the actuarial valuation of the Scheme's liabilities. For this purpose, a more prudent estimate of returns will generally be used, agreed by the Trustees on the basis of advice from the Scheme Actuary.

7. Investment Managers

The Trustees utilise a number of Investment Managers to manage the assets of the Scheme. The Investment Managers are regulated under the Financial Services and Markets Act, 2000.

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:

- the Scheme is not large enough to justify direct investment in equities or bonds on a cost-effective basis;
- pooled funds allow the Scheme 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.

8. Investment Monitoring

The Investment Managers provide the Trustees with quarterly reports setting out a valuation of the funds and a commentary on performance.

The Investment Managers periodically attend Trustee meetings in order to report on their activity and performance, to outline their views on future investment conditions, and to answer any questions the Trustees may have.

The Investment Consultant will provide periodic advice to the Trustees commenting on performance and asset allocation.

9. 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.

10. 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 10 or 20 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 its investment managers

The Trustees considered advice from their investment consultant to form their views on the financial materiality of ESG factors as they apply to the Scheme's current 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 expect their investment managers to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of their investment managers.

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 reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG 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 attached 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.

11. 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.

12. 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 cause deterioration in the Scheme's funding level:

- Solvency risk: The risk that the fund has insufficient assets to meet all its liabilities as they fall due.
- Mismatching risk: The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors.
- Manager risk: The failure by the Investment Managers to achieve the rates of investment return assumed.
- Liquidity risk: The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities.
- Custodian risk: The risk of failed or inadequate performance by the custodian.
- Concentration Risk: The risk that the performance of any single investment that constituted a large proportion of the assets would disproportionately influence the overall level of assets.
- Political risk: The financial risk that a country's government will suddenly change its policies.
- Sponsor risk: The possibility of failure of the Scheme's sponsoring employers.
- Counterparty risk: The risk that other parties in any trade or position will default, i.e. will renege on their contractual obligations, resulting in a financial loss to the Scheme.

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:

- The actual funding level versus the Statutory Funding Objective.
- Actual performance versus the Scheme's investment and funding objectives.
- Investment Managers' performance versus their respective benchmarks and targets.
- Any significant issues with the Investment Manager that may impact their ability to meet
- investment performance objectives set by the Trustees.

13. 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.

14. 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

The Trustees periodically review their compliance with the best practice Principles. The Trustees believe that they comply with the spirit of the Principles. There may be some instances of deviation from the published Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

15. 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. Any change will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

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

20/9/19 ______________________________ Date