



London Borough of Barking and Dagenham Pension Fund



INVESTMENT STRATEGY STATEMENT

1. Introduction

This is the Investment Strategy Statement (ISS) produced by London Borough of Barking and Dagenham as administering authority of the London Borough of Barking and Dagenham Pension Fund (“the Fund”), to comply with the regulatory requirements specified in The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the Statutory Guidance on Preparing and Maintaining an Investment Strategy Statement issued by the Department for Communities and Local Government (DCLG) in September 2016.

The Regulations (regulation 7) set out that the ISS must include:

- a) *a requirement to invest fund money in a wide variety of investments;*
- b) *the authority’s assessment of the suitability of particular investments and types of investments;*
- c) *the authority’s approach to risk, including the ways in which risks are to be assessed and managed;*
- d) *the authority’s approach to pooling investments, including the use of collective investment vehicles and shared services;*
- e) *the authority’s policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and*
- f) *the authority’s policy on the exercise of the rights (including voting rights) attaching to investments.*

This ISS seeks to address the Requirements of Regulation 7 and the Statutory Guidance of September 2016.

The ISS replaces the Statement of Investment Principles and, although it is a similar document, there are several additional disclosures that need to be covered including:

- The removal of the investment restrictions contained in schedule 1 of the LGPS (Management and Investment of Funds) Regulations 2009;
- Fund’s approach to pooling investments and shared services;
- How social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- The Fund’s assessment of the suitability of all major asset classes.

The Statement is subject to review from time to time and will certainly be reviewed within six months of any material change in investment policy or other matters as required by law. As a minimum the ISS must be reviewed every three years. The ISS has been produced following a complete review of the Fund’s investment strategy and incorporates the requirements of the Funding Strategy Statement. In preparing this Statement the administering authority has taken and considered advice from the Fund’s Investment Advisor, Aon Hewitt, and from the Fund’s Independent Investment Advisor, John Raisin Financial Services Limited.

A copy of the ISS can be found at: www.lbbdpensionfund.org
For further information please contact David Dickinson: david.dickinson@lbbd.gov.uk.

2. Overall Responsibilities

A full explanation of the Fund's governance arrangements can be found in the Council's Constitution Part C – Responsibility for Functions – Our Scheme of Delegation - Section M – The Pension Panel published on the Council's website: <http://www.lbbd.gov.uk/CouncilandDemocracy/Documents/Constitution/const-c-section-m.pdf>

3. Investment Responsibilities

The Administering Authority the Council has delegated responsibility for the administration of the Fund to the Section 151 officer, advised by the Pension Panel and after taking expert advice from the Fund's Investment Advisor (Aon Hewitt) and the Fund's Independent Advisor, John Raisin Financial Services Limited.

As at 31 December 2016 the Pension Panel comprised:

Pension Panel Voting Members

Chair: Councillor Dominic Twomey
Deputy: Councillor Faraaz Shaukat
Councillor Sade Bright
Councillor Edna Fergus
Councillor James Ogungbose
Councillor John White
Councillor Jeff Wade

Non-Voting Members

Union Representative: Gavin Palmer (GMB)
Member Representative: Bernie Hanreck
Employer Representative: Dusty Amroliwala (UEL)

In preparing the ISS the Panel has consulted with the administering authority and other principal employers within the Fund and has taken and considered proper written advice from the Aon Hewitt and John Raisin Financial Services Limited.

In Appendix A, the Panel has set out details of the extent to which the Fund complies with the six principles set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) publication, 'Investment Decision Making and Disclosure in the Local Government Pension Scheme 2012 – a guide to the application of the 2008 Myners Principles to the management of LGPS funds'.

Although under the LGPS Investment Regulations 2016 an Administering Authority is no longer required to report the extent of their compliance against the Myners Principles, the London Borough of Barking and Dagenham has decided to continue to report this, as an appendix to the ISS, as it considers this to be both good governance practice and an element of good investment practice.

4. Fund Objective

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.

The Panel aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of employer contributions is set to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary increases.

This funding position will be reviewed at each triennial actuarial valuation of the Fund, or more frequently as required. The most recent triennial valuation took place in 2016, with the contribution rates effective from 1 April 2017.

