

Agenda Item No 4(a)

**DERBYSHIRE COUNTY COUNCIL
PENSIONS AND INVESTMENTS COMMITTEE**

7 February 2017

Report of the Director of Finance

PROPOSED INVESTMENT STRATEGY STATEMENT

1 Purpose of the Report

To receive the Fund's Investment Strategy Statement which is attached as Appendix 1.

2 Information and Analysis

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("2016 Regulations") were introduced in November 2016. A key feature of the 2016 Regulations is the requirement to publish an Investment Strategy Statement by 1st April 2017, having taken proper advice.

The statement must cover:

- A requirement to use a wide variety of investments;
- The authority's assessment of the suitability of particular investments and types of investment;
- The authority's approach to risk, including how it will be measured and managed;
- The authority's approach to collaborative investment, including the use of collective investment vehicles and shared services;
- 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
- The authority's policy on the exercise of rights, including voting rights, attached to its investments.

The authority's investment strategy needs to set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment and the authority will be required to consult such persons as it considers appropriate regarding the proposed contents of its investment strategy.

The Investment Strategy Statement must be reviewed, and if necessary revised, following any material change in the factors which are judged to have a bearing on the stated investment policy, and at least every three years. There will no longer be a requirement to maintain a Statement of Investment Principles (“SIP), with the main elements of the SIP, such as risk, diversification, corporate governance and suitability, becoming part of the reporting requirements of the new investment strategy.

Strategic Asset Allocation Benchmark

The Strategic Asset Allocation Benchmark (“SAAB”), which is contained within the Investment Strategy Statement, was last amended and agreed by the Committee in July 2015 following an asset/liability study by Hymans. It is recommended that the following incremental changes should be made to the SAAB at this stage:

A reduction of 3% in UK equities, taking the weighting to 25%. The UK market offers sterling returns with exposure to the faster growing emerging economies and traditionally higher dividend yields than other markets; it is also underpinned by high standards of regulation and corporate governance. However, it is now prudent to further reduce the exposure to UK equities given the increasingly concentrated sector weightings within the UK market, particularly with regard to commodities.

An increase of 1% in US equities, taking the weighting to 12%. The US market accounts for a large portion of global equity capitalization indices (almost 54% of the MSCI All Country World Index at 31st December 2016) and is regarded as offering a greater exposure to growth stocks than the UK market, partly due to the large technology weighting within the main US equity indices.

A reduction of 1% in fixed income government bonds, taking the weighting to 5.5%. Government bonds are held to reduce volatility, increase diversification, provide liquidity and help to mitigate the increase in liabilities caused by falling bond yields. However, following the sustained fall in bond yields over the last three decades, it is difficult to envisage attractive returns from government bonds over the long term.

An increase of 1% in Multi-Asset Credit (MAC), taking the weighting to 4%. In July 2015, it was agreed that a prudent approach should be taken to investing in MAC, which was, then, a new asset class for the Fund. A level of expertise in this asset class has now been built up, and several investments have been agreed, taking commitments up to the current 3% allocation. An increased exposure to MAC is recommended in order to improve credit diversification and reduce interest rate sensitivity.

An increase of 2% in infrastructure, taking the weighting to 5%. Infrastructure is an attractive asset class for pension funds, offering access to predictable long term cash flows, which are often linked to inflation, and returns with a low correlation to the other major asset classes. Access to suitable infrastructure investments can prove difficult, however, an active pipeline of new opportunities is being assessed and it should be possible to achieve the increased weighting on a committed basis within the next twelve months.

It should be noted that the suggested changes to the SAAB are long term recommendations which may not be aligned with the quarterly tactical recommendations which are based on current market conditions.

The Fund's investment adviser has reviewed the Investment Strategy Statement and the proposed changes to the SAAB and his review is set out in Appendix 2.

Consultation

It is intended to consult with scheme employers, the local pension board and other stakeholders on the proposed Investment Strategy Statement. The results of the consultation will be reported back to the Committee in March 2017.

3 Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal and human rights, human resources, equality and diversity, health, environmental, transport, property, prevention of crime and disorder and social values.

4 Background Papers

Files held by the Director of Finance.

5 Officer's Recommendation

That the Committee approve the Investment Strategy Statement set out in this report subject to the outcome of the consultation with the Fund's stakeholders.

