

Royal County of Berkshire Pension Fund

Investment Strategy Statement – March 2023

1. Introduction

- 1.1.** This is the Investment Strategy Statement (“ISS”) adopted by the Royal County of Berkshire Pension Fund (“the Fund”), which is administered by the Royal Borough of Windsor and Maidenhead (“the Administering Authority”).
- 1.2.** Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (Regulation 7) the Fund is required to publish this ISS at least every three years, it was last approved in March 2022. The Regulations require administering authorities to outline how they meet each of six objectives aimed at improving the investment and governance of the Fund.
- 1.3.** This Statement addresses each of the objectives included in Regulation 7(2) of the 2016 Regulations:
- ***Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments;***
 - ***Objective 7.2(b): The authority’s assessment of the suitability of particular investments and types of investment;***
 - ***Objective 7.2(c): The authority’s approach to risk, including ways in which risks are to be measured and managed;***
 - ***Objective 7.2(d): The authority’s approach to pooling investments, including the use of collective investment vehicles;***
 - ***Objective 7.2(e): How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;***
 - ***Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments***
- 1.4.** Each of the above objectives are dealt with in turn in Section 3 of the ISS
- 1.5.** The Pension Fund Committee (the “Committee”) oversees the management of the Fund’s assets. Although not trustees, the Members of the Committee owe a fiduciary duty similar to that of trustees to the council-tax payers and guarantors of other scheme employers, who would ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.
- 1.6.** The relevant terms of reference for the Committee within the Council’s Constitution are as follows:
- To exercise the general powers and duties of an Administering Authority in the maintenance of the Royal County of Berkshire Pension Fund as may be required in accordance with the Superannuation Fund Act 1972, The Public Service Pensions Act 2013 and Local Government Pension Scheme Regulations existing under those Acts including, but not restricted to the following;*
- (i) *Setting of the Investment Strategy and Funding Strategy Statements and determination of the Strategic Asset Allocation of the Pension Fund’s assets in the light of professional advice and other suitably qualified independent advice, legislative constraints and Codes of Practice.*

- (ii) *Responsibility for the statutory policies and administration of the Royal County of Berkshire Pension Fund maintained by the Administering Authority in accordance with the Local Government Pension Scheme Regulations, The Local Government Pension Scheme (Management of Investment of Funds) Regulations, all other associated legislation and Pension Regulator Codes of Practice.*
- (iii) *Determination of the arrangements for obtaining appropriate investment advice including the appointment of a suitably qualified independent person or persons to give expert advice on Pension Fund investment and management arrangements.*
- (iv) *The periodic review and monitoring of the Pension Fund's investment performance in line with the Advisory and Management Agreement entered into with the Local Pensions Partnership (Investments) Limited (LPPI).*
- (v) *To consider the Annual Report and Accounts of the Fund.*
- (vi) *The reporting of any breaches of the law to the Pensions Regulator.*

- 1.7.** The Director of Resources (S.151 officer) , the Head of Finance (Deputy S.151 officer), the Head of Pension Fund, the appointed independent advisors and actuaries support the Committee. The day-to-day management of the Fund's assets in accordance with this strategy is delegated to LPPI ("the Investment Manager").
- 1.8.** This ISS will be reviewed at least once every three years as per the statutory guidance, or more frequently as required - in particular following actuarial valuations, future asset/liability studies, performance reviews, or legislation changes (e.g. Taskforce for Climate Related Financial Disclosures ("TCFD")) which may indicate a need to change investment policy, or significant changes to the Funding Strategy Statement ("FSS").
- 1.9.** The Strategic Asset Allocation, as detailed in Section 4 of this document may be changed from time to time without full review and consultation of the ISS.. The mechanics for this such an amendment will be a separate review and approval of **Schedule 1: RCBPF Strategic Asset Allocation** by the Committee.
- 1.10.** The Administering Authority confirms (on accordance with Regulation 7(4) of the Investment Regulations) that the Fund has no investments in entities that are connected with the authority but if in future it chooses to do so, these will be limited to no more than 5% of the Fund's assets.
- 1.11.** The Administering Authority confirms (in accordance with Regulation 7(8) of the Investment Regulations) that the Fund will invest, in accordance with its investment strategy, any Fund money that is not needed to make payments from the Fund. Section 4 of the ISS sets the strategic allocation targets and maximum percentage of total Fund value for Fund Cash holdings.
- 1.12.** The Funds Investment Strategy applies to all Fund assets in respect of all employers, for the avoidance of doubt the ISS does not enable bespoke investment strategies for individual or groups of employers under any circumstances. Should this be considered in the future, the ISS will be required to be revised and consulted on again.

