

## Decision-making framework

Policy area	Decision framework	Changes to policy
<b>1 Strategic asset allocation</b>	<p><b>Committee responsible for following decisions:</b></p> <ul style="list-style-type: none"> <li>• Setting target allocations</li> <li>• Setting allocation ranges including rebalancing policy</li> <li>• Approving the Statement of Investment Principles (SIP)</li> <li>• Adhoc delegations (other than those described below)</li> </ul> <p><b>Investment Panel (Panel) responsible for reviewing:</b></p> <ul style="list-style-type: none"> <li>• New strategic / emerging opportunities outside strategic asset allocation and make recommendations to Committee</li> </ul> <ul style="list-style-type: none"> <li>• The SIP and recommending changes to the Committee</li> </ul>	<ul style="list-style-type: none"> <li>• No change in that all strategic asset allocation decisions remain the responsibility of the Committee, including setting the ranges around the target asset allocation</li> <li>• Committee still retains authority to delegate to officers and/or Panel on an adhoc basis or to withdraw delegated authority</li> <li>• Change in policy - To facilitate more flexibility and ensure timely decision making, Committee to give standing delegation to the Panel to review strategic opportunities outside the strategic asset allocation and make recommendations to Committee rather than on an adhoc basis as currently</li> <li>• No change to policy</li> </ul>
<b>2 Implementing asset allocation &amp; use of ranges</b>	<p><b>Committee to delegate decisions to Panel and the implementation to Officers as follows:</b></p> <p>a) <b>Decisions to take tactical positions within strategic allocation ranges</b> – delegated to Panel. Where timing an issue, decisions are delegated to Chairs of Committee &amp; Panel</p> <p>b) <b>Decision to invest in Emerging opportunities (within</b></p>	<p>Change to policy - currently Committee makes most decisions (sometimes following a recommendation from Panel) and delegates operational implementation to Officers</p> <p>a) Change in policy as currently the Committee agrees tactical positions (as no allowance in asset allocation) and delegates implementation to the Officers / Panel</p>

	<p><b>“Other” allocations)</b> – delegated to Panel. Where timing an issue, that is, where implementation or materiality of outcome is dependent on a timely decision, decision is delegated to Chairs of Committee &amp; Panel. Such opportunities by definition are not specifically included in the strategic asset allocation and will fall under “Others”. An example could be an offering of a Local Authority Credit Fund or an Emerging Markets Debt Fund. The offering period can be limited and full Committee approval would not be possible.</p> <p>c) <b>Investment management arrangements / new managers</b> – decisions delegated to Panel, including</p> <ul style="list-style-type: none"> <li>• Mandate Investment parameters</li> <li>• Termination of mandates if required following a strategic review to fund new mandates</li> <li>• Process for selecting new managers</li> </ul> <p>d) <b>Amendments to mandates within existing risk return parameters</b> – Panel to approve as such amendments would not alter the risk / return characteristics of the mandate but enable the investment strategy to adapt to changing market conditions, such as a property manager’s view of geographical or sector outlook</p> <p>e) <b>Rebalancing / cash management policy</b> – officers implement</p>	<p>b) New policy as “Other” allocations not included in current strategy</p> <p>c) Change in policy as the Committee is delegating authority whereas Fund’s current practice is to delegate decisions for new mandates only to the Panel on an adhoc basis</p> <p>d) No change in policy</p> <p>e) No change to policy but recognise greater flexibility within ranges</p>
<p><b>3 Monitoring strategy</b></p>	<p><b>Committee – responsible for</b></p> <p>a) <b>Monitoring Fund level investment performance and funding position</b></p> <p><b>Panel – responsible for</b></p> <p>b) <b>Monitoring managers long term investment performance</b></p>	<p>a) No change to policy</p> <p>b) No change to policy</p>

	<p>c) <b>Decision to terminate a mandate</b> - As the Panel monitors poor performing managers closely, it would be difficult for the Committee to reject a recommendation to terminate a manager. Therefore the decision would be made timelier if delegated to the Panel. In addition, the Panel is required to inform the Committee of any performance issues so the Committee would be aware of any potential termination.</p> <p>d) <b>Monitoring tactical positions and allocations within ranges</b></p> <p><b>Officers – responsible for</b></p> <p>e) <b>Monitoring managers and tactical positions more closely</b></p> <p>f) <b>Monitoring compliance with investment mandate guidelines</b></p> <p>g) <b>S151 Officer has authority to dismiss managers / advisors if urgent action is required</b> – this does not refer to performance failures but to their inability to fulfil their contractual obligations or a material failing of the company</p> <p>h) <b>S151 Officer has authority to suspend policy</b> (in consultation with Chairs of Committee &amp; Panel) in times of extreme market volatility where protection of capital is paramount</p>	<p>c) Change in policy (as currently a Committee decision) to improve timeliness of performance related decisions</p> <p>d) No change to policy</p> <p>e) No change to policy</p> <p>f) No change to policy</p> <p>g) No change to policy</p> <p>h) No change to policy</p>
<p><b>4 Reporting</b></p>	<p>a) <b>Panel to report to Committee on exceptions/issues of concern basis regarding managers’ performance, strategic issues or tactical positions</b></p> <p>b) <b>Annual review of strategy</b> - the Fund’s investment advisor will report annually to Committee focusing on the economic and market drivers of performance at the asset allocation</p>	<p>a) Revise standard reporting to avoid duplication of information but ensure Committee are informed of relevant issues regarding investment strategy or managers</p> <p>b) New policy - This is to provide assurance to Committee as to whether the strategy is delivering against expectations</p>

	<p>level and how the managers have performed.</p> <p>c) <b>Periodic strategic review of asset allocation</b> – asset allocation to be reviewed periodically (intervals of no less than 3 years) to take into account the funding position, changes to Fund membership, cash flow trends, investment performance and risks and manager performance.</p>	<p>c) No change in policy</p>
<p><b>5 Consultation</b></p>	<p>a) When decisions are delegated to the Chairs of the Committee and Panel, if there is no agreement, the decision will be referred to Committee (a special meeting will be called if necessary).</p> <p>b) To allow for necessary responsiveness, the Chairs of Committee and Panel can reach decisions. Normally having consulted the Panel. All decisions/actions will be formally recorded at next Panel meeting and evidenced in the Panel minutes that are reported to Committee.</p> <p>c) Before any decision/action under delegated powers is made, expert advice will be taken in line with current Committee practice. Where required, officers will commission further advice prior to taking action.</p>	<p>a) For clarification of process</p> <p>b) For clarification of process</p> <p>c) No change in policy</p>