PETER HANDFORD

Director of Finance

DERBYSHIRE PENSION FUND

INVESTMENT STRATEGY STATEMENT

Introduction

This is the Investment Strategy Statement (“the ISS”) of the Derbyshire Pension Fund (“the Fund”), which is administered by Derbyshire County Council. The ISS is drawn up in compliance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”) and has been prepared following consultation with such persons as Derbyshire County Council considered appropriate.

The ISS will be reviewed following any material change in the factors which are judged to have a bearing on the stated investment policy and at least every three years as required by the Regulations.

The primary objective of the Fund is to ensure that over the long term the Fund will be able to meet all benefit payments as and when they fall due. These payments will be met by contributions resulting from the funding strategy or asset returns and income resulting from the investment strategy. The funding and investment strategies are, therefore, inextricably linked; the Funding Strategy Statement can be found on the Fund’s website.

Fund Governance

Derbyshire County Council is an administering authority for the Local Government Pension Scheme in accordance with Local Government Pension Scheme Regulations 2013. The Pensions and Investments Committee (“the Committee”) is responsible for discharging Derbyshire County Council’s statutory function as the administering authority for the Fund.

The Committee is responsible for determining the Fund’s investment policy, monitoring performance and overall stewardship of the Fund. Members of the Committee act in a similar manner to trustees and take advice from an independent adviser and the in-house investment managers. A significant proportion of the Fund’s investments are managed on an active basis by the Fund’s in-house team. Where the appropriate skills are not available internally, external managers are used.

In 2015, a Pensions Board was established which has a compliance and scrutiny role, responsible for ensuring that the administering authority is complying with its statutory duties.

Investment Objectives

The Committee has determined an investment strategy that aims to maximise the returns from investments within acceptable levels of risk, contributes to the Fund having sufficient assets to cover the accrued benefits and enables employer contributions to be kept as stable as possible.

The investment strategy takes into account the following beliefs:

- A long term approach to investment will deliver better returns
- The long term nature of LGPS liabilities allows for a long term investment horizon
- Asset allocation is the most important factor in driving long term investment returns
- Liabilities influence the asset structure; funds exist to meet their obligations
- Risk premiums exist for certain investments; taking advantage of these can help to improve investment returns
- Markets can be inefficient, and mispriced for long periods of time; therefore there is a place for active and passive investment management
- Diversification across investments with low correlation improves the risk/return profile
- Secure and growing income streams underpin the ability to meet future liabilities
- Responsible investment can enhance long term investment performance
- Investment management costs should be minimized where possible but net investment returns after costs are the most important factor

Strategic Asset Allocation Benchmark

The Committee aims to balance risk and reward by apportioning the Fund's assets over a range of asset classes to achieve the Fund's goals, to manage risk and to match the investment horizons. The objective is to generate a return that is at least equal to the discount rate used in the actuarial valuation in order to meet the Fund's liabilities. The actuarial valuation at 31 March 2016 has been prepared on the basis of a discount rate of 4.0% compared with a discount rate of 4.6% for the actuarial valuation at 31 March 2013. The lower discount rate reflects lower expected investment returns going forward.

The Committee has agreed a Strategic Asset Allocation Benchmark ("the Benchmark") for the Fund which takes into account the required level of return

and the Committee's views on the appropriate balance between generating long term investment returns and exposure to investment risk. The Benchmark includes a wide variety of asset classes, in order to diversify sources of risk and return, and equity allocations spread by geographic regions. It takes into account the future expected returns from the different asset classes, the historic levels of volatility of each asset class and the level of correlation between the asset classes.

The asset allocation of the Fund is reviewed on a quarterly basis, and tactical positions around the Benchmark are agreed by the Committee following advice from the Fund's in-house investment managers and the Fund's external adviser.

The Benchmark and the permitted ranges for tactical allocations are set out in the following table:

Asset Category	Asset Allocation	Permitted Range	Specific Performance Benchmark
Equities	58.0%	+/- 8%	
UK Equities	25.0%	+/- 6%	FTSE All Share
Overseas Equities	33.0%	+/- 6%	
N. America	12.0%	+/- 4%	FTSE World N America
Europe	9.0%	+/- 4%	FTSE AW Developed Europe Ex-UK Net
Japan	5.0%	+/- 2%	FTSE World Japan
Pacific ex-Japan	4.0%	+/- 2%	FTSE All World Asia-Pacific ex Japan
Emerging Markets	3.0%	+/- 2%	FTSE Emerging Markets
Bonds	22.0%	+/- 5%	
Fixed Income	5.5%	+/- 3%	FTSE UK Gov Fixed All Stocks
Index Linked	6.5%	+/- 3%	FTSE UK I-L All Stocks
Non-government	6.0%	+/- 3%	BAML £ Corp Bonds
Multi-Asset Credit	4.0%	+/- 2%	LIBOR 3m + 3%
Property	9.0%	+/- 3%	
Direct	5.0%	+/- 2%	IPD UK Quarterly Property Index
Indirect	4.0%	+/- 2%	AREF/IPD UK Quarterly Property Fund Index
Alternatives	9.0%	+/- 3%	
Infrastructure	5.0%	+/- 2%	LIBOR 3m + 2%
Private Equity	4.0%	+/- 2%	FTSE All Share +1%
Cash	2.0%	0 – 8%	Sterling 7 Day LIBID

Asset Classes

All financial instruments are open to consideration by the Committee. The Fund currently invests in quoted and unquoted securities of UK and overseas markets including equities, government and non-government bonds, multi-

asset credit, property, infrastructure and cash either directly or via pooled vehicles. Derivatives are used to hedge the currency exposure of the overseas government bond holdings. The use of derivatives may be extended further in the future for the purpose of efficient portfolio management or to hedge other specific risks. The introduction of any new financial instrument/asset class or any extended use of derivatives will only be considered by the Committee following the receipt of appropriate training and advice from suitably qualified persons.

Equities

Equities are classed as growth assets with the potential to provide returns in excess of inflation from growth in both capital values and income. Reinvested income accounts for a large proportion of long term equity returns. As equity returns are linked to company revenues and profits, investing in equities increases exposure to volatility. Investors expect to be compensated for that volatility by higher returns.

Over the last 50 years, in the UK, equities have provided a real return (after inflation) of 5.6% pa, compared with a real return of 2.9% from government bonds and 1.4% from cash. In the US, the respective real returns over the same period were 5.3% from equities, 3.4% from government bonds and 0.8% from cash¹. Despite the increasing correlation between the majority of developed equity markets, investing in different geographic regions still provides portfolio diversification and investing in emerging markets generally provides access to higher economic growth rates and exposure to different economic drivers of return.

Bonds

Bonds offer predictable streams of income and predictable returns if held to maturity. They are held as stabilising assets to reduce volatility and to provide diversification. As pension funds mature they can be used to provide liquidity and to match liabilities as they fall due.

The Fund holds conventional, index-linked and corporate bonds and within multi-asset credit it holds private debt, high yield debt and asset-backed securities. Index linked bonds are regarded as a particularly good match for pension fund liabilities. The majority of the Fund's government bond holdings are issued by the government of the United Kingdom; the currency exposure of any overseas sovereign bonds holdings is hedged to sterling.

¹ Source: Barclays Equity Gilt Study 2016

Property

Property investments have traditionally been split between three different sectors: office; retail and industrial. Increasingly within the asset management industry, exposure to niche sectors such as student accommodation and exposure to debt secured against property assets is also included with the property asset class. Returns from this asset class come from rental income and the change in market values. Rental income has accounted for a large proportion of total returns over the long term. Given the relative stability of rental income, which gives property bond like characteristics, the returns from property are generally expected to fall between the returns from equities and those from bonds.

Property investment can be done directly via the purchase of physical properties or indirectly via the purchase of pooled vehicles or property company shares. The majority of the Fund's property exposure is gained via direct investment; pooled vehicles are used to gain exposure to niche sectors and overseas assets. The Fund's exposure to property debt is currently contained within the allocation to corporate bonds.

Alternatives

Alternatives include infrastructure, private equity, hedge funds, commodities and pooled multi-asset funds (also known as diversified growth funds). The Fund has exposure to infrastructure and private equity.

Infrastructure offers access to long term predictable cash flows, which are often linked to inflation. A low correlation to the business cycle and the other major asset classes provides diversification benefits and long investment horizons. The majority of the Fund's infrastructure investments are in developed European core assets (long term assets with regulated returns) and social PFI concessions (typically schools, hospitals and military accommodation).

Private equity investment refers to investment in unquoted, privately owned companies. Investors expect to receive an illiquidity premium for investing in this asset class and target returns above those expected from publicly quoted equities. Returns from private equity primarily come from capital growth rather than income when investments are exited (realised) following a period of business growth/transformation. Private equity offers access to a broader universe of companies than the publicly quoted space.

Risk

The overall risk for the Fund is that its assets will be insufficient to meet its liabilities. The Funding Strategy Statement, which is drawn up following the

triennial actuarial valuation of the Fund, sets out how any deficit in assets compared with liabilities is to be addressed.

Underlying the overall risk, the Fund is exposed to demographic risks, regulatory risks, governance risks and financial risks (including investment risk). The measures taken by the Fund to control these risks are included in the Funding Strategy Statement and are reviewed periodically by the Committee via the Fund's risk register. The primary investment risk is that the Fund fails to deliver the returns anticipated in the actuarial valuation over the long term. The Committee anticipates expected market returns on a prudent basis to reduce the risk of underperforming expectations.

It is important to note that the Fund is exposed to external, market driven, fluctuations in asset prices which affect the liabilities (liabilities are estimated with reference to government bond yields) as well as the valuation of the Fund's assets. Holding a proportion of the assets in government bonds helps to mitigate the effect of falling bond yields on the liabilities to a certain extent. Further measures taken to control/mitigate investment risks are set out in more detail below:

Concentration

The Committee manages the risk of exposure to a single asset class by holding different categories of investments (e.g. equities, bonds, property, alternatives and cash) and by holding a diversified equity portfolio spread by both geography and market sectors. Each asset class is managed within an agreed permitted range to ensure that the Fund does not deviate too far away from the Benchmark, which has been designed to meet the required level of return with an appropriate level of exposure to risk, taking into consideration the level of correlation between the asset classes.

Volatility

The Benchmark contains a high proportion of equities with a commensurate high degree of volatility. The strong covenant of the major employing bodies enables the Committee to take a long term perspective and to access the forecast inflation plus returns from equities.

Performance

Investment managers are expected to outperform the individual asset class benchmarks detailed in the overall Strategic Asset Allocation Benchmark. The Fund's performance is measured by an independent provider and reported to the Committee on a quarterly basis. The Committee takes a long term approach to the evaluation of investment performance but will take steps to address persistent underperformance.

Illiquidity

Close attention is paid to the Fund's projected cash flows; the Fund is currently cash flow positive, in that annually there is an excess of cash paid into the Fund from contributions and investment income after pension benefits are paid out. The Fund expects to be cash flow positive for the short to medium term. Despite the growing proportion of illiquid investments in the Fund, a large proportion of the assets are held in liquid assets and can be realised quickly, in normal circumstances, in order for the Fund to pay its immediate liabilities.

Currency

The Fund's liabilities are denominated in sterling which means that investing in overseas assets exposes the Fund to a degree of currency risk. The Committee regards the currency exposure associated with investing in overseas equities as part of the return on the overseas equities; the currency exposure on overseas bonds is hedged back to sterling.

Stock Lending

The Fund does not currently participate in any stock-lending arrangements but is likely to in the future as part of the LGPS Central pool. The Committee will ensure that robust controls are in place to protect the security of the Fund's assets before entering into any stock lending arrangements.

Custody

The risk of losing economic rights to the Fund's assets is managed by the use of a global custodian for custody of the assets, regular scrutiny of the Fund's providers, and the maintenance of independent investment accounting records.

LGPS Central

The Fund is building the LGPS Central pool ("the Pool"), in accordance with Government requirements, with the LGPS funds of Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands, the West Midlands Integrated Transport Authority and Worcestershire. The Pool is expected to deliver lower investment costs and greater investment capability. Lower investment costs will come from the consolidation of segregated mandates, reduced use of pooled vehicles and fund of fund vehicles, a switch from Indirect to Direct property and more competitive fees for Alternatives achieved through increased scale.

The Government has formally accepted the proposal set out by the participating funds for the LGPS Central pool in its July 2016 submission. The

eight administering authorities of LGPS Central will be equal shareholders of the company. A Shareholders' Forum, comprising one elected Member from each of the participating administering authorities, will act as the supervisory body of the Pool and will fulfil the shareholders' role in ensuring that the company is managed efficiently and effectively.

A Joint Committee, set up in accordance with provisions of the Local Government Act 1972, will be the forum for dealing with common investor issues and for collective monitoring of the performance of the Pool against the objectives set out in the LGPS Central business case submission. To support the Joint Committee and the Shareholders' Forum, a Practitioners' Advisory Forum will be created, consisting of Officers from each of the individual Funds. This forum will provide day-to-day oversight of the Operator, scrutinizing investment performance and investment costs, monitoring customer service and the delivery of wider investor services, such as voting and responsible investment.

The Fund expects to invest all its assets through the Pool from April 2018, with the exception of cash. Virtually all of the existing assets are expected to be transferred into the Pool in April 2018 although it will take some time for the Pool to restructure the assets into appropriate collective vehicles within the Pool. Once the assets have been restructured, each Fund will own units in the relevant collective vehicles. For some illiquid assets which may prove too costly to transfer into the Pool, LGPS Central will take over oversight of those assets from April 2018.

Responsible Investment

Responsible investment is an approach to investment that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long term returns.²

The Committee believes that responsible investment covers both incorporating ESG factors into the investment process and Fund stewardship and governance through considered voting and engagement with investee companies.

Effective management of financially material ESG risks should support the requirement to protect investment returns over the long term. The Fund's investment team seek to understand relevant ESG factors alongside conventional financial considerations within the investment process, and the Fund's external investment managers are expected to do the same. Non-financial factors may be considered to the extent that they are not detrimental to the investment return.

² UN Principles for Responsible Investing

A strategy of engagement with companies, rather than negative screening to exclude stocks from the portfolio on ESG/ethical grounds, is more compatible with the administering authority's fiduciary duties and supports responsible investment.

Membership of the Local Authority Pension Fund Forum (LAPFF) helps Derbyshire Pension Fund to engage with companies to understand the issues and to promote best practice. LAPFF was set up in 1991 and is a voluntary association of 71 Local Authority pension funds based in the UK with combined assets of approximately £175bn. It exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote high standards of corporate governance and corporate responsibility amongst the companies in which they invest.

Collective pressure from investors via organisations such as the LAPFF has helped to encourage listed companies to enhance their corporate governance and to improve their environmental and social impacts. The Fund attaches great importance to the exercise of voting rights and currently casts votes in respect of its directly held equity investments in the United Kingdom and North America.

The Committee has appointed Institutional Shareholder Services, a third party voting agency to provide voting services for its directly held UK equity investments. Voting is carried out in line recommendations from ISS, whose voting principles cover four key tenets on accountability, stewardship, independence and transparency. The Fund also periodically receives voting alerts from the LAPFF on certain resolutions. If the voting alert from the LAPFF conflicts with the ISS recommendation, due consideration is given to all the arguments before the vote is cast. A report to review the Fund's voting activity is taken to the Committee on a quarterly basis.

The Fund has appointed Wellington Management ("Wellington") in a discretionary capacity to manage its directly held North American investments, including voting in line with local practice. Wellington have policies and procedures to ensure that they collect and analyse all relevant information for each meeting, applying their proxy voting guidelines accurately and executing votes in a timely manner.

The Committee supports the Stewardship Code as published by the Financial Reporting Council and expects both the LGPS Central pool and any directly appointed fund managers to comply with the Stewardship Code.

30 January 2017



Review of Investment Strategy Statement
Prepared for

Derbyshire Pension Fund

25th January 2017

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Review of the Investment Strategy Statement for Derbyshire Pension Fund

This report has been prepared by Anthony Fletcher “External Investment Adviser” of Derbyshire County Council Pension Fund (the Fund). The review was undertaken at the request of Dawn Kinley Head of Investments for the Derbyshire Pension Fund (the Fund).

The Fund is required by regulation to have in place by April 2017, an Investment Strategy Statement (ISS) and to review it following any material change in the factors which are judged to have a bearing on the stated investment policy and at least every three years as required by the Regulations. The Investment Strategy Statement (ISS) replaces the “Statement of Investment Principles” (SIP).

The Fund’s ISS has been drawn up to be in compliance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”) and has been prepared following consultation with such persons as Derbyshire County Council considered appropriate.

Anthony Fletcher’s role is to provide an independent review the ISS and to make recommendations for changes that should be considered in light of the regulations and the objectives of the Fund.

At the request of Dawn Kinley I have carried out a review of the ISS and to the best of my knowledge found it to be consistent with the objectives of the Derbyshire Pension Fund and compliant with the regulations as set out in Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Statutory background

Regulation 7(1) requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

The Investment Strategy Statement required by Regulation 7 must include:-

- a) A requirement to invest 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 measured 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 or 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 rights (including voting rights) attaching to investments.

The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment. This, in effect, replaces Schedule 1 to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 ("the 2009 Regulations").

Further to my statement above I note that the Fund's Investment Strategy Statement addresses all the requirements set out in "a to f" above.

Strategic Asset Allocation and permitted ranges

With regard to the Strategic Asset Allocation, Benchmarks and permitted ranges for tactical asset allocation I make the following observations and recommendations for consideration by the Fund, see table 1. Below.

The Fund's liabilities are exclusively denominated in UK pounds, it is therefore prudent to have significant exposure to investment assets denominated and benchmarked in the UK. However it is also reasonable for reasons of diversification of risk and return to have exposure to assets; denominated in other currencies, located in other geographic regions and in sectors that may not be available in the UK.

I therefore endorse the Fund's strategic allocation to a wide range of asset classes, geography and sectors.

A high weight to UK equity relative to the rest of the world is also appropriate because many of the companies listed on the UK stock exchange derive a very large proportion of the earnings internationally.

Over the last 30 years bonds have produced high levels of total return as interest rates and inflation have fallen. As a result nominal and real government bond yields have fallen to very low levels. While bonds provide excellent diversification characteristics and more predictable cash flows, from a strategic point of view I believe it is appropriate to reduce government bond exposure and increase non-government bond exposure through an increased allocation to Multi-asset Credit, through this allocation I would also suggest allowing the flexibility to invest in High Yield and Emerging Market debt. By doing this the Fund will be diversifying the sources of interest rate risk, potentially enhancing the level of yield and uncorrelated total returns achieved from its overall bond allocation.

I also endorse the decision to increase the exposure to Infrastructure. This is an asset class where access for Pension Funds is increasing through a broader and deeper supply of opportunities not just in the UK but Globally. Infrastructure investment can provide diversification benefits to traditional asset classes, the cash flows generated by infrastructure are long term and often inflation linked, thereby providing an alternative to investment in bonds or property and makes them consistent with the long term objectives of a Pension Fund.

Table 1. Strategic Asset Allocation, permitted tactical ranges and performance benchmarks

Asset Category	Asset Allocation	Permitted Range	Specific Performance Benchmark
Equities	58.0%	+/- 8%	
UK Equities	25.0%	+/- 6%	FTSE All Share
Overseas Equities	33.0%	+/- 6%	
N. America	12.0%	+/- 4%	FTSE World N America
Europe	9.0%	+/- 4%	FTSE AW Developed Europe Ex-UK Net
Japan	5.0%	+/- 2%	FTSE World Japan
Pacific ex-Japan	4.0%	+/- 2%	FTSE All World Asia-Pacific ex Japan
Emerging Markets	3.0%	+/- 2%	FTSE Emerging Markets
Bonds	22.0%	+/- 5%	
Fixed Income	5.5%	+/- 3%	FTSE UK Government All Stocks
Real Return	6.5%	+/- 3%	FTSE UK Government Index-Linked All Stocks
Non-government	6.0%	+/- 3%	BAML £ Corporate Bonds
Multi-Asset Credit	4.0%	+/- 2%	LIBOR 3m + 3%
Property	9.0%	+/- 3%	
Direct	5.0%	+/- 2%	IPD UK Quarterly Property Index
Indirect	4.0%	+/- 2%	AREF/IPD UK Quarterly Property Fund Index
Alternatives	9.0%	+/- 3%	
Infrastructure	5.0%	+/- 2%	LIBOR 3m + 2%
Private Equity	4.0%	+/- 2%	FTSE All Share +1%
Cash	2.0%	0 – 8%	Sterling 7 Day LIBID

I have reviewed the asset categories, % allocation, ranges and benchmarks in the table above and find them both prudent and reasonable from the point of view of the Fund's objectives and my understanding of the regulations.

Anthony Fletcher

25th January 2017

Appendix

References

Source material was provided by, including but not limited to, the following suppliers:-

Derbyshire Pension Fund

Local Government Pension Scheme:-

Guidance on Preparing and Maintaining an Investment Strategy Statement

2016 No. 946 PUBLIC SERVICE PENSIONS, ENGLAND AND WALES. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

Hymans Robertson Sixty second summary:-

Arrival of guidance on preparing your LGPS Investment Strategy Statement