2. Investment Principles

- 2.1.** Governing all investment decisions are the Committee's core investment principles, beliefs and philosophy. They have been established based on the views of the Committee members, based on the expert advice of the Investment Manager and the Fund's independent advisors, these are listed as follows:

Principle 1: Investment Governance

- 2.1.1.** The Fund has access to the necessary skills, expertise, and resources to manage the whole Fund, as well as managing the Fund's cash needs internally.
- 2.1.2.** The Investment Manager, independent advisors, officers and the local pension board are a source of expertise and research to inform and assist the Committee's decisions.
- 2.1.3.** The ultimate aim of the Fund's investment activities is to pay pension liabilities when they become due. The Committee will therefore work with the Investment Manager to ensure that the liquidity profile of the Fund is appropriate to ensure the long-term ability of the Fund to meet these obligations.
- 2.1.4.** The Fund is continuously improving its governance structure through bespoke training to make well informed strategic allocation decision but acknowledges that it is not possible to achieve optimum market timing or to predict future financial market outcomes.
- 2.1.5.** All meetings and investment decisions relating to the setting of Investment Strategy and Strategic Asset Allocation will be minuted.

Principle 2: Long Term Approach

- 2.1.6.** The strength of the majority of employers' covenant allows the Fund to take a long-term approach to its investment strategy, enabling the investment in less liquid assets and the ability to assess the performance of the Investment Manager in these asset classes over a longer-term time frame.
- 2.1.7.** The most important aspect of risk is not the volatility of returns, but the risk of absolute loss of capital over the medium and long term. An important focus for the Fund is to ensure stability and affordability of employer contributions over the long-run.
- 2.1.8.** Illiquidity is a risk which offers a potential source of additional compensation to the long-term investor. As a long term investor, the Fund seeks to be a liquidity provider which presents opportunities in times of market stress.
- 2.1.9.** Over the long term, equities are generally expected to outperform other liquid assets, particularly government bonds and cash. The Fund seeks to invest a significant portion of assets in high quality equity or equity-like securities.

Principle 3: Environmental, Social and Governance ("ESG") factors

- 2.1.10.** Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved.
- 2.1.11.** All things being equal, well governed companies that manage their business in a responsible manner

are generally less vulnerable to idiosyncratic downside risk and may therefore produce higher returns over the long term.

- 2.1.12.** In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they significantly invest in.
- 2.1.13.** The Fund's Responsible Investment (RI) Policy reflects the urgency of the threat that ESG risks present to the Fund and includes the expectation that the Investment Manager will pursue a policy of active, effective engagement with companies in which ownership stakes are held.
- 2.1.14.** The Committee recognises the Administering Authority's net-zero commitment along with that of many of the other scheme employers. The Committee also recognises that a growing number of scheme members want to see significant weight given to these issues. Due consideration to these issues shall be made throughout the investment process and in line with the Fund's RI Policy.

Principle 4: Asset allocation

- 2.1.15.** Allocations to asset classes other than equities, cash and government bonds (e.g., corporate bonds, private markets, property, infrastructure and diversifying strategies) offer the Fund other forms of risk premia (e.g., additional solvency risk/liquidity risk).
- 2.1.16.** Diversification across asset classes and asset types that have low correlation with each other across the market cycle will tend to reduce the volatility of the overall Fund return.
- 2.1.17.** As the funding level improves, the Committee may look to specific lower risk strategies to reduce the volatility of the Fund's actuarial funding level.
- 2.1.18.** With the aim of reducing longevity risk (the risk of increases in mortality rates beyond unhedged actuarial expectations (pensioners living longer than anticipated and therefore benefits extending longer than planned)), a longevity insurance contract has been entered into covering all pensioner members of the Fund who had started receiving their pension by the end of July 2009 including their dependants.

Principle 5: Management Strategies

- 2.1.19.** Active management will typically incur higher investment management fees but can provide additional return. Fees should be carefully considered and aligned to the best interests of the Fund.
- 2.1.20.** Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment thesis, perceived value-add and process on appointment are being delivered and that continued appointment is appropriate.
- 2.1.21.** Employing a range of management styles can reduce the volatility of overall Fund returns.
- 2.2.** The Fund has an overall return objective of 6% annually (paragraph 3.13) and will aim for an appropriate level of risk within its asset allocation to deliver that return, so as to achieve a long-term funding aim while aiming to deliver an appropriate investment income yield to maintain a positive Fund cash-flow position (paragraph 2.4).
- 2.3.** The Fund aims to, where possible, ensure that the portfolio is inflation resilient through its asset

allocation activities.

- 2.4.** The Fund aims to keep asset value drawdowns to a minimum, recognising the positive non-investment cashflows through contributions employer deficit recovery payments, plus an appropriate minimum investment income yield. Based upon the 2022 Triennial Valuation the Fund is expected to remain net cash-flow positive in the near term, although progressively, and likely following the next triennial valuation, this position is expected to change.
- 2.5.** Cash balances should be diligently managed to ensure they remain within the ranges set in the strategic asset allocation by employing a strict treasury management processes. Where cash balances are held, an appropriate return is targeted of at least SONIA or other relevant interbank overnight rate of return. It should be noted that whilst cash offers the benefit of liquidity, it generally creates a drag on fund performance so must be managed and invested appropriately.
- 2.6.** The Fund may, from time to time, use derivatives or other complex financial instruments to meet its investment objectives and/or appropriately manage various investment risks provided adequate professional advice is sought and the risks are fully and prudently considered by the Committee. An example is the use of forward rate agreements to obtain synthetic currency exposure.
- 2.7.** The Fund may, from time to time, use borrowing or other debt-type instruments to help meet its liquidity requirements and/or appropriately manage various investment risks provided adequate professional advice is sought and the risks are fully and prudently considered by the Committee. An example is the use of short-term borrowing to fund cash-flow requirements in lieu of receiving a known dividend distribution.

3. ISS Objectives

Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments

- 3.1.** Funding and investment risk is discussed in more detail later in this ISS. However, at this stage it is important to state that the Committee is aware of the risks it runs within the Fund and the consequences of these risks.
- 3.2.** To mitigate investment risk, the Committee recognises that the Fund should have an investment strategy that has:
- 3.2.1.** Exposure to a diverse range of sources of return, such as market return, manager skill and using illiquid holdings.
 - 3.2.2.** Exposure to a range of instruments for specific risk hedging purposes to be used where appropriate (longevity, currency etc.).
 - 3.2.3.** Diversification in the asset classes used.
 - 3.2.4.** Diversification in the approaches to the management of the underlying assets.
 - 3.2.5.** Adaptability to be able to maintain liquidity for the Fund.
- 3.3.** The Fund's approach to diversification is to divide its assets into seven distinct categories; public equities, fixed income, credit, infrastructure, private equity, real estate and cash as well as entering into a longevity insurance contract. The size of the assets invested in each category will vary, the strategic asset allocation is detailed in Section 4 of this ISS. It is important to note that each category is itself diversified. As a result, the Fund's assets are invested in a wide range of instruments.
- 3.4.** The main risk the Committee are concerned with is to ensure the long-term ability of the Fund to meet pension and other benefit obligations in full as they fall due. As a result, the Committee place a high degree of importance on ensuring the expected return on the assets is sufficient to do so and does not have to rely on a level of risk which the Committee considers excessive.
- 3.5.** The Fund currently has a positive cash flow position, however, the gap between contributions received and benefits paid is narrowing and consequently the Fund will progressively evolve to being cash-flow negative. The Fund may at times have a negative cash flow position, consequently the Fund liquidity must be closely monitored by the Investment Manager and Fund officers. In addition, a portion of the Fund's assets are invested to generate an income yield.
- 3.6.** At all times the Committee seeks to ensure that their investment decisions, including those involving diversification, are in the best long-term interest of Fund beneficiaries and seeks appropriate advice from the Investment Manager and independent investment advisors as appropriate.
- 3.7.** To mitigate these risks the Committee regularly (at least on a quarterly basis) reviews both the performance and expected returns from the Fund's investments to measure whether it has met and is likely to meet in future its asset class return objectives as well as its overall return objective as defined in paragraph 3.13. The Committee will keep the Investment Manager and this ISS under review to ensure that the approaches are consistent.
- 3.8.** The Fund aims to allocate up to 5% of its Assets for investment in local projects which support local areas, subject to all suitability criteria in Objective 7.2(b) being met and the Fund having no conflict in undertaking its fiduciary duty to scheme members and employers.

Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment

- 3.9.** Suitability is a critical test for whether a particular investment should be made. When assessing the suitability of investments, the Investment Manager (as delegated by the Committee) considers the following from its due diligence:
- 3.9.1.** Prospective return
 - 3.9.2.** Risk
 - 3.9.3.** Concentration
 - 3.9.4.** Risk management qualities the investment has when the portfolio as a whole is considered
 - 3.9.5.** Geographic and currency exposures
 - 3.9.6.** Possible correlation and interactions with other investments in the portfolio
 - 3.9.7.** Whether the management of the asset meets the Fund's ESG criteria.
- 3.10.** Each of the Fund's investments has an individual performance benchmark which their reported performance is measured against.
- 3.11.** The Committee monitors the suitability of the Fund's asset allocations on a quarterly basis. The Committee do not have access to data on individual investments and therefore monitor performance at the asset class level unless LPPI report exceptions. To that end LPPI monitor the investment returns and the volatility of the individual investments together with the Fund level returns and risk whilst the Committee consider these wholistically at the asset-class and whole-fund level. This latter point being to ensure the risks caused by interactions between investments within the portfolio are properly understood and considered.
- 3.12.** Where comparative statistics are available for presentation by the Investment Manager or other external body, the Committee will also compare the Fund's asset performance with those of similar funds. The Committee relies on external advice in relation to the collation of the statistics for review.
- 3.13.** The Fund targets a long-term absolute return of 6% per-annum, a rate advised by the actuary at the last triennial valuation (equivalent to 2.9% (long-term CPI assumption) + 3.1% at 31 March 2022). This is referred to by the Fund as the 'Actuarial Benchmark', or the required rate of annual return to achieve a 100% funding level at the end of the deficit recovery period (31 March 2040) without additional deficit recovery (secondary) contributions from employers. This rate is subject to further change and shall be revised at the next triennial valuation. For the avoidance of doubt – this is not the actuarial discount rate. The term 'actuarial Benchmark' may be used interchangeably with the term 'overall return objective'.
- 3.14.** The Fund will aim for an appropriate level of risk within its asset allocation, so as to achieve a long-term funding aim. No explicit volatility target is set in this Investment Strategy Statement.
- 3.15.** Investments are assessed by the Investment Manager to determine suitability considering all factors but not limited to; consideration of the long-term absolute return target, portfolio volatility and the suitability indicators as listed in paragraph 3.9

Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed

- 3.16.** The Fund has adopted the CIPFA (2018) framework for managing risks in the LGPS, to assist it in risk identification, assessment, and mitigation. In line with best practice, the Fund maintains a risk register with all known material risks, each with several mitigation/control measures and several carefully calculated risk scores. The main risks to the Fund, however, are highlighted within the FSS.
- 3.17.** The Committee recognises that there are many risks involved in the investment of the assets of the Fund. Several of these key investment risks are highlighted below along with how the Fund seeks to mitigate them:

Investment Manager risk:

- 3.17.1.** Selection of investment strategies is delegated to the Investment Manager. The Investment Manager selects and monitors underlying investment managers on behalf of the Fund. This oversight includes manager performance and associated risks. The Investment Manager regularly reviews the risk and return objectives of these investment managers, evaluates their performance and appraises management processes

Geopolitical and political risks:

- 3.17.2.** Geopolitical risks are considered, where appropriate, by the Investment Manager. They are expected to be managed by the avoidance of high levels of concentration in specific geographical areas.
- 3.17.3.** Political risks are considered, where appropriate, by the Investment Manager. They are expected to be managed by pursuing investments in countries that the “rule of law” prevails and the institutional set up is strong. Avoiding high levels of concentration risk is also a route to managing these risks.

