

WORCESTERSHIRE COUNTY COUNCIL PENSION FUND – STATEMENT OF INVESTMENT PRINCIPLES

Objective

- (1) The investment objective for the Fund is to:-
 - (a) ensure that sufficient assets are available to meet liabilities as they fall due;
 - (b) maximise the return at an acceptable level of risk.
- (2) Risk management is mostly concerned with:
 - avoiding the possibility of loss, and
 - limiting a deficiency in the underlying Fund, and
 - avoiding a contribution rate increase in the future.

Policy

The current long-term investment policy judged most likely to meet these objectives is as follows:

Shares Managed Actively	%	Investment Manager and Expected Performance
North America	8.5	Capital International - FTSE All World All Americas Index + 1.5%
Europe ex – UK	3.0	UBS Global Asset Management (UK) – FTSE All World Europe ex UK Index – Developed Series + 1.5%
Far East Developed	13.5	Nomura Asset Management - FTSE All World Asia Pacific Index + 1.5%
Emerging Markets	13.5	Nomura Asset Management - FTSE All World Asia Pacific Index + 1.5%
		Capital International - FTSE All World All Americas Index + 1.5%
		JP Morgan Asset Management and Schroder Investment Management – FTSE All World Emerging Market Index +2.0%
	<hr style="width: 20%; margin: 0 auto;"/> 38.5	
 Shares Managed Passively		
United Kingdom	36.0	UBS Global Asset Management (UK) - FTSE All Share Index
North America	5.0	UBS Global Asset Management (UK) - FTSE All World North America Index
Europe ex - UK	10.5	UBS Global Asset Management (UK) - FTSE All World Europe ex UK Index – Developed Series
	<hr style="width: 20%; margin: 0 auto;"/> 51.5	
	<hr style="width: 20%; margin: 0 auto;"/> 90.0	
 Bonds Managed Actively		
	10.0	JP Morgan Asset Management; + 1% of a basket of indices which includes:
		- ML Global Broad Market Corporate Index – hedged in GBP
		- FTSE Actuaries Index Linked All Stocks
	<hr style="width: 20%; margin: 0 auto;"/> 100.0	

Following changes to the tax treaties between the United States and the United Kingdom, in accordance with Statutory Instrument 2003 No. 2719, 100% of the index tracking mandate (which is lower than the prescribed maximum of 35%) may be invested in any single UBS insurance contract. This decision will be reviewed as part of the annual review of the SIP.

Performance Monitoring

The Actual Return will be measured quarterly and be monitored relative to objectives set over rolling three-year periods. A detailed review will be carried out annually.

Statistics for measuring the Fund Manager's performance against the Benchmark are provided by the WM Company. Measurement is set against the return achieved by the relative index applying to the asset class, as above.

Realisation of Assets

The Fund is invested generally in assets which are quoted on world stock markets and are therefore readily realisable. It is managed to ensure that adequate liquidity is maintained to allow the payment of pensions without the need to realise assets under unfavourable conditions.

Risk and Diversification of Investments

The Fund controls risk through its strategic asset allocation policy, which ensures diversification of the fund. Further Diversification is provided through the appointment of seven specialist external Fund Managers, with a mix of Bonds and Passive and Active equity mandates and the assets are held by a global custodian.

Managers are monitored on a quarterly basis and investment performance is kept under constant review. The terms of appointment of managers contain guidelines aimed at limiting the way the portfolio is invested in order to control the level of risk to which the Fund is exposed.

Socially Responsible Investment

In all circumstances the investments should be managed in the best long-term financial interests of the Fund. Where this primary consideration is not prejudiced, Investment Managers are expected to take account of social and environmental issues.

The Investment Managers are instructed to exercise, on behalf of the Pension Fund, all rights (including voting), attaching to the investments having regard to the best long term financial interests of the Fund. Where this primary consideration is not prejudiced, Investment Managers are expected to take account of social and environmental issues.

Stock Lending

The Pension Fund allows stock held within its segregated portfolios to be lent to approved borrowers. The Fund's Global Custodian acts as the lending agent for the Securities Lending Program. Collateral is provided by borrowers to protect the Fund's assets and the Fund receives income from the Program.

Review

The Statement of Investment Principles is reviewed annually.

Investment Principles

The Fund complies with the "CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the UK".