5. Investment Strategy

The Panel has translated its objectives into a suitable strategic asset allocation benchmark for the Fund (Appendix B). Within the strategic benchmark the investment structure adopted by the Panel comprises a mix of segregated and pooled manager mandates, including actively managed and passive mandates. The Fund benchmark is consistent with the Panel's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities. All day to day investment decisions have been delegated to the Fund's authorised investment managers.

The Panel monitors investment strategy relative to the agreed asset allocation benchmark. The investment strategy will be reviewed at least every three years following actuarial valuations of the Fund.

6. Pooling Investments (Regulation 7(2)(d) - The approach to pooling investments, including the use of collective investment vehicles and shared services).

The Fund has formally agreed to join the London Collective Investment Vehicle (LCIV) as part of the Government's pooling agenda. The LCIV is fully authorised by the FCA as an Alternative Investment Fund Manager ("AIFM") with permission to operate a UK based Authorised Contractual Scheme fund (the "ACS Fund"). The ACS Fund, which is tax transparent in the context of international tax treaties, will be structured as an umbrella fund with a range of sub-funds providing access, over time, to the full range of asset classes that the boroughs require to implement their investment strategies.

For all future investments, where there is a suitable asset class provided, the Fund will seek to utilise the LCIV. Unless prohibited by Regulation or Statutory Guidance where the asset class is not available via the LCIV and it is not appropriate to access it via a passive allocation, the Fund will seek clarification from DCLG as to whether the Fund can tender for a suitable manager.

Current LCIV allocations

As at 31 December 2016 the Fund had nearly a third of its assets invested through the LCIV, including:

- Two Diversified Growth Managers: Newton, Pyrford
- One active equity manager: Baillie Gifford.

Passive Investments via Life Funds

Approximately a fifth of the Fund's investments are via passively managed Life Funds. LIFE Funds are exempt from being included within the pooling arrangements. This allocation will be reviewed annually.

Current Partnerships

The Fund is invested in three separate partnerships including one in an alternatives investment with M&G / Prudential and two with the Fund's infrastructure manager Hermes GPE. The size of the M&G / Prudential investment is a maximum of 1% of the Fund's assets under management.

The infrastructure investment is accessed via two partnerships, with a limit of 10%. The allocation was agreed by the pension panel on 19 June 2012 and subsequently increased to 10.0% at the 23 March 2015 Panel, with an investment period limited to 17 years. From 1 April 2017, the split allocation will be combined into one LLP.

The Fund has a 10% allocation to LLPs and these investments will remain outside of the LCIV.

Diversified Alternatives

The Fund has a 7% investment in Diversified Alternatives, including Hedge Funds and Private Equity via Aberdeen Asset Management. These illiquid assets will not be moved to the LCIV until there is an adequate alternative provided by LCIV.

Credit, Property and Equity Income Strategy

The Fund has approximately 30% of its assets invested in credit, property, and an equity income strategy. There is the potential for these allocations to be moved to the LCIV and these holdings will be reviewed as and when suitable alternatives are provided by the LCIV. The review will consider the strategy, the assets held, the risks and the suitability of the strategy within the overall Fund prior to any investment agreement being made and proper advice will be sought from the Fund's advisors. Where an alternative is suitable then transition arrangement will be arranged.

If the alternative strategy is not suitable then the current manager will remain. If there is a requirement for the Fund to move from the manager to the LCIV then an

alternative solution will be to seek to access a suitable passive strategy through a LIFE Fund.

7. Funding Strategy Statement

There are close links between the ISS and the Funding Strategy Statement, which sets out the Fund's approach to funding its pension liabilities and the resulting impact on employer contribution rates. The Funding Strategy Statement is available on the Fund's website: www.lbbdpensionfund.org

8. Types of investment to be held

The Fund may invest in quoted and unquoted securities of UK and overseas markets, including equities, fixed interest and index linked bonds, cash, property and commodities, infrastructure and diversified alternatives, either directly or through pooled funds.

The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products, for the purpose of efficient portfolio management or to hedge specific risks. The Panel considers all of these classes of investment to be suitable in the circumstances of the Fund.

The strategic asset allocation of the Fund includes a mix of asset types across a range of geographies in order to provide diversification of returns.

9. Statutory Investment Limits

Statutory maximum limits, as previously outlined in schedule 1 of the LGPS (Management and Investment of Funds) Regulations 2009 are no longer applicable. Instead this Fund will make asset allocation decisions based on a prudential approach to securing a diversified investment strategy.

The maximum percentage of the Fund's total value that the Fund will invest in each asset class is provided below and is subject to an annual review:

Equities	55%	Bonds	25%
Absolute Return	30%	Property	20%
Infrastructure	20%	Diversified Alternatives	20%
Cash	5%		

10. Balance between different kinds of investments

The Panel has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Panel, after seeking proper investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within

each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles.

In March 2017 an Asset Liability Review (ALR) was completed by Aon, with a training session held on 13 March 2017. Following the ALR a review of the strategy will be completed and the ISS updated to reflect any agreed changes.

11. Risk

The Fund is exposed to a number of risks which pose a threat to the Fund meeting its objectives. The principal risks affecting the Fund are:

Funding risks:

- Financial mismatch
 1. The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities.
 2. The risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.
- Changing demographics –The risk that longevity improves and other demographic factors change increasing the cost of Fund benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting Fund liabilities.

The Panel measures and manages financial mismatch in two ways. As indicated above, it has set a strategic asset allocation benchmark for the Fund. It assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Panel keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.

The Panel seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates

The Panel manages asset risks as follows:

It provides a practical constraint on Fund investments deviating greatly from the intended approach by setting itself diversification guidelines and by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrains risk within the Panel's expected parameters. By investing across a range of assets, including quoted equities and bonds; the Panel has recognised the need for some access to liquidity in the short term. In appointing several investment managers, the Panel has considered the risk of underperformance by any single investment manager.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Panel takes professional advice and considers the appointment of specialist transition managers.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Panel monitors and manages risks in these areas through a process of regular scrutiny of its providers and audit of the operations they conduct for the Fund.

The Fund also maintains an extensive risk register, where risks the Fund is exposed to are considered, with appropriate action taken to mitigate the risk where possible.

12. Expected return on investments

Over the long term, the overall level of investment returns is expected to exceed the rate of return assumed by the actuary in funding the Fund.

13. Realisation of investments

The majority of the Fund's investments are quoted on major stock markets and may be realised relatively quickly if required. A proportion of the Fund's investments, including Property, Infrastructure and Diversified Alternatives, with 7%, 10% and 7% respective benchmark allocations, would take longer to be realised.

The overall liquidity of the Fund's assets is considered in the light of potential demands for cash.

14. Social, Environmental and Ethical Considerations (Regulation 7(2)(e) - How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments)

The Fund is committed to being a long-term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills.

The Panel recognises that social, environmental and ethical considerations (SEE) are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention or sale. In addition, the Panel undertakes training on a regular basis and this will include training and information sessions on matters of social, environmental and corporate governance.

The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

The Fund expects its external investment managers (and specifically the London CIV through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments regarding their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.

Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and

governance factors to the extent these directly or indirectly impact on financial risk and return.

The Fund, in preparing and reviewing its ISS will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

Current Restrictions:

At the 12 March 2014 Panel Meeting, Members agreed a policy to restrict direct investment in tobacco but allow indirect investments in tobacco through pooled funds for both passive and active managers.

This restriction will be reviewed as part of each Investment Strategy Review.

15. Exercise of Voting Rights (Regulation 7(2)(f) - The exercise of rights (including voting rights) attaching to investments)

The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and wider society.

The Panel has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the manager(s) has produced written guidelines of its process and practice in this regard. The manager(s) is encouraged to vote in line with its guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

Investments through the London CIV are covered by the voting policy of the CIV which has been agreed by the Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum (LAPFF) as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

The Fund will incorporate a report of voting activity as part of its Pension Fund Annual report which is published on the Council and Pension Fund website:

- a) The Fund has issued a Statement of Compliance with the Stewardship Code which can be found on the Council / Pension Fund website and has also

agreed to become a signatory to the Code in accordance with the Statutory Guidance issued in September 2016.

- b) The Fund has reviewed the London CIV Statement of Compliance with the Stewardship Code and has agreed to adopt this Statement.

In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund, through its participation in the London CIV, will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests. In addition the Fund:

- a) is a member of the LAPFF and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners
- b) gives support to shareholder resolutions where these reflect concerns which are shared and represent the Fund interest
- c) joins wider lobbying activities where appropriate opportunities arise.

16. Stock Lending

The policy on stock lending reflects the nature of the mandates awarded to investment managers by the Panel, which include both pooled and segregated mandates.

The Panel has considered its approach to stock lending, taking advice from its investment advisers. After consideration of that advice, the Panel has given authority to its custodian to lend stocks (principally equities) within its mandates subject to agreed collateral being provided and an overall restriction that the proportion of Fund assets that are available to be lent at any time is limited to 25% of Fund assets.

Stock lending does not prevent any investments from being sold. Safeguards are in place to reduce the risk of financial loss to the Fund in the event of default. These safeguards include receiving liquid collateral in excess of the value of the loan, indemnity agreement with the lending agent and regular reviews of credit-worthiness of potential borrowers. The Panel reviews its policy on stock lending (including the amount and type of collateral used) on a regular basis.

17. Safekeeping of Assets

A global custodian is employed to ensure the safekeeping of investments.

18. Performance measurement

An independent provider is employed to calculate performance for the Funds. Each quarter, the Panel considers the performance of the combined assets and each manager's portfolio against their respective benchmark. The Panel review performance on an annual basis.

19. Stewardship Code

The UK Stewardship Code (SC) aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. The Code sets out good practice on engagement with investee companies to which the FRC believes institutional investors should aspire and operates on a 'comply or explain' basis. The FCA requires UK authorised asset managers to report on whether or not they apply the Code. . In accordance with the Statutory Guidance of September 2016 the Fund has determined that it should become a Signatory to the Code. The Fund's compliance with the UK SC is included as Appendix C.

20. Additional Voluntary Contributions (AVCs)

The Panel gives members the opportunity to invest in a range of vehicles at the members' discretion. Currently AVC is managed by Prudential Plc.

Signed For and on Behalf of the Pension Panel of the London Borough of Barking and Dagenham Pension Fund

Claire Symonds

Chief Operating Officer

Appendix A: Myners Principles

The Pension Panel considers that its practices are compliant with the CIPFA principles for Investment Decision Making in LGPS. The 6 principles are:

- 1) Effective decision making
- 2) Clear objectives
- 3) Risk and liabilities
- 4) Performance assessment
- 5) Responsible ownership
- 6) Transparency and reporting

The Panel's self-assessment of adherence to the principles is shown below

Principles	Response on Adherence
<p>Principle 1 Effective Decision Making: Administering authorities should ensure:</p> <ul style="list-style-type: none">• That decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and• That those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	<p>Compliant Decisions are taken by the Pension Panel, which is responsible for the management of the Fund.</p> <p>The Panel has support from Council officers with sufficient experience to assist them. The Panel also seeks advice from professional actuarial and investment advisers to ensure it can be familiar with the issues concerned when making decisions.</p> <p>The Panel is able to make robust challenges to advice and is aware of where potential conflicts of interest may reside within the Panel and in relation to service providers.</p>

<p>Principle 2 Clear objectives:</p> <ul style="list-style-type: none"> An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and investment managers. 	<p>Compliant</p> <p>The Panel has established objectives for the Fund which takes account of the nature of Fund liabilities and the contribution strategy. This involved discussions with the Actuary to enable the Panel to set the overall risk budget for the Fund. This is reflected in the investment mandates awarded to the asset managers.</p> <p>There is dialogue with admitted bodies within the Fund in relation to the contributions they pay, their capacity to pay these contributions and the level of guarantees they can provide.</p>
<p>Principle 3 Risk and liabilities:</p> <ul style="list-style-type: none"> In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk. 	<p>Compliant</p> <p>The investment strategy is considered in the light of the nature of the Fund liabilities, the timescale over which benefits will be paid, and financial and demographic factors affecting the liabilities, such as inflation and improving longevity.</p> <p>The Panel and Council officers have discussed the contribution strategy with the Actuary taking account of the strength of covenant of the Council and its long term horizon. Discussions have also taken place with admitted bodies in relation to the affordability of contributions and the strengths of their covenants.</p>
<p>Principle 4 Performance assessment:</p> <ul style="list-style-type: none"> Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to 	<p>Compliant</p> <p>The performance of the Fund and its individual managers are monitored on a regular basis.</p> <p>The quality of advisers is assessed on a qualitative basis but is not formally measured. Advisers are subject to periodic re-tender.</p> <p><i>The Fund's contracts with its advisers are regularly market tested.</i></p> <p><i>The Pension Panel will carry out a formal process to measure its own effectiveness and will report this to the Pensions Panel on a</i></p>

<p>scheme members.</p>	<p><i>regular basis.</i></p> <p><i>Training and attendance of members of the Pensions Panel are monitored and reported on annually.</i></p>
<p>Principle 5 Responsible Ownership: Administering authorities should</p> <ul style="list-style-type: none"> • recognise, and ensure that their partners in the investment chain adopt, the FRC's UK Stewardship Code • include a statement of their policy on responsible ownership in the Investment Strategy Statement. • Report periodically to scheme members on the discharge of such responsibilities. 	<p>Compliant</p> <p>The Pensions Panel encourages its investment managers to adopt the Financial Reporting Council (FRC's) UK Stewardship Code but not all managers may necessarily comply fully with the Code's principles</p> <p>This Investment Strategy Statement includes a statement on the Fund's policy on responsible ownership.</p> <p>The Fund has determined to become a Signatory to the FRC Code in accordance with the Statutory Guidance issued by the DCLG in September 2016 .</p>
<p>Principle 6 Transparency and Reporting: Administering authorities should</p> <ul style="list-style-type: none"> • act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. • Should provide regular communication to scheme members in the form they consider most appropriate. 	<p>Compliant</p> <p>The Pension Panel maintains minutes of meetings which are available on the Council website.</p> <p>The Council holds a formal annual meeting for members and also meets periodically with sponsoring employer bodies. A member representative attends Panel meetings.</p> <p>The Investment Strategy Statement is published on the Council website and is available to members on request. Other information on the Scheme is available to members on the Council website.</p>

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Appendix B: Strategic Asset Allocation

The strategic asset allocation of the Fund, together with control ranges and the benchmark index for each asset class is as follows:

Asset Class	Strategic Allocation As at 31 March 2016 %	Strategy Control Range %	Benchmark Index
<i>Global Equities</i>	46	42.0–51.0	MSCI AC World Index
TOTAL EQUITIES	46	42.0–51.0	MSCI AC World Index
<i>UK Bonds</i>	5	4.0-6.0	Merrill Lynch Sterling Broad Market
Global Credit	8	6.0-10.0	Target Return 6%
<i>Non-investment grade bonds</i>		Up to 75%	
<i>Emerging markets debt</i>		Up to 30%	
<i>Non-rated debt (rated internally)</i>		Up to 10%	
<i>Securitised Debt</i>		Up to 25%	
TOTAL BONDS	13	11.0–15.0	
<i>Absolute Return</i>	17	15.0–19.0	Pyrford: RPI +5% p.a. Newton: 1 mth LIBOR +4% p.a
Property	7	6.0–9.0	IPD UK Property Fund Indices All Balanced Property Funds
Diversified Alternatives	7	6.0-10.0	3mth LIBOR plus 4%
Infrastructure	10	4.0–11.0	Target yield 5.9% per annum
Senior Loans*	0	0.0-1.0	Target Return 5-6%
Cash	0	0.0–3.0	
TOTAL ASSETS	100	-	

* Senior Loans Strategic Allocation reduced to 0% as holding is under 0.5%.

Appendix C: Statement of Compliance with UK Stewardship Code

<p>Principle 1 Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.</p>	<p>Stewardship is seen as part of the responsibilities of share ownership, and is therefore an integral part of the Fund's investment strategy.</p> <p>The Pension Panel actively monitor the fund managers through quarterly performance analysis, annual and periodic meetings with the individual fund managers and through direct monitoring by the officers, which includes monitoring and reporting on:</p> <ul style="list-style-type: none"> • Fund manager performance; • Investment Process compliance and changes; • Changes in personnel (joiners and leavers); • Significant portfolio developments; • Breaches of the IMA / Restrictions; • Business wins and losses; and • Corporate and other issues. <p>Voting is delegated to Fund Managers through the Investment Management Agreement (IMA).</p> <p>Baillie Gifford, UBS and Kempen take direct responsibility for stewardship issues, voting and engagement, in the funds which they manage on our behalf. These managers publish Statements of Compliance with the Stewardship code.</p> <p>Details are available on their websites at</p> <p>www.bailliegifford.com/pages/UKInstitutional/CorporateGovernance/CorporateGovernanceSRI.aspx</p> <p>http://www.ubs.com/global/en/about_ubs/corporate_governance.htm</p> <p>http://www.kempen.nl/over_kempen.aspx?id=27770</p>
<p>Principle 2 Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.</p>	<p>We also encourage the asset managers employed by the Funds to have effective policies addressing potential conflicts of interest.</p> <p>In respect of conflicts of interest within the Fund, Pension Panel members are required to make declarations of interest prior to Panel meetings.</p> <p>The Funds' overriding obligation is to act in the best financial interests of the members.</p>
<p>Principle 3 Institutional investors should monitor their investee companies.</p>	<p>Day-to-day responsibility for managing the Fund's investments is delegated to the relevant fund managers, who are expected to monitor companies, intervene where necessary, and report back regularly on activity undertaken.</p> <p>Reports from fund managers on voting and engagement activity will be reported to the Panel on a quarterly basis from June 2013.</p> <p>Concerns are raised directly with the fund managers and issues raised are reported back to the Panel at the subsequent Panel meeting.</p> <p>Fund manager Internal Control reports are monitored, with breaches reported back to the Panel.</p> <p>Where the Fund is directly invested, such as infrastructure, members of the Panel and officers are able to attend their AGM.</p>

<p>Principle 4 Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.</p>	<p><i>As highlighted above, responsibility for day-to-day interaction with companies is delegated, including the escalation of engagement when necessary.</i></p> <p><i>We expect the approach to engagement on our behalf to be value orientated and focussed on long term profitability. We expect Kempen, Baillie Gifford and UBS to disclose their guidelines for such activities in their own statements of adherence to the Code. Their guidelines for such activities are expected to be disclosed in their own statement of adherence to the Stewardship Code.</i></p> <p><i>Consistent with our fiduciary duty to beneficiaries, we also participate in shareholder litigation. We pursue compensation for any losses sustained because of inappropriate actions by company directors in order to encourage improved conduct in the future.</i></p>
<p>Principle 5 Institutional investors should be willing to act collectively with other investors where appropriate</p>	<p><i>The Fund seeks to work collaboratively with other institutional shareholders in order to maximize the influence that it can have on individual companies.</i></p> <p><i>The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which seeks to promote the highest standards of corporate governance and corporate responsibility amongst investee companies.</i></p> <p><i>Where possible, the Fund seeks to exercise its voting rights attaching to its non-UK equity holdings by delegation through Power of Attorneys.</i></p>
<p>Principle 6 Institutional investors should have a clear policy on voting and disclosure of voting activity.</p>	<p><i>The emphasis of our voting policy is to promote best practice. We seek to vote on all shares held.</i></p> <p><i>Our preference is for managers to vote on the Funds behalf and for responsible stewardship to be integral to the investment decision making process.</i></p> <p><i>We are comfortable with delegation of voting to Baillie Gifford and Kempen for the funds they manage. UBS vote on our behalf because the investment is in a passive pooled fund. The managers' voting policies can be found at the websites mentioned above.</i></p>
<p>Principle 7 Institutional investors should report periodically on their stewardship and voting activities.</p>	<p><i>We will seek to report annually on stewardship activity through a specific section in the Funds' annual report and accounts and on our website.</i></p> <p><i>We also report annually on stewardship issues to the Pension Panel.</i></p>