Currency risks:

- 3.17.4.** Currency risks are tolerated and managed within the parameters set in the Fund's Risk Appetite Statements (within the Fund's risk management policy). Currency risk is incorporated in any analysis that guides the Fund's strategic asset allocation and thus ultimately is considered as part of pursuing the Fund's long term funding objectives.
- 3.17.5.** The Fund maintains the ability to manage currency exposure through the use of derivatives alongside its strategic asset allocation, effectively targeting specific currency weights – the Fund refers to this process as strategic currency allocation(SCA). Any SCA if introduced after the date of approving this ISS , if approved by the Committee shall be documented in ***Schedule 1: RCBPF Strategic Asset Allocation***.

Solvency and mismatching risk:

- 3.17.6.** This risk is monitored and managed, taking into account the Fund's risk appetite statement, through an assessment of the expected development of the liabilities relative to the expected development of the current and alternative investment policies; and
- 3.17.7.** Is monitored by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

Liquidity risk:

- 3.17.8.** This is a function of liquid asset holdings and expected portfolio income relative to the level of cash flow required over a specified period and in stress events; and
- 3.17.9.** Is managed by assessing the level of cash held and payable/receivable over a period of time in order to limit the impact of the cash flow requirements from the unplanned sale of investments.

Custodial risk:

- 3.17.10.** This is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.
- 3.18.** The risks to the Fund concerned with the investment of Fund assets are controlled in the following ways:
 - 3.18.1.** The adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the Investment Manager from deviating significantly from the intended approach while permitting the flexibility to enhance returns.
 - 3.18.2.** The appointment of more than one manager by the Investment Manager with different mandates and approaches provides for the diversification of manager risk.
- 3.19.** The Advisory Management Agreement (AMA) agreement constrains the Investment Manager's actions in areas of particular risk and sets out the respective responsibilities of both the Investment Manager and the Fund.
- 3.20.** The Committee are aware investment risk is only one aspect of the risks facing the Fund.
- 3.21.** The Committee are of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is appropriate and will continue to be so. When putting in place the investment strategy the Committee carefully considered both the individual asset risk characteristics and those of the combined portfolio to ensure the risks were appropriate. Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and the correlation between them.
- 3.22.** To help manage risk, the Committee has agreed a risk management policy (including specific investment and funding risk appetite statements) alongside this statement. Within the risk appetite statements, the Investment Manager is engaged to monitor and manage the risk focusing on four key parameters; funding level, contributions, liquidity and asset allocation.
- 3.23.** When reviewing the investment strategy on a quarterly basis the Committee considers advice from their Independent Advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable. In addition to this the risk register is updated on a quarterly basis.
- 3.24.** At each review of the Investment Strategy Statement the assumptions on risk and return and their impact on asset allocation will be reviewed.

Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles

- 3.25.** The Government requires LGPS funds to pool their investments as a solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost. The Funds approach to pooling arrangements meet the criteria set out in the Local Government Pension Scheme: Investment Reform Criteria and Guidance.
- 3.26.** The Fund became an investment client of LPPI as part of the Government's pooling agenda on 1 June 2018, outsourcing all active day-to-day asset management activities along with pooling funds into LPPI's investment "buckets" as appropriate. LPPI was launched in December 2015 by two pension funds; the Lancashire County Pension Fund (LCPF) and the London Pensions Fund Authority (LPFA) with the Fund later joining in 2018. LPPI now has circa £23bn under direct management, with seven funds launched as at March 2023.
- 3.27.** The Fund has transitioned c.80% of assets to the LPPI pooled investment vehicles as of March 2023. Going forward the Fund will look to transition further assets as and when there are suitable investment opportunities available that meet the needs of the Fund and where there are no excessive cost, legal or other restraints such as those caused by the legacy investments in illiquid private market investments. As such, the remaining c20% is currently held outside of LPPI pooled funds but are externally managed by LPPI as the Investment Manager under the terms of the AMA. The Committee is aware that certain assets held within the Fund have limited liquidity and disposing/transferring them would come at a disproportionate cost. The position is periodically reviewed by the Investment Manager
- 3.28.** LPPI's Investment Committee, which is independent of clients and shareholders in terms of both its directive and membership, is responsible for scrutinising the actions of its investment team, reporting and transparency, consultation on the strategy and business plan, matters reserved to shareholders, RI and emerging issues. The LPPI Investment Committee meets on a quarterly basis. LPPI regularly hosts investment/client conferences, to which all members and clients are invited. External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the Department for Levelling Up, Housing and Communities (DLUHC).

