# University of Reading Employees' Pension Fund

Statement of Investment Principles - July 2023

### 1. Introduction

The Trustees of the University of Reading Employees' Pension Fund ("the Fund") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation. It also meets the requirements of the Occupational Pension Schemes (Investment) Regulations 2005 as well as taking into account the principles underlying the InvestmeM M est

Limited ("Mercer"), who are regulated by the Financial Conduct Authority ("FCA") and whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

### 3. Governance

The Trustees consider that they have the skills, information and resource

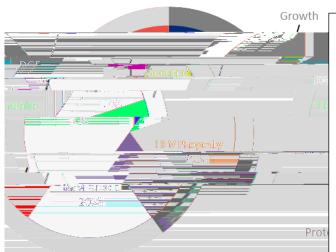
receive regular reports from the investment consultant on progress against the long term objective, cashflow requirements and the overall level of risk.

The safe custody of the Fund's assets is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Fund's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered.

### 6. **Investment Strategy**

The Trustees have adopted the strategic allocation shown below. Implementation is expected to be complete in Q3 2023.



#### Key:

DGF – Diversified Growth Fund

HLV – High lease to value property

B&M Credit – Buy & Maintain Corporate Bonds

Hedging – Fixed Interest Gilts, Index-linked Gilts (government bonds) and cash

Asset Class	Investment Manager	Benchmark Allocation (%)
Diversified Growth Fund	LGIM	10.0
HLV Property	LGIM	20.0
Secured Finance	Insight and Schroders (via Mercer)	10.0
Buy & Maintain Credit	BlackRock	20.0
Hedging Portfolio (Fixed Interest Gilts, Index-linked Gilts and cash)	BlackRock	40.0
Total		100.0

The hedging portfolio is designed to reduce risk relative to the Fund's liabilities by investing in a range of gilt and index linked gilt funds. These assets are expected to

behave in a similar way to the Fund's liabilities in response to movements in long-term interest rates and inflation expectations. The Trustees aim to hedge broadly 80% of the interest rate and inflation risk associated with the Fund's liabilities (on a gilts +0.5% p.a. basis) via the hedging portfolio and Buy and Maintain Credit mandate. It is noted that the hedge will not always exactly track the Fund's specific liabilities, however the Trustees will monitor relative performance on a quarterly basis and review the structure of the hedging portfolio when appropriate, for example following any substantial change to the Fund's liabilities.

Whilst the Trustees do not have strict control ranges, the Fund's asset allocation is monitored regularly and will be rebalanced towards the strategic benchmark as deemed necessary.

## 7. Expected Return on Investments

The expected return on investments will be in line with the target investment strategy which is set to support the technical provisions discount rate and is aligned with the Trustees' long term fund

that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees have given the appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis by receiving updates from investment managers and by Mercer providing the Trustees with ESG ratings for the strategies in which the Fund invests.

The Trustees do not directly take account of member views when making investment decisions, however the Trustees always aim to act in the best interests of members. The Trustees communicate with members via annual newsletters.

Similarly, the Fund's voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

In line with previous sections of this SIP, investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and 6ban

The Trustees define a significant vote as one that is linked to th5.32 841.9r26 edCeec.t0 (04 (l