



Statement of Investment Principles

Jersey Teachers' Superannuation Fund

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November 2023

This Statement sets out the principles governing decisions about the investment of the assets of the Jersey Teachers' Superannuation Fund ("JTFSF" or "the Fund"). This Statement is issued by the Management Board ("the Board") and provides a formal statement of investment policies.

The Board is responsible for setting the investment strategy to manage the Fund's assets in accordance with the relevant orders.

Since 2013, the strategy has been implemented through investment in the States of Jersey Common Investment Fund ("CIF") whereby the Fund invests alongside other participants in a range of underlying asset class pools, as selected by the Management Board.

The investment in the CIF is directed operationally by Treasury & Resources, however an independent Treasury Advisory Panel ("TAP") oversees the strategic elements of the CIF, such as identifying appropriate investment managers for the CIF's investment pools. To do this, TAP typically meets four times a year to consider investment performance, manage the appointment / dismissal of Investment Managers and to review potential new asset class strategies.

The Board sends a representative to TAP meetings and has access to the same quarterly monitoring reports prepared for the TAP. Separately, the Board meets quarterly to review performance and it typically reviews the overall investment strategy of the Fund at least annually. The Fund and the CIF share the same Investment Advisor (Aon), by separate engagements, providing the Board with a further line of sight over the CIF investments.

Investment Objectives

The Board's key investment objective is to invest the assets of the Fund to ensure as far as possible that members' benefits can be paid as and when they fall due.

This objective is delivered through an investment strategy instructed to TAP that is designed to achieve a calibrated balance between **required investment return** and **investment risk**, with due consideration of cash flow timings and asset liquidity among other factors.

Required investment return

Every three years, the Fund's Actuary prepares an Actuarial Valuation for the Board. This is a detailed re-calculated estimate of the Fund's long term projected funding position. It involves an in-depth review of contribution rates (as set in the Fund's Orders), future contractual liabilities to members (as impacted by forecast inflation and demographic changes), and the Fund's forecast investment return. As part of this review, the Actuary provides a target investment return that it considers suitable, based on underlying assumptions to achieve the Fund's funding needs. The Board defines its "Target Return" for the investment strategy in consideration of the Actuary's recommendation and subsequent updates.

Investment risks

Investment risks in this context refers to factors influencing the likelihood of expected returns being delivered, and ultimately therefore whether an investment strategy will deliver the performance necessary to meet liabilities as they fall due.

At a strategic level, managing investment risks involves:

- Aligning the investment returns with the latest estimate of the values and timing of the Fund's liabilities.
- Ensuring that the working assumptions underlying expected manager performance remain current and appropriate.

In practice, managing investment risk requires an understanding of the following investment characteristics of each underlying investment, including but not limited to:

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- Credit Risks (risk a counterparty will not deliver on a contractual commitment leading to economic loss)
- Market Risks (risks that impact the value of the investments' returns - such as falling equity markets which can be caused by a variety of reasons, foreign exchange or interest rate movements, or other similar factors impact the real value of cash flows).
- The relative complexity or opacity of the individual fund managers' strategies, the liquidity of the markets that they operate in and the quality of the managers' internal operations.

The aggregate level of investment risk, at Fund level, is influenced by the underlying fund selections as well as how they combine. Factors such as the degree of concentration in markets or sectors can amplify or reduce the overall investment risk profile of the portfolio.

Monitoring risk and return

As described above, the Board monitors the implementation of this strategy on an ongoing basis, considering whether the investment pools (and managers selected by TAP within those pools) are performing in line with their anticipated risk/ return profiles. The Board also monitors on an ongoing basis the continued appropriateness of the investment strategy assumptions, with a formal review of the investment strategy typically occurring at least annually. For these activities, the Board obtains independent professional advice from its Actuary and Investment Advisor.

Investment Strategy

Setting the long-term investment strategy is the Board's main investment decision, and in particular setting the balance between return-seeking and risk-reducing assets which, other things being equal, is likely to have the biggest influence on the overall balance of risk and return.

The investment strategy is set after receiving advice from the Board's Investment Advisor. Having been approved by the Board, it is then referred to the Minister for Treasury & Resources for approval.

The table below sets out the strategic targets and ranges to be invested between selected CIF investment pools under the present Investment Strategy.

Investment Pool	Strategic Allocation %	Range %*
Growth Assets		
<u>Equity pools</u>		
Active Global Equities	32.5	27.5 – 37.5
<u>Alternatives pools</u>		
Property	5	0 – 15
Hedge Funds	20	15 – 25
Opportunities	20	10 – 30
Alternative Risk Premia	10	5 – 15
Defensive		
Return-seeking Credit	12.5%	0-17.5%
Cash		
Long term Cash and Cash Equivalents	0%	0-5%

**The relative sizing of asset allocations between pools will naturally fluctuate over time. The Range reflects an approximate range of drift in allocation without prompting a rebalancing event. The Board allows TAP to evaluate the broader circumstances of whether rebalancing is appropriate and adopts the CIF investment policy of not automatically rebalancing.*

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Growth assets

Growth assets are defined by the Board as those assets that, over the long term, are expected to provide a reasonably high return and are intended to be the main driver of the portfolio's long-term performance. Under the present strategy, the Fund has exposure to five separate Growth asset pools within Equities and Alternatives pools:

Equity

The core Growth asset used by the Fund is Active Global Equity. The Board believes this pool, represents the cheapest, simplest and most transparent way to achieve a high level of investment return over the long-term. However, the Board recognises that the performance of Equity can be volatile and therefore has added exposure to Alternatives.

Alternatives

Alternatives still target a relatively high investment return over the long term compared to other types of investments, but they have different risk and return profiles to equities and so offer diversification benefits. This helps the Fund reduce the risk of being over-exposed to any one market, asset class or manager, and, therefore, helps produce a smoother return over time.

The Board is aware of and actively considers (on an ongoing basis) the fact that investments in Alternatives may increase certain risks in the portfolio compared to Equity (such as higher illiquidity, less transparency or greater reliance on the skills of individual managers) and that Alternatives funds can result in higher fees.

Defensive assets

These assets are primarily intended to provide a more stable return than Growth assets. Defensive assets are useful portfolio additions for diversification, liquidity and income generation purposes.

The Fund's investment in the Return-seeking Credit pool provides access to managers who operate various Credit, Asset-Backed and Absolute Return themed fixed income strategies. The range of styles within the pool provides TAP with the flexibility to quickly adapt the balance of the pool (maintaining compliance with the stated pool mandate), should it be necessary.

Cash

The Fund's operations require some holdings of very liquid assets for operational purposes. The Long term Cash and Cash Equivalents pool is used to provide an elevated return compared to short term operational cash accounts.

The pool invests in instruments such as cash deposits, commercial paper, certificates of deposit and floating rate loans.

Responsible Investment and Corporate Governance

The Board's Investment Strategy is informed by the Responsible Investment Policy adopted by the TAP. The Board believe that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment risk and return. It believes that the consideration and integration of all financially material considerations, including ESG issues is paramount to this objective.

Similarly, the Board acknowledges its position as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which the investments reside. It expects TAP and the CIF's investment managers to use their influence as major institutional investors to carry out the Board's rights and duties as a shareholder including voting, and where relevant and appropriate, engaging with underlying investee companies.

The Board acknowledges and is supportive of TAP in its commitment to make ongoing improvements to the CIF's approach and the processes that underpin the delivery of its responsible investment policy to ensure it remains up to date and relevant. It will continually review best practice amongst other large institutional investors, to ensure its policies and approach remain appropriate.

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The Board acknowledges that the TAP is taking steps to manage its exposure to risks such as climate change and to monitor the stewardship and responsible investment activities of its investment managers. Its actions in doing so are laid out in its Responsible Investment Policy, which is available to the public upon request.

Investment Managers

The TAP and Treasury implement the Board's investment strategy through the CIF. This includes the appointment and termination of investment managers within pools. A list of the selected CIF pools' underlying investment managers is provided in Appendix 1.

The CIF's investment managers are appointed on a discretionary basis. This means that they have delegated powers to act, subject to agreed constraints and relevant legislation. For instance, managers have discretion to buy and sell underlying investments according to their mandate.

Appointment

The investment manager appointment process within the CIF involves:

- Identification of a suitable manager (either by competitive tendering or via the Investment Advisor's recommendation)
- A presentation (along with supporting material) by the investment manager to the TAP.
- Due diligence on the investment manager from a legal, investment and operational perspective.
- Approval from the Minister of Treasury and Resources for a Fund appointment.

Ongoing review

After appointment, the investment managers are subject to regular review by the TAP. Their performance is monitored on a quarterly basis against benchmarks. Where appropriate, changes will be made; for example, an Investment Manager may deviate from its strategic or expected return or level of risk expectations and, as a consequence, the relevant mandate might be terminated. A wider change in the Fund's investment strategy made by the Board may also result in TAP needing to change the Fund's Investment Managers.

Custodians

Northern Trust holds the Fund's investment in the CIF.

For CIF investments in pooled investment vehicles, each investment manager appointed to the CIF appoints a custodian to independently hold their fund's underlying assets for them.

For CIF investments under segregated mandates, TAP appoints Northern Trust to hold the underlying assets.

Appendix 1: Managers within the strategic asset allocations held through the CIF

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.

Chosen CIF pool		CIF pool investment managers (sub strategy types highlighted in green)	
Growth Assets			
Equities	Active Global Equities	Baillie Gifford & Co Harris Associates Dodge & Cox Longview Partners	Lansdowne Partners (UK) LLP Walter Scott & Partners Limited TT International Funds Plc Sands Capital
	UK Property	Threadneedle Assets Management Ltd	BlackRock Investment Management Ltd
Alternatives	Hedge Funds	Alyeska Investment Group	Marshall Wace Asset Management
		Brevan Howard Asset Management	Sculptor Capital Management
		Caius Capital	One William Street Capital Management
		Caxton Associates	Palestra Capital Management
		Capital Fund Management	HBK Capital Management
	Opportunities	Debt Opportunities	Property Debt
		M&G Investments Schroders Plc Kennedy Lewis	BentallGreenOak Broad Street Real Estate Credit Partners PGIM Real Estate
		Bank Capital Relief	Infrastructure
		Christopher, Robb & Company Chorus Capital	Antin Infrastructure Partners Basalt Infrastructure Partners
		Insurance Linked Securities	BlackRock Investment Management Ltd
Alternative Risk Premia	Leadenhall Capital Partners	KKR Real Estate	
	GP Stakes	Direct Lending	
	Blackstone	Ares Management LP CVC Capital Partners	
Alternative Risk Premia	Man Group	Systematica Investments	
Defensive			
Fixed Income	Return-seeking Credit	Multi Asset Credit	Absolute Return Bonds
		LGIM *not yet formally appointed	Pictet Asset Management
		Asset Backed Securities	Goldman Sachs Asset Management
	Schroeders *not yet formally appointed	PIMCO	
Cash			
	Cash & Cash Equivalents	Ravenscroft	

