

# Society Investment Policy



The British  
Psychological Society

## 1. INTRODUCTION

The purpose of this Policy is to outline the broad principles governing the investment policy of the British Psychological Society (the “Society”).

The Society is a charity established by Royal Charter, which provides authority to the Trustees to invest money’s of the Society in accordance with the provision of its Statutes.

Paragraph 26 of the Statutes of the Society states that “Any money of the Society not needed immediately for current purposes of the Society may, by way of investment, be used in the manner specified in the Trustee Act 2000.”

The Trustee Act 2000 (the Act) gives the Trustees a wide power to invest in such investments as they think fit in the interests of the Society.

## 2. THE POLICY

The policy of the Society is to ensure prudent investment of its funds (“Funds”) to provide income for its current purposes and enhance and maximise income and capital growth over the longer term thereby enabling the Society to meet its current and future objectives

## 3. ROLES AND RESPONSIBILITIES

### The Trustees

This Policy aims to formalise the responsibilities of the Trustees in respect of the management of the Society’s assets and to translate these responsibilities into an investment strategy which complies with the Act and incorporates best practice by ensuring that:

- When investing the Funds, the Trustees achieve an appropriate balance for the Society between the two objectives of providing an income to help the Society carry out its purposes effectively in the short term and to maintain and, if possible, enhance the value of the invested funds, so as to enable the Society effectively to carry out its purposes in the longer term.
- The standards as defined in the Act are followed and in particular to ensure that the Trustees fulfil their duty of care as set out in Section 1 of the Act which is the duty to exercise such care and skill as is reasonable in the circumstances.
- The Trustees consider the suitability for the Society of any investment. The trustees will be guided by the advice of the Investment Advisor in the exercise of their duties. This duty exists at two levels. The Trustees must be satisfied that the type of any proposed investment is right for the Society and they also have a duty to consider whether a particular investment of that type is a suitable one for the Society to make. In considering the suitability of any investment, the Trustees will consider whether such investment could
  1. Conflict, or be inconsistent, with the aims, objects or activities of the Society.
  2. Have a detrimental effect on the work of the Society for example by having a material impact on membership applications
  3. Have a significant financial detriment
  4. Be unethical.

In carrying out its duties, the Trustees will seek advice from the Finance Sub-Committee.

- Trustees must consider the need of diversification i.e. having different investments within each type. This will reduce the risk of losses resulting from concentrating on a particular investment or type of investment.
- Trustees must periodically review investments of the Society. A review will be undertaken annually and the Investment Advisors will make a presentation to the Board advising on the diversification and risk profile of the investments of the Society.

### **The Finance Sub-Committee**

The Finance Sub-Committee has responsibility for conducting an initial review of the Investment Advisors' reports, reviewing the performance of the investments and for making recommendations to the Board in respect of its investment policies, the level of risk of investments and the diversification of investments.

### **The Investment Advisors**

The Trustees recognise their overall responsibilities for investment decisions and the need to take specialist advice before making such decisions. In this regard, the Trustees have appointed Investment Advisors to provide advice to the Trustees and to manage the investments on behalf of the Society keeping the Trustees advised on more detailed aspects of its investment policy and performance.

The Investment Advisors have responsibility for advising the Board on the more detailed aspects of its investment policy and performance and measure the performance of the total investments against market benchmarks.

The Trustees will review its appointment of specialist investment advisers at intervals not exceeding 2 years.

## **4. TRUSTEE OBJECTIVES IN INVESTING ITS FUNDS**

The Act gives to the Trustees "the general power of investment" where a trustee may make any kind of investment that they could make if they were the owners of the Funds. The Trustees have agreed that the Society's investment objective is to preserve capital, where an income for the Society is required, however, the priority is to maintain and maximise the value of the investment funds after the effect of inflation.

Furthermore the Trustees have a legal duty to avoid speculative forms of investment.

The Trustees have agreed that details of their investment approach and key decision are recorded in writing in order to demonstrate that they have considered the relevant issues, taken advice appropriately and reached a reasonable decision.

## **5. MAINTENANCE OF LIQUIDITY LEVELS**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity).

Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

## 6. INVESTMENT RISKS AND PROFILE

The Trustees recognise that all investments involve an element of risk. The level of risk that is appropriate for the Society will be agreed by the Trustees based on the Society's capacity to afford potential investment losses and its investment objectives. To mitigate risk, the Society will maintain a diversified portfolio of assets in order to protect the Society's investments from sudden variations in the market. Additionally the Trustees have considered investing only, or substantially in markets where financial services are closely regulated and compensations schemes are in place.

