

AMENDMENT TO THE JTSF 'STATEMENT OF INVESTMENT PRINCIPLES' DOCUMENT

1. Purpose of Report

The amendment of the Jersey Teachers Superannuation Fund ("JTSF") 'Statement of Investment Principles' ("SIP") document.

2. Background

The JTSF is invested in the Common Investment Fund ("CIF") but maintains its own Statement of Investment Principles outlining its strategic asset allocation.

Recently changes have been made to the fixed income asset classes available in the CIF. These changes serve to widen diversification and to capture opportunities brought about by global rises interest rates. The changes were presented by the States Investment Advisor, Aon, to the Treasury Advisory Panel who recommendation their adoption to the Minister. The Minister approved the changes which are included in the most recent iteration of the 'States Investment Strategies' document.

The JTSF management board ("the Panel") were consulted during the restructuring of the fixed income asset classes in the CIF and having taken advice from Aon, their Investment Advisor, have reflected these changes in their own SIP.

The following changes have been included in the JTSF's SIP;

The asset allocation has been updated to reflect the asset class structure in the CIF. The previous reference to the fixed income allocation in 'bonds/cash' has been replaced with the new 'return seeking credit' class.

The cash allocation has been separated from the fixed income allocation to reflect the intention that the Fund will be fully invested whenever possible. The cash target is therefore 0% but with an 'up to 5%' range, as JTSF has allocations to Funds which draw cash over time and return cash periodically, consequently cash is still expected to be held from time to time.

The wording of the SIP has also been reviewed to improve the focus of the document as a strategic statement and to better align with disclosures in the accounts. The changes are not material in nature and serve only to provide clarity and consistency.

The Jersey Teachers Management Board ("JTMB") was presented with the changes and approved at their meeting 27 September 2023.

4. Recommendation

The Minister is recommended to approve the amended JTSF 'Statement of Investment Principles' document.

5. Reason for Decision

Under the Teachers Superannuation (Administration) (Jersey) Order 2007, Article 8, (Paragraph 4), the Management Board with the agreement of the Minister for Treasury and Resource shall agree with each investment manager an investment strategy.

This paragraph has been interpreted that the Minister is required to approve the Investment strategy of the Fund which will govern the mix of underlying managers who in combination will fulfil the approved strategy. Accordingly, the Jersey Teachers Management Board (“JTMB”) has asked the Minister to consent to the adjustment to the investment strategy.

Following changes to the ‘States Investment Strategy’ relating to the Fixed Income pool within the Common Investment Fund (“CIF”) in which the JTSF is invested. The following changes to the JTSF SIP was presented to the JTMB and approved at their meeting 27 September 2023.

- The JTSF SIP narrative has been updated to reflect the change to the Fixed Income pools and the prior allocation to Bonds/Cash has been replaced with the new ‘Return Seeking Credit’ with a separate allocation to ‘Cash’.
- The SIP has updated its wording to simplify and clarify the arrangements of the JTMB, it does not represent any functional changes.

The JTMB decisions are based on advice from Aon, the JTSF Investment advisor.

The advice and oversight of the decision was supported by an appropriately qualified Officer of Treasury and Exchequer who attended the board meetings where the advice was scrutinised and approved by the JTMB.

6. Resource Implications

There are no resource implications from this decision. Any costs stemming from strategy changes will be met from sale proceeds and are expected to be minimal. The changes to strategy will be administered as part of the ongoing responsibilities within the Treasury and Investment Management Team.

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| Report author : <i>Manager of Treasury and Investment Management</i> | Document date : 25 th October 2023 |
| Quality Assurance / Review : Head of Treasury and Investment Management/ Head of Financial Governance | File name and path: L:\Treasury\Sections\Corporate Finance\Ministerial Decisions\DS, WR and SD\2023-xx - Amendment to the JTSF ‘Statement of Investment Principles’ document |
| MD sponsor : <i>Director of Treasury and Investment Management</i> | |