



# Managing investment risk

Effective risk management is fundamental to generating sufficient investment returns to meet the trustee's pension obligations, without increasing the reliance on the scheme's sponsoring employers.

The trustee sets an investment strategy which is appropriate for the level of risk it is willing to take, dependent on a number of factors. The scheme's assets are diversified (i.e. spread) across a range of different investment opportunities, which are collectively expected to provide returns in excess of what could be achieved through a passive, liquid investment strategy (called the [reference portfolio](#)), but at a similar, or lower, level of risk.

The trustee recognises that the scheme is exposed to a variety of investment, as well as operational, risks. It proactively manages these risks by:

- **Operating in a manner consistent with its Statement of Investment Principles.**
- **Closely monitoring the exposure to different investment risks**, including those associated with equities, bonds, property, commodities and currencies, and making adjustments where necessary.
- **Diversifying assets** so that investments are spread across an appropriately diversified blend of different types of assets. This blend includes a variety of both return-seeking assets and liability-hedging assets. Diversification lowers risk without reducing expected returns.
- Focussing on a **properly resourced and organised in-house investment manager**, while making considered use of external managers.
- **Embedding realistic assumptions regarding costs and implementation into strategic benchmarking** and planning for the scheme, and monitoring these on an ongoing basis.
- **Monitoring the amount of cash and other liquid instruments** held and maintaining robust and timely disinvestment procedures in order to ensure that all liabilities, e.g. benefits, collateral, margin, expenses and other cash calls, can be paid as they fall due.
- **Having strong processes and controls in place for activities within the scheme.** All activities and processes are subject to management oversight and review.
- **Engaging regularly with Universities UK and other bodies** to ensure there is a full understanding of the willingness and ability of the sponsors to continue contributing to the scheme.

## Gradual risk reduction in line with the scheme funding plan

The trustee's overarching funding principle, supported by the employers, is that the amount of pension risk within the scheme should be proportionate to the amount of financial support available from the scheme's sponsoring employers. Furthermore, there should be no increase in the reliance placed on that support over time. In order to maintain an appropriate level of risk within the scheme in the future, opportunities will be taken to gradually reduce the amount of investment risk within the scheme, given the right economic conditions, over a 20-year period. This risk reduction will be implemented through the [reference portfolio framework](#).

## MiFID II - Annual Best Execution Disclosures

MiFID II requires investment firms who execute client orders to summarise and make public on an annual basis, for each class of financial instruments the top five brokers and execution venues in terms of trading volumes where they executed client orders in the preceding year and information on the quality of execution obtained.