The Trustees, after taking advice, are not adverse in appropriate circumstances, to investment in a high risk category but such investment cannot exceed 25% of its Funds at any one time.

The investment of the Funds should be distributed following the best advice from the Investment Advisor and its direct effect in achieving the investment risk tolerance specified.

The asset classes' allocation considered by the Trustees should include

- Cash
- Sovereign Fixed Income
- Corporate Fixed Income
- Developed market Equity
- Emerging Market Equity
- Private Equity
- Commodities
- Absolute Return

The Trustees have requested the following availability of Funds:

- Funds to be available on instant access 10%
- Funds used for short term investments 30%
- Funds tied up for longer period of time 60%

These percentages are determined taking into consideration the liquidity needs of the Society, after considering financial needs, future spending commitments, long term organisational objectives and unplanned changes in activity or events which may impact on the Society.

## 7. SURPLUS FUNDS

Where the level of capital and income growth achieved is greater than the annual rise in the cost of living, the Trustees may, at their discretion, determine to expend surpluses arising in subsequent periods or to re-invest for further income growth.

## 8. RESTRAINTS ON TYPES OF INVESTMENTS

The Society is committed to investing its funds on a responsible basis and this policy sets out investment constraints namely:

- Investments shall comply with the rules and regulations of the Act
- At the discretion of the Trustees, investment in companies whose trade is inconsistent with the aims of the Society may be expressly precluded. The Trustees will not however preclude investments in companies for any other reason e.g. political.

- Investment shall be precluded where the primary part of their business clearly demonstrates the following characteristics:
  - The manufacture and sale of tobacco products or alcohol
  - Companies involved in the fur trade
  - Pornography
  - Gambling
  - Manufacture and sale of armaments to oppressive regimes
  - Institutional violations of human rights including the exploitation of the work force
  - Engagement in fossil fuel extraction
  - Predatory lending, aggressive tax avoidance

## 9. SELECTION OF INVESTMENT ADVISORS

The selection of Investment Advisor(s) must be based on prudent due diligence procedures. An Investment Advisor so appointed must be an independent investment advisor which is authorised and regulated by the Financial Conduct Authority.

A Trustee is specifically excluded from providing investment advice, even though they may be so authorised.

## 10. FUND MANAGEMENT

This Investment Policy has been established to act as a basis for financial advice received from the appointed Investment Advisor.

The financial advice received from an investment Advisor appointed by the Society must take into consideration the management of the main risks associated with investments such as capital risk, liquidity risks, market risks, valuations risk, tax risks and environmental, social and governance risks.

The delegation of advice is subject to the conditions below:-

- a. Advice is compliant with the investment policy adopted by the Trustees
- b. The delegated powers may be withdrawn at any time
- c. The delegation will be reviewed at least every two years

Investment Advisors shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organisation and business matters and other qualitative factors that may impact their ability to achieve the desired investment results.

## 11. FUND MANAGEMENT DELEGATION REVIEW

Investment Advisors appointed by the Society will be expected to report to the Society regularly on the Society's portfolio performance compared with movements in various indices and other appropriate investment performance "benchmarks" on a half yearly basis.

These investment performance indicators will be agreed between the Trustees and the Investment Advisors and should provide an assessment of both capital growth as well as income performance.

The report will be considered initially by the Finance Sub Committee at its meeting immediately prior to the trustee meeting.

The Investment Advisor is also required to

- Provide subsidiary tax certificates for all interest and dividend payments and contract notes in respect of investment sales and purchases as soon as possible

- Provide monthly statements of dividends received and of investment purchases and sales.
- Provide a fund portfolio on a quarterly basis
- Attend a meeting upon request of the Trustees on an annual basis to report on investments.

**12. MONITORING AND REPORTING**

This Investment Policy and the monitoring of the performance of the Society’s portfolio will be reviewed on a regular basis by the Finance Sub-Committee which will make recommendations to the Board of Trustees in respect of any amendments or additions to it in line with the Society’s objects and values.

Information in respect of the overall performance of the Society’s investments will be published in the Society’s Annual Report

This Policy will be reviewed annually and published on the Society’s website. It will be transparent at all times to our Membership and stakeholders.

Signed .....

Date .....

Review Date .....