

North East Scotland Pension Fund

**nespf**

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## **Investment Policy**

**June 2024**

# Contents

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Purpose Statement .....	3
Funding Strategy Statement .....	3
Investment Strategy .....	3
Risk .....	4
Monitoring and Review.....	4
Responsibilities .....	5

<b>Document</b>	<b>Investment Policy</b>
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## Purpose Statement

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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

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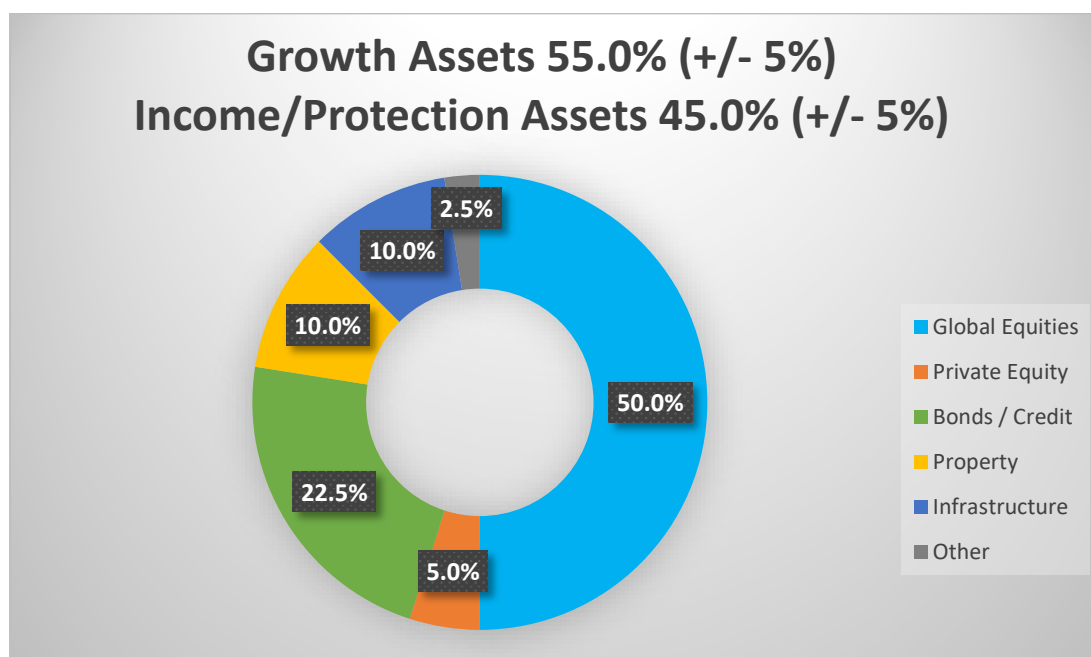
As stated in the Funding Strategy Statement, the Fund objective is:

- 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

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



## **Risk**

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In order to reduce overall risk, investments are diversified within each asset class, fund manager, geographical areas, sectors and companies.

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

## **Monitoring and Review**

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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 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**

In line with regulation 10 (Review of Investment Manager's Performance) of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010, 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, ESG data (environmental, social and governance) and market commentary by appointed manager and at a total 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 and responsible investment practices. 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 the Pensions 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.

Underperformance can be a result of a number of outcomes including market conditions, global political policies, 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.

## Responsibilities

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Day to day responsibility for the implementation of this policy sits with the Chief Officer-Finance and dedicated staff within the Pensions Team.

The Pensions Committee will review this policy annually.

Any questions or feedback on this document should be forwarded to the **Governance Team**:

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