Objective 7.2(e): How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

- 3.29.** The Committee (following the recommendation of the Responsible Investment working group ("the task and finish group")) approved a revised RI policy in October 2022. This RI policy is available for viewing on the Fund's website and is kept continuously under review. The Fund's RI policy sets out in detail how ESG considerations are taken into account in the selection, non-selection, retention and realisation of investments.
- 3.30.** The RI policy sets out the Fund's values and principles in respect of RI, its priorities in respect of ESG and its approach to RI implementation. One of the underpinning values of the RI policy and in deed the Fund's approach to investment and governance in general is continuous improvement. Consequently, the Fund seeks to ensure it is continuously adapting to changes in this multi-faceted and complex area to ensure it achieves best outcomes.
- 3.31.** Taskforce for Climate Related Financial Disclosures ("TCFD") implementation in the LGPS is expected from late 2024 (pending legislative guidance) and will require statutory disclosures by the Fund. The Fund's RI policy enables compliance with TCFD, however, may be revised as appropriate as guidance becomes available.

Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments

- 3.32. The Committee has delegated the Fund's voting rights to the Investment Manager, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the Investment Manager to vote in the best interests of the Fund. In addition, the Fund expects its Investment Manager to work collaboratively with others, particularly other LGPS Investment Managers, if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.
- 3.33. As the role of voting and engagement is outsourced to LPPI, the Fund has included the Investment Manager's shareholder voting policy on the Fund's website, which was last approved in December 2022 and shall be kept under review.
- 3.34. The Fund through its participation with LPPI and through other means will work closely with other LGPS Funds to enhance the level of engagement both with external managers and the underlying companies in which it invests.
- 3.35. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners.
- 3.36. Ongoing voting and engagement is covered within the Funds RI Policy
- 3.37. The Committee expects LPPI and any other directly appointed asset managers to comply with the Stewardship Code (2020) and this routinely monitored.

4. Strategic Asset Allocation

- 4.1. Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (Regulation 7(3)), "The authority's investment strategy must 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."
- 4.2. *Schedule 1: RCBPF Strategic Asset Allocation* sets out the Target Allocation for each asset class, along with the minimum and maximum Tolerance Ranges, the investment return benchmark and the target rate of return (or investment objective) for each asset class.
- 4.3. The Fund entered a Longevity insurance contract in 2009 with the aim of hedging longevity increases for all retired members and their dependants as at the time of entering into the contract. Changes in longevity and mortality assumptions present liquidity strain. This has been considered in setting the Funds SAA.

Schedule 1: RCBPF Strategic Asset Allocation

Table 1: SAA

Asset Class	Target Allocation	Tolerance Range	Benchmark	Investment Objective
Global Equity	50%	45%-55%	MSCI All Country World (net dividends reinvested) Index (GBP)	Benchmark plus 2%
Private Equity	15%	10% -20%	MSCI World SMID (net dividends reinvested) Index (GBP)	Benchmark plus 2% - 4%
Fixed Income	1.5%	0% - 3%	Bloomberg Barclays Global Aggregate Bond Index (GBP Hedged)	Benchmark plus 0.25%
Credit	12.5%	7.5% - 17.5%	50% Morningstar/LSTA Leveraged Loans Index (GBP Hedged), 50% Bloomberg Barclays Multiverse Corporate Index (GBP Hedged)	Benchmark plus 1% - 3%
Real Estate	7.5%	2.5% - 12.5%	MSCI UK Quarterly Property Index (GBP)	UK CPI + 3%-5%
Infrastructure	12.5%	7.5% - 17.5%	UK CPI + 4% p.a	UK CPI + 4%-6%
Cash	1%	0% - 2%	SONIA	Benchmark

1.1. The Fund does not currently operate a Strategic Currency Allocation