The Midcounties Co-operative Pension Scheme – Statement of Investment Principles cover note

This document provides an overview of the Statement of Investment Principles (SIP) and how it is applied to the Midcounties Co-operative Pension Scheme.

1. What is a SIP?

The Statement of Investment Principles (SIP) details the policies which control how a pension scheme invests. The SIP sets out the principles governing how decisions about investments are made and is prepared in accordance with all relevant legislation and best-practice guidelines.

2. Who is responsible for the SIP?

Trustees of pension schemes are responsible for preparing and maintaining the SIP. Before agreeing the SIP the Trustee must gain written investment advice and consult the scheme sponsor. It is usually reviewed by the Trustee at least every three years or after any significant change in the investment approach.

3. Why is it necessary?

The law requires Trustees of a scheme with more than 100 members to prepare a SIP and ensure it is reviewed at least every three years without delay after any significant change in investment policy.

4. Key points covered within a SIP

The SIP contains key information relating to the Scheme's investment strategy, including the investment objectives and investment policies adopted. A SIP must cover at least the following:

- The Trustees' policy for securing compliance with the requirements of section 36 of the 1995 Act (choosing investments);
- The Scheme objective
- The investment strategy adopted including;
    - Types of investments to be made
    - Risk/Return monitoring – target return and risk levels
    - Long term journey plan
    - Liquidity management strategy
- Relationship with investment managers;
    - Trustees expectations of managers
    - Manager selection
    - Fiduciary managers responsibility to consider Environmental, Social and Governance (ESG) impacts and how asset managers adhere to these growing trends
- Risk management procedures covering;
    - Solvency and mismatch risk
    - Investment manager risk
    - Liquidity risk
    - Currency risk
    - Custodial risk
    - Political risk
    - Sponsor risk

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