



**Statement of
Investment Principles 2024**

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1. Introduction

Author and purpose

This Statement has been prepared by the Committee of Management (“the Committee”), in accordance with Regulation 17 of the Public Employees (Pension Scheme) (Administration) (Jersey) Regulations 2015.

The Statement sets out the policies and principles governing the Committee’s decisions in relation to the investment of assets of the Public Employees Pension Fund (PEPF, “the Fund”).

The purpose of the Fund itself is to hold investments for, and to provide benefits to, members of the Public Employees Contributory Retirement Scheme (the Final Salary Scheme – “PECRS”) and the Public Employees Pension Scheme (the Career Average Scheme – “PEPS”).

Per Regulation 17, the Committee keeps the Statement under annual review and makes such revisions as are appropriate following a material change to its policies and principles in relation to any of the matters contained in the Statement.

The Statement is prepared in consultation with the Treasurer of the States (“the Treasurer”) and is published, subject to the approval of the Minister for Treasury and Resources (“the Minister”) – with revisions published before the expiry of three months from the date of those revisions.

Contents

This Statement sets out:

- The methods of management and oversight, including the use of key external advisers
- The investment objectives of the Fund, and its participants, the Schemes
- The investment strategy to achieve the objectives of the Fund and the Schemes, including descriptions of the asset allocations.
- Administration of the asset allocations, including rebalancing decisions
- The process for the appointment/removal of investment managers to the Fund
- Custody and accounting arrangements
- Approaches to Responsible Investment and Corporate Governance

The Statement has an Appendix setting out the details of how the strategy is presently applied, as amended from time to time when the investments change.

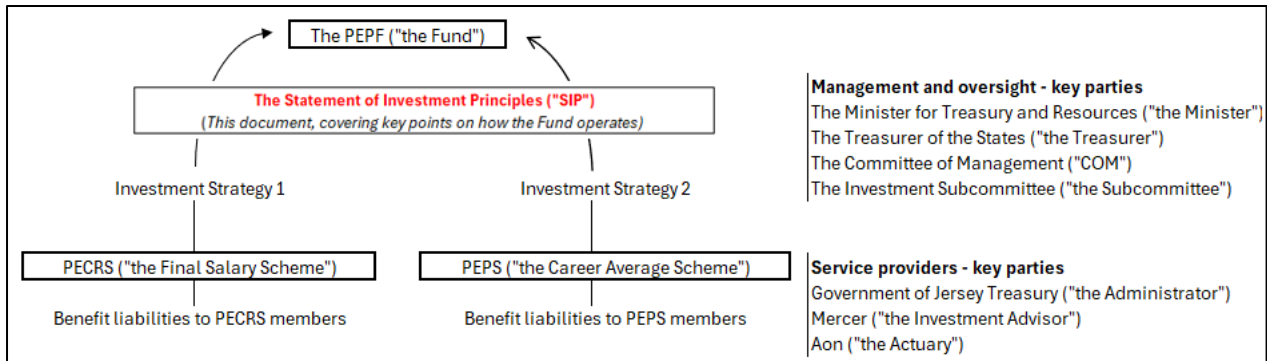
Background on the Final Salary and Career Average Schemes

The Fund is established in Law by an act of the States of Jersey. It operates for the benefit of members of the Schemes, who are public servants and employees (excluding teachers, who are members of a different pension arrangement, the JTSF).

The Financial Statements give further detail on the Admitted Employers of the Schemes and the transitional arrangements relating to the closure of the Final Salary Scheme to new members (from 1 January 2016).

The Financial Statements also provide Scheme level information on the accrued benefit obligations of each Scheme.

2. Management and oversight



The Committee

The Committee is responsible for managing the Schemes' assets in accordance with the relevant regulations, which state that it must have regard to:

- the need for diversification of investments of the assets of the Fund
- the suitability of the investment it proposes to make; and
- proper advice obtained at reasonable intervals.

The Committee meets at least quarterly. It is a standing item of business to receive formal investment reports and expert advice from the Fund's Investment Adviser (Mercer Limited) each quarter, and to review investment performance.

The Committee is also updated by its Investment Subcommittee ("the Subcommittee"), to whom it delegates certain powers to ensure investment issues are given detailed consideration, and by relevant service providers, such as the Government of Jersey Treasury and Exchequer Department ("the Administrator").

The Investment Subcommittee

The Subcommittee meets at least quarterly, but typically more frequently, and makes recommendations to the Committee on investment matters relating to the Schemes, including investment strategy and the appointment and removal of Investment Managers. The Subcommittee is advised by its Investment Adviser on all aspects of its investment strategy and operations.

The powers of Subcommittee are subject to formal delegation rules defined by the Committee, which defines the actions they are able to take independently and those which require formal approval by the Committee.

The Subcommittee oversees strategic asset allocations and recommends changes, where deemed appropriate, to the Committee. Changes to asset allocations must be updated in the Statement of Investment Principles which are subject to the approval of the Minister for Treasury and Resources.

The Subcommittee monitors the Scheme's investment managers and meets with them regularly. It makes recommendations for the selection and removal of managers to the Committee.

The Committee also discharges certain investment tasks of an operational nature via its Subcommittee. These are completed in coordination with the Administrator.

The Administrator

The Administrator completes certain routine operational investment activities for the Fund, with the direct involvement of the Subcommittee according to the nature of the matter.

Example operational investment activities commonly performed by the Administrator include:

- Routine updates to investment manager terms and conditions
- Submission of investment filing matters (anti money laundering declarations)
- The automatic processing of contractual calls, distributions, manager fees and similar transactions
- The processing of reclaims for withholding tax and class actions, with Subcommittee agreement.
- The provision of factual investment information to regulators and similar external authorities
- Completion of proxy voting forms

3. Investment Objectives

The Committee's investment objective is to invest the assets of the Fund, to seek to ensure that the present and future benefits to which members are entitled under the Schemes are provided as they fall due.

In order to achieve this, the Committee forms an investment strategy, taking advice from the Investment Adviser and Scheme Actuary (Aon) in the process. The investment strategy takes into account the uncertainty of future investment return (investment "risk") and constitutes a balance between the dynamics of risk and the required return, as stated in the most recent (triennial) Actuarial Valuation.

Per the most recent Actuarial Valuation of the Schemes, at 31 December 2021, the target return is Jersey RPI plus 1.55% p.a. for the Career Average Scheme. The Final Salary Scheme has a target of Jersey RPI plus 1.5% p.a. until 31 December 2031 after which it will reduce to Jersey RPI plus 0.25% p.a. The target is reviewed in conjunction with each valuation. Valuations take into consideration the effects of expected contributions, likely investment returns, the longevity of the membership, employment trends and the outlook for inflation.

The Committee develops its investment strategy to seek to achieve at least the target return, considering the amount of risk that it is necessary to take, the implications of that and how best to spread risk across the range of investments.

The collective investment of the Schemes' assets brings scale and efficiency. However, recently, the Target Return requirements of the Schemes have begun to diverge. In 2024, the Committee decided that two slightly different investment strategies are appropriate, and this is to be achieved by adjusting the Schemes' respective weightings between pools of assets.

4. Investment Strategy

The Fund's investment strategy is to diversify holdings between asset classes to achieve a controlled blend of risk and return dynamics. This diversification also reflects other Scheme needs, such as meeting the liquidity needs of membership obligations.

The investment strategy is implemented by defining target holdings (and movement ranges) for classes of assets (referred to as "strategic allocations").

The strategic allocations are reviewed each year as a minimum and additionally as required by events.

Since 2024, reflecting the relative sizes and maturities of the two schemes (in other words, differing investment needs), the Final Salary and Career Average schemes have followed individual strategic allocations.

Strategic allocations

The detail on the asset classes and their ranges is provided below:

Asset Class	Target allocation PECRS (%)	Range (%)	Target allocation PEPS (%)	Range (%)
Growth ¹	42.7		54.7	
Equities	30.7	+/- 8.0	40.7	+/- 10.0
Alternatives	12.0	+/-5.0	14.0	+/-6.0
Yield Focused ¹	45.3		45.3	
Growth Fixed Income	16.3	+/- 4.0	16.3	+/- 4.0
Private Debt ²	14.5	n/a	14.5	n/a
Property ²	14.5	n/a	14.5	n/a
Matching Investments ¹	12.0		-	
Buy & Maintain Corporate Bonds	9.0	+/- 5.0	-	-
Cash Like ³	3.0	+/-3.0	-	+10.0

¹ In order to construct an appropriate portfolio for the separate risk and return requirements of the two Schemes, allocation ranges are set at asset class level. This provides sufficient flexibility regarding considerations like generic risk, return, liquidity and distribution needs. Note: Totals may not add due to rounding.

² The ranges in the table relate to the strategic asset allocation. There are, however, no ranges on the Property or Private Debt asset classes since the nature of such assets means they are not regarded as readily tradeable assets, so cannot be traded easily to move them back with a range.

³ Cash Like assets include highly liquid assets that can be readily exchanged for cash such as Asset Backed Securities (ABS) that are held for strategic purposes within the PEPF portfolio. The balance excludes immediate working capital cash held at HSBC and in Managers' broker accounts.

Growth Assets

Growth investments seek to achieve a higher rate of investment growth than the anticipated growth of the Schemes' liabilities. However, compared to the other Fund assets, these assets also carry relatively higher investment risk, and their prices can be volatile.

- The Committee believes Equities provide the most appropriate means of achieving the requisite investment return over the long term. Within the Equities allocation there is diversification across a range of investment styles with differing characteristics designed to provide returns in a variety of possible market conditions.
- Alternatives include asset classes which target a relatively high investment return but that are less correlated, or uncorrelated, to 'traditional' asset classes such as stocks, bonds or cash. The Committee is aware that investing in Alternatives may increase some risks, such as illiquidity and individual manager risk, and that fees tend to be higher than in the case of 'traditional' asset classes. Nonetheless, it believes that including Alternatives within the Growth investments is an essential strategic requirement to diversify the overall risk at a portfolio level.

Yield Focused

Yield Focused investments provide a contribution towards meeting the overall Target investment return whilst further diversifying the portfolio. These assets are generally cash generative which can support operational cash flow where required. These investments are expected to exhibit a lower level of price volatility than Growth investments.

- Growth Fixed Income provide streams of income linked to a specific underlying measure, such as interest rates, together with the opportunity for capital gain. These are relatively liquid, compared to Private Debt and Property assets.
- Private Debt investments are typically close-ended by nature, meaning these investments are for fixed terms and are illiquid. Their returns are expected to accrue towards the end of these terms and their managers focus on whole-life performance rather than annual return measures.
- The Property allocation is employed to provide a long-term, predictable, and ongoing cash-flows that are diversified from other Yield Focused investments. They are illiquid.

Matching

Matching Investments are assets that more closely match the characteristics of the Fund's obligations (also known as "liabilities"). The assets used are typically sensitive to movements in gilt yields and inflation expectations. The Matching Investments are expected to exhibit a lower level of investment risk when compared to the Growth and Yield Focused investments. The Matching investments are generally cash generative which can support operational cash flow where required.

- Buy & Maintain Corporate Bonds is a globally diversified portfolio of predominantly investment grade corporate bonds which provide an income stream together with the opportunity for capital gain. In normal market conditions the portfolio is expected to be highly liquid.
- Cash Like assets include highly liquid assets that can be readily exchanged for cash such as Asset Backed Securities (ABS) that are held for strategic purposes within the PEPF portfolio. The balance excludes immediate working capital cash held at HSBC and in Managers' broker accounts.

5. Managing asset allocations

Implementation

A number of investment managers may be appointed to each asset class with the aim of diversifying risk. The cost of a higher number of smaller manager positions includes administrative complexity, impact on scale economies, fees and oversight, and is balanced against the diversification benefit.

(The Appendix contains details of the investment managers currently used to apply the investment strategy).

Each investment manager is entrusted with the day-to-day management of the Fund's investments with strict limits and controls enacted through the terms of each individual managers mandate. This includes discretion to buy and sell investments, subject to those agreed limits and constraints, and for the ongoing monitoring, administration, and exercise of the voting rights of individual investments.

Convictions applied in the strategy

The more significant convictions applied when managing the portfolio include:

“Active” investment styles are used more than “Passive” styles

The Committee has conviction that active portfolio management adds value over time and generally appoints active managers rather than managers that passively replicate an investment benchmark.

The Subcommittee regularly reviews active versus passive management outcomes and recognises that active managers may, from time to time, underperform their respective benchmarks

“Responsible Investment” adds value

The Committee regards good governance practices as adding value to portfolio investments, not least through improved performance and mitigation of risk. As part of its appointment, performance review and operational monitoring processes, consideration is given as to whether Managers are following the Committee's expectations regarding Responsible Investment (incorporating Environmental, Social and Governance (ESG) matters).

More information on the Committee's approach to RI is provided in Section 9 below.

Securities lending should be limited

Although securities lending is undertaken within some of the pooled funds in which the PEPF invests, particularly within the Alternatives investment category, the Committee requires that securities lending is not undertaken within the segregated portfolios.

Portfolio foreign exchange risk may require hedging but should be undertaken selectively

To manage foreign exposure, the Committee generally seeks investments that are hedged back to GBP by the investment managers. Depending on its view of the residual exposure at portfolio level, from investments that are not hedged in this way, the Subcommittee may choose to reduce risk further by instructing the Administrator to arrange currency derivatives within strategic parameters set by the Committee.

Re-balancing

Market movements can have a significant effect on the absolute and relative values of holdings within the portfolio, moving holdings away from target allocation positions. However, the Committee is mindful that automatic rebalancing may not be practical in all instances. For instance, when:

- The cost of the trade is disproportionate to the size of the trade.
- The dealing cycle/ liquidity of a holding either prevents or distorts the trade so that it is not suitable.
- The movement out-of-range is anticipated to have been corrected by market movements before trading can be actioned.

Thus, the Committee sets permitted strategic ranges around the target investment weightings. In addition, the Committee recognises that in some circumstances a movement outside these investment ranges may be necessary.

Where the Committee believe that a movement outside the strategic ranges will persist (i.e. is a structural or strategic movement out of range), it is expected to prompt either amendment to the ranges expressed in this document, with approval by the Minister, or rebalancing back within ranges.

The Administrator performs periodic monitoring of investment positions against strategic ranges and is authorised to make rebalancing instructions (within the Committee's strategic ranges) in consultation with the Investment Adviser. These are reported to the Subcommittee, who monitor the strategic allocations for the Committee and who raise recommendations to it, when they consider if the strategic ranges should be adjusted. Where the Administrator does not re-balance into range, the positions and reasons will be drawn to the attention of the Subcommittee, in both scenarios no later than at the Subcommittee's next standing meeting.

Monitoring performance

After appointment, an investment manager's performance is subject to regular review by the Subcommittee and ongoing review by the Investment Adviser.

Formal review takes place at the meetings of the Subcommittee, which take place on a quarterly basis (and more frequently where necessary).

The Subcommittee will be responsible for the design and operation of a systematic review process, which applies to all managers with the objective of identifying risks which might reduce the chance of the Fund meeting its strategic objectives.

Monitoring currently takes place against a range of criteria, both qualitative and quantitative, specific to both the manager and asset class. The Subcommittee also regularly meets managers and monitors the ongoing scrutiny of managers by the Investment Adviser.

The Subcommittee, as a result of their monitoring process, will form recommendations to the Committee, such as the reduction of allocations or removal of managers.

Cashflow

The Committee maintains a working cash balance to meet expected benefit payments and expenses arising. The Committee keeps the cash balance under review to ensure that it remains sufficient, taking advice from its Investment Adviser on where to disinvest or invest monies (such as excess cash reserves) when needed.

Where the Fund enters into hedging instruments (for example to manage currency risk) the management of cash to meet margin requirements will be considered as part of ongoing cashflow requirements.

6. The appointment of investment managers

The appointment (and termination) of investment managers to the PEPF follows the requirements of Regulation 12 of the Public Employees (Pension Scheme) (Administration) (Jersey) Regulations 2015. Per the Regulation, the Committee recommends an appointment for the Minister to approve. The Committee must have considered, in coming to its recommendation:

- Proper advice
- The desirability of securing diversification of the assets of the Fund
- The total value of assets of the Fund

The process that the Committee has adopted when formulating an appointment recommendation is as follows:

- **The Subcommittee, assisted by the Administrator, will discuss all the options with the Investment Adviser.** This eventually leads to the latter putting forward a shortlist “best pick” mandate (or mandates), based on its research and judgement to the suitability for the required mandate, considering matters such as investment objectives, risk tolerance, investment process, investment management fees, and the liquidity of the mandate.
- **The Subcommittee, assisted by the Investment Adviser, will consider the candidate investment managers’ approaches to Responsible Investment (RI).** For instance, considering whether a manager has an active or passive approach to its underlying investments (voting, management influence, deployment of capital, performance evaluation metrics etc), the level of resource the manager applies to RI (and whether this is integrated in decision making or is a standalone review function) and other points relevant to the asset class.
- **The Subcommittee, assisted by the Administrator, will then receive or visit (or both) shortlisted managers** to form a view as to suitability and fit, leading to a decision in principle. The Investment Adviser will recommend to the Subcommittee which benchmarks the Investment Adviser intends to use to track performance after appointment.
- **The Subcommittee will then make a recommendation to the Committee.** Approval will be subject to conclusion of due diligence procedures including completion of Operational Due Diligence by the Investment Adviser and Legal Due Diligence by an independent legal adviser.
- **The Committee will then make a recommendation to the Minister** (assuming it supports the Subcommittee’s recommendation). The Minister, having received advice from their officers and the advice of the PEPF investment adviser, will determine whether to approve the recommendation.
- **Following the Minister’s approval,** the Administrator will ensure the completion of any remaining due diligence work and finalise administrative aspects (including updates to the Appendix of this Statement) and arrange transfer of subscription monies, as approved by the Committee.

7. Custody and accounting arrangements

Custody

The Fund invests in a range of directly held investment assets (referred to as segregated funds) and pooled investment vehicles (PIVs). Investments are held for the Fund by the PEPF custodian, Northern Trust, though in the case of PIVs, underlying investments will be held by the custodian of the PIV with unit of share value recorded by the PEPF custodian. The current investment manager roster is listed in the Appendix.

The Treasurer of the States appointed Northern Trust as the Custodian to the Fund. Northern Trust safe-keeps holdings and performs ancillary activities such as collecting investment income, processes transaction instructions and performs proxy voting for segregated funds and is subject to annual control reviews and periodic value for money reviews.

In the case of PIVs, the investment manager of the PIV fund appoints its own custodian that holds its underlying investment assets.

The Subcommittee receives a report each year from the Investment Adviser on the custody and prime broker arrangements for the Fund's assets. This is not only to keep itself informed of developments in the custody industry but also to keep under careful review the financial strength of the custodians and banks that are responsible for the safe keeping of the Fund's investments, and to consider the mitigation of risk within this crucial aspect of the Schemes' investment arrangements.

The Administrator coordinates instructions to the Custodian and reconciles the Custodian's accounting records with those of the Fund, ultimately producing the audited financial statements of the Fund. The Administrator completes various due diligence activities to monitor the internal control environments of the Custodian and key parties at pooled vehicles throughout the year.

Performance reporting

The Custodian prepares performance reporting based on the valuations it receives from investment managers and market sources. This information is separately verified by the Investment Adviser.

Unitisation and the principle of “treating participants fairly”

The ownership of the Fund, between the two Schemes, is tracked using a method called unitisation which is applied independently by the Custodian and overseen by the Administrator. This involves representing the ownership of “pools” of investments as numbers of units. Unit pricing is based upon the underlying net asset value of investment positions they represent. Unit pricing is determined independently by the Custodian with transfers in and out occurring at the prevailing unit value as calculated by the Custodian.

In the operation of unitisation, an important principle is that the relative proportions of ownership of any pool between Schemes represents a common proportion of ownership in all underlying fund manager investments within that pool.

A pool unit represents a liability of the pool back to the unitholder, underwritten by the assets of that pool. Should a unitholder wish to divest from a pool, this will be achieved by the Administrator selling pool assets to an equivalent value according to the prevailing unit price, returning the liquidated proceeds and simultaneously extinguishing an equivalent value of units.

The overriding principle to the administration of the PEPF will be to treat both schemes fairly. In practice, large transactions can result in significant direct or hidden costs. It may be perceived as unfair for these costs to be shared between the Schemes according to relative holding size when they are generated by the unilateral action of just one Scheme's instruction. Also, there may be other complicating factors such as the indirect effect on the liquidity profile of the remaining assets in a pool. In some instances, a unit premium or discount (a "spread") will be applied to the unit price in order to internalise the cost of a transaction to the Scheme instructing it, and insulating the other as far as is possible.

By default, unitisation trades will be completed autonomously by the Custodian on instruction by the Administrator without a spread. However, where the Administrator (or Subcommittee or Investment Adviser) identify the asymmetry of cost/ benefit between Schemes to be material, the Administrator will seek to apply an appropriate spread calculated on historic and best available data. In these circumstances, the Administrator will obtain the Investment Adviser's agreement to the method and values applied.

8. Investment Risk

One of the key concerns of the Committee is investment risk. To achieve the target level of investment return, an appropriate level of risk needs to be taken. Whilst investment risk can bring a performance upside, conversely, lower returns may be achieved than expected. With this comes a possibility that the returns do not keep pace with the Schemes' liabilities.

A number of foreseeable and non-foreseeable events could impact the ability of the portfolio to deliver the necessary investment return to meet the Scheme's financial obligations (this is not meant to be an exhaustive list):

- | | |
|----------------------------------|--|
| Credit risks | <ul style="list-style-type: none">• The Fund does not receive the cashflows (amounts or timing) that it expects from its investments. |
| Liquidity risks | <ul style="list-style-type: none">• The risks arising from holding assets that are not readily realisable. |
| Market risks | <ul style="list-style-type: none">• Currency risk: the risk that the exchange rate between sterling and currencies in which overseas assets have been purchased changes adversely, impacting investment values and/ or cashflows.• Interest rate risk: the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.• Price risk: the risk of falling investment markets, which can be caused for a variety of reasons, impacting the fair value of the Fund's investments. Equity market falls are an example of Price risk. |
| Actuarial risks | <ul style="list-style-type: none">• The risk that the Schemes' liabilities increase more quickly than anticipated. This could be caused by, amongst other things, reductions in anticipated future investment returns, rising inflation or variances to life expectancy assumptions. |
| Performance risks | <ul style="list-style-type: none">• That the Fund's managers do not deliver in line with their stated objectives. |
| Regulatory/
Legislative risks | <ul style="list-style-type: none">• A change in the environment in which the Fund operates has adverse implications for the Schemes' investments or liabilities. |

- Operational risks
- Loss arising from maladministration, fraud or the structural complexity of the investment firms, vehicles, asset categories and custodians used by both the Schemes and managers.

The Committee operates an Audit and Risk Subcommittee in order to ensure the risks facing the Schemes, whether investment or otherwise in nature, are given a structured and ongoing overarching review. The underlying detailed review of specific investment risks is performed by the Subcommittee.

Strategically, the Committee primarily manages investment risks through diversification: by asset class, geography and manager, and by a variety of investment styles within asset classes.

Operational risks are addressed through both due diligence prior to investment and structured, ongoing, monitoring as explained in the sections above. The Subcommittee monitors the risks to which the Schemes' assets are exposed on a regular basis. This process includes:

- taking stock of the largest holdings across the whole portfolio
- analysing the style, sector, and currency exposure of the portfolio as a whole and key sub-portfolios
- receiving reports from specialists on the operational risk of the Fund's Investment Managers, custodians and prime brokers
- regular site visits and presentations from the Fund's Investment Managers.

In addition to the above, ongoing due diligence processes are undertaken by both the Investment Adviser and Administrator, with both raising exceptions to the attention of the Subcommittee.

9. Responsible Investment and Corporate Governance

The Committee entrusts the development and application of policies in relation to the UK Corporate Governance Code and the UK Stewardship Code to each of its investment managers. The managers are also held responsible for implementing aspects of good stewardship and environmental, social and governance ("ESG") issues, including climate change considerations in their activities.

In its review of managers, the Subcommittee receives reports from them summarising their respective policies and how they have exercised voting rights attaching to the stocks held and their engagement with investee firms. Furthermore, the Subcommittee looks to its Investment Adviser to provide relevant guidance on ESG and stewardship issues on a regular basis.

The Subcommittee has not set any investment restrictions on the appointed managers in relation to products or activities.

The Committee has developed a separate Responsible Investment (RI) Policy document which provides greater detail on the RI policies of the Committee which is available on the Government of Jersey website.

10. Annual Review

The Statement of Investment Principles is reviewed by the Committee following any material changes to the Schemes' policies and principles as contained in the Statement, or at least annually.

Oct 2024

Version: 2024.1.1

Year	SIP update	Appendix update
2024	1	1

Appendix to the Statement of Investment Principles 2024

Introduction

This Appendix to the Statement of Investment Principles document (the Statement) contains further details on how the approved Strategic Allocations are implemented in practice. The Appendix sets out the appointed Investment Managers and the investments that they manage. It is produced as a separate document to the Statement so that the details of the Schemes' manager arrangements can be updated more regularly, where needed, without the requirement to update the full Statement. For the avoidance of doubt, it is not part of the Statement, but should be read alongside it to provide a more comprehensive view of the Schemes' investments.

Investment Managers

The current Investment Managers appointed by the Committee and the strategic allocation to each of these managers are shown in the tables overleaf.

The Committee has the flexibility to allow the Schemes' actual investment holdings to vary away from the long-term strategic Asset Class allocation set out in the Statement, in line with the agreed tolerance ranges. The Committee has agreed these and monitors the actual allocations having regard to advice from its Investment Adviser.

Although ranges have only been set around the main asset classes, the Committee regularly and routinely monitors the allocation to each individual asset class and manager, adding operational guidance ranges to individual fund managers where helpful.

Oct 2024

Version: 2024.1.1

Year	SIP update	Appendix update
2024	1	1

Application of SIP strategic allocations:

The strategic allocations by Asset Class (with target and range) are prescribed by the SIP for both schemes.

These are delivered through a range of investment managers (whose weightings are considered at pool and portfolio level) to achieve a deliberate diversification of styles and investment characteristics.

The Investment Subcommittee monitors the weighting of holdings against target weightings. It is natural that valuations will fluctuate due to market movements. From time to time the Investment Subcommittee may rebalance the portfolio or targets, at pool or manager level, depending on the reasons for variations.

SIP strategic allocation to pool		Implemented by (Style)	Target allocation splits (% pool)	Range around Target (%)	Manager (Year of appointment)
PECRS	PEPS				
Equities					
30.7%	40.7%	Global Equity:			
		(Growth, Large Cap)	30.0%	20-40%	Baillie Gifford & Company (2008)
		(Growth, Small Cap)	6.5%	0-13%	Baillie Gifford & Company (2020)
		(Flexible, Large Cap)	12.1%	6-18%	Lansdowne Partners (2020)
		(Value, Large Cap)	9.1%	5-14%	Wellington Management Company (2024)
		(Low Volatility/Quality, Large Cap)	30.9%	21-41%	Veritas Asset Management (2011)
		(Fundamental, Passive)	11.4%	6-17%	Legal & General (2012)
	<i>Hedging mandate*</i>	<i>n/a</i>	<i>n/a</i>	<i>Legal & General (2024)</i>	
Alternatives					
12.0%	14.0%	Diversified Growth	27.0%	17-37%	Nordea Asset Management (2020)
			15.0%	8-23%	Ruffer Investment Management (2022)
		Global Macro	29.0%	19-39%	Capula Investment Management (2017)
			29.0%	19-39%	Rokos Capital Management (2017)
Growth Fixed Income					
16.3%	16.3%	Multi-Asset Credit	57.0%	45-69%	CQS (2013)
			21.5%	16-28%	NinetyOne (2022)
			21.5%	16-28%	BlueBay (2023)
Private Debt					
14.5%	14.5%	Private Debt	N/A		Hayfin Capital Management (2016), (2019) & (2022)
					Park Square Capital (2017) (2022)
					HIG Whitehorse (2020)
		<i>Hedging mandate*</i>	<i>n/a</i>	<i>n/a</i>	<i>Legal & General (2024)</i>
Property					
14.5%	14.5%	Ground Lease and High Lease-to-Value Property	N/A		PGIM (2011) (2014)
					Aviva Investors (2022)
Matching Investments					
9.0%	0.0%	Buy & Maintain Credit	100.0%	<i>n/a</i>	Legal & General (2024)
3.0%	0.0%	Asset Backed Securities (Senior Secured)	100.0%	<i>n/a</i>	TwentyFour Asset Management (2020)

*LGIM hedge 50% of the USD and EUR foreign exchange exposures not hedged at vehicle level.

Fund structure information

Manager (Short Name)	Fund/ Vintages	Structure (a)	Dealing cycle <i>Anti-Dilution levies may apply</i>
Baillie Gifford	Long Term Global Growth	Seg	Daily (1 day notice)
	World Wide Discovery	UCITS	
Lansdowne	Developed Markets Long Only	LP	Monthly (20% at 30 day notice; otherwise 90 day notice)
Wellington	Durable Enterprises	UCITS	Daily (1 day notice)
Veritas	Global Focus	Seg	Daily
LGIM	Global Fundamental	ULIP	Weekly (2 day notice)
	Buy & Maintain Corporate Bonds	Seg	Daily (1 day notice)
	Hedging	Seg	(TBC)
Nordea	Alpha 15 MA	SICAV	Daily (1 day notice)
Ruffer	Investment Management Global Absolute Return Strategy	OEIC	Weekly (1 day notice)
Capula	Global Relative Value – class 1	**	Quarterly (45 day notice)
	Global Relative Value – class 2		Every 36 months
Rokos	Global Macro	**	Monthly (90 day notice) <i>(25% max over rolling 3 months)</i>
CQS	Credit Multi Asset	OEIC	Monthly (30 day notice)
NinetyOne	Multi-Asset Credit I Inc GBP Hedged	OEIC	Monthly (20 day notice)
BlueBay	Total Return Credit Strategy	UCITS	Daily (1 day notice)
PGIM	Real Estate UK Ground Lease Fund	JPUT	Closed (Potential for monthly dealing)
	UK Residential Ground Lease Fund II Unit Trust	JPUT	Closed (no primary dealing until June 2034)
Aviva	UK Long Secure Income	JUT	Annual (6 month notice)
Hayfin	Direct Lending Funds II	LP	Closed (extended to 2024)
	Direct Lending Funds III		Closed (extended to 2025)
	Direct Lending Fund IV		Closed (final distributions by 2028 + up to 2 years)
Park Square	Capital Credit Opportunities III	LP	Closed (final distributions by 2025 + up to 3 years)
	Capital Credit Opportunities IV		Closed (final distributions by 2028 + up to 3 years)
HIG	Direct Lending Fund – 2020	LP	Closed (final distributions by 2026 + up to 2 years)
GIP	Capital Solutions Fund II	LP	Closed (final distributions by 2030 + up to 2 years)
24AM	Monument Bond Fund	OEIC	Daily (1 day notice)

Footnotes

Acronyms refer as follows:

- **SEG** This is a Segregated Fund (managed assets directly held by PEPF at Northern Trust)
- **OEIC** Open Ended Investment Company
- **SICAV** Société d'Investissement à Capital Variable (a type of Open Ended Investment Company)
- **UCITS** Undertakings for the Collective Investment in Transferable Securities
- **JPUT** Regulated Jersey Property Unit Trust
- **JUT** Jersey Unit Trust
- **ULIP** Unit Linked Insurance Product
- ****** Exempted Company with limited liability
- **LP** Limited Partnership

Fund performance benchmarks – Growth managers

	Manager (Short Name)	Fund/ Vintage	Manager's Target	Strategic Benchmark	Tracking Error (Strategic Benchmark)
Equities	Baillie Gifford	Long Term Global Growth	+3% p.a. ^(a) (gross of fees)	MSCI AC World Index (GDR)	5 - 15% p.a.
		World Wide Discovery		MSCI AC World Small Cap Index	N/A
	Lansdowne	Developed Markets Long Only	+3% p.a. ^(c) (net of fees)	MSCI AC World Index (GDR)	N/A
	Wellington	Durable Enterprises	10% p.a. ^(d) absolute return (net of fees)	None	N/A
	Veritas	Global Focus	+2.5% p.a. ^(a) (net of fees)	MSCI AC World Index (GDR)	< 8%p.a.
	LGIM	Global Fundamental	RAFI Fundamental Global Reduced Carbon Pathway 3.5% Index (Net) (GBP Hedged)	MSCI World Index (GBP Hedged)	Up to ±1.0% p.a. (2 years in 3)
Alternatives	Nordea	Alpha 15 MA	+7-10% p.a.	1 Month EURIBOR	10 - 15% p.a.
	Ruffer	Investment Management Global Absolute Return Strategy	n/a	SONIA	4 - 8% p.a.
	Capula ^(f)	Global Relative Value – class 1	+8% p.a. (net of fees) ^(a)	> 0%	N/A
		Global Relative Value – class 2			
Rokos	Global Macro	+10% p.a. (net of fees) ^(d)	> 0%	14% p.a.	

Footnotes are below the "Fund performance benchmarks - Matching Investments" table

Fund performance benchmarks – Yield like managers

	Manager	Fund/ Vintages	Manager's Target	Strategic Benchmark	Tracking Error
G.F. Inc	CQS	Credit Multi Asset	4-5% p.a. (net of fees)	SONIA	4 – 5 % p.a. ^(e)
	NinetyOne	Multi-Asset Credit I Inc GBP Hedged	4% p.a. (gross of fees)	SONIA	5 – 10% p.a. ^(e)
	BlueBay	Total Return Credit Strategy	4-6% p.a. (gross of fees)	SONIA	3 – 8% p.a.
Property	PGIM	Real Estate UK Ground Lease Fund	+2% p.a. ^(b) (net of fees)	Retail Price Index (UK) ^(f)	N/A
		UK Residential Ground Lease Fund II Unit Trust			
	Aviva	UK Long Secure Income	+1.5% p.a. (net of fees)	50% FTSE 5-15 Year Gilt Index & 50% FTSE 15 Year + Gilt Index	N/A
	Hayfin	Direct Lending Funds II	+6.7% p.a. (net of fees)	> 0% (manager has an IRR target)	N/A
		Direct Lending Funds III			
		Direct Lending Fund IV			
	Park Square	Capital Credit Opportunities III	+6.9% p.a. (net of fees)	> 0% (manager has an IRR target)	N/A
		Capital Credit Opportunities IV	+5.0% p.a. (net of fees)		
	HIG	Direct Lending Fund – 2020	+9.7% p.a. (net of fees)	> 0% (manager has an IRR target)	N/A
	GIP	Capital Solutions Fund II	+10.0% p.a. (net of fees)	> 0% (manager has an IRR target)	N/A

Footnotes are below the “Fund performance benchmarks - Matching Investments” table

Fund performance benchmarks – Matching Investments

	Manager	Fund/ Vintages	Manager's Target	Strategic Benchmark	Tracking Error
BMC	LGIM	Buy & Maintain Corporate Bonds ^(g)	N/A	iBoxx Sterling (Non Gilt) All Stocks	N/A
C.L.	24AM	Monument Bond Fund	+2-3% p.a. (net of fees)	SONIA	N/A

Footnotes

- (a) Target performance over rolling 5-year periods
 (b) Target performance over rolling 10-year periods
 (c) Target performance over economic cycle
 (d) Target performance over a market cycle
 (e) Tracking volatility expectation refers to over a market cycle
 (f) RPI used reporting and monitoring purposes. Manager benchmark differs

- (g) The LGIM Buy & Maintain Corporate Bond Portfolio does not have a formal target return but aims to capture the credit risk premium within a globally diversified portfolio of predominantly investment grade credit and to preserve value over the course of the credit cycle. The mandate will not be formally assessed against the benchmark index shown given the benchmark agnostic structure, but the COM will monitor the mandate informally versus the stated benchmark. Defaults and downgrades will be monitored within the mandate.