



North East Scotland Pension Fund
nespf

Investment Policy

July 2019

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Document	Investment Policy
Review Date	25/07/2019
Approval Date	13/09/2019
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Review Date	July 2020

Introduction

This statement sets out the investment policy for the North East Scotland Pension Fund (NESPF); the policy is supported by:

- the Fund’s Statement of Investment Principles (SIP); and
- the Funding Strategy Statement (FSS)

Funding Strategy Statement

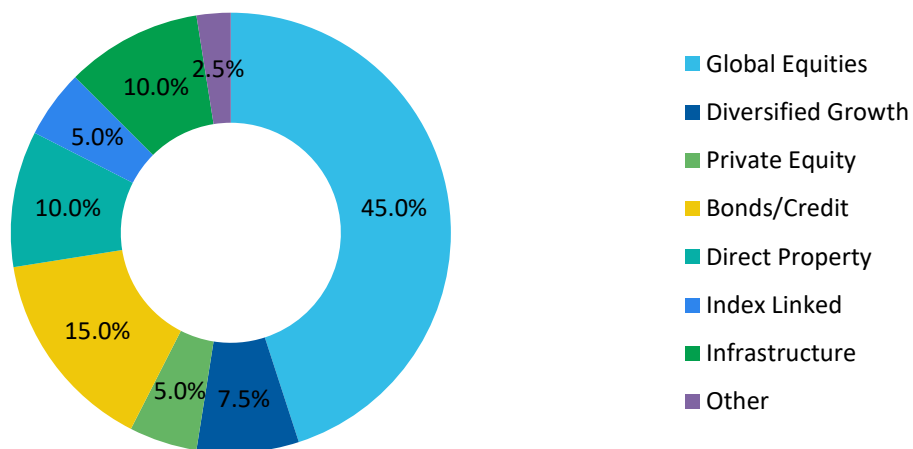
As stated in the Funding Strategy Statement, the Fund objective is:

- to establish a clear and transparent fund-specific strategy which will identify how employers’ pension liabilities are best met going forward;
- to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible, and
- to take a prudent longer-term view of funding those liabilities.

Investment Strategy

In order to meet the Fund objective, the current benchmark asset allocation for the Main Fund, as set out in the Statement of Investment Principles is as follows:

Growth Assets 57.5% (+/- 5%)
Income/Protection Assets 42.5% (+/- 5%)



Risk

In order to reduce overall risk, investments are diversified within each asset class, spread across different types of investment, countries, sectors and companies.

The suitability of particular investments and types of investments are detailed in the Statement of Investment Principles.

Monitoring and Review

In line with the Statement of Investment Principles and the Funding Strategy Statement, the Fund monitors the diversity of the Funds' assets and investments.

The above policy documents are reviewed on an ongoing basis by the Pensions Committee.

The investment strategy and performance are monitored on an ongoing basis by the Pensions Committee, focusing on long term policies with consideration given to short tactical strategy - employed if appropriate.

The Fund takes proper advice at reasonable intervals regarding its investments, through its advisors to the Pensions Committee.

Externally managed assets

The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010, regulation 10 Review of Investment Manager's performance.

In line with the above regulation the Fund receives reporting from all appointed managers on a monthly and quarterly basis and reviews accordingly.

Quarterly reporting including performance data is compared with third party performance measurement of all managers and mandates to ensure accuracy while providing data for reporting to the quarterly Pensions Committee.

The Asset and Investment Manager Performance report is a quarterly report to the Pensions Committee providing performance data, manager commentary, market commentary by appointed manager and at a total Pension Fund level.

Officers meet with all managers on a regular basis to ensure compliance with their individual mandate/investment management agreement and to discuss asset performance. In addition to this compliance monitoring is provided by the Fund's Global Custodian.

Underperformance of Fund Managers

Managers and Mandates will underperform from time to time depending on a number of factors, through the above process underperformance will be identified. All underperformance will be reported to committee via the Asset and Investment Manager Performance report and discussed accordingly.

Officers will have either met or spoken to the manager to discuss the reasons for the underperformance and agreed a resolution which will in turn be discussed with the Pensions Committee.

As mentioned underperformance can be a result of a number of outcomes including market conditions, global political policies and changes at the Fund Manager or to the manager themselves.

The outcome of the above will determine any subsequent action taken by the Fund and will be addressed on a mandate by mandate basis.

Further Information

If you have any questions relating to this Statement please contact the **Governance Team**:

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