

1. Funding Level

Objective: Maintain a future funding level at or above 100% (measure = Funding Level)

Risk Appetite Statement: “LCPF will seek to maintain an expected Triennial valuation basis funding level at or above 100% and will seek to take action to prevent it falling below 80%”

Frequency of assessment: Quarterly

Time Horizon: Immediate/current

Tolerance and actions:

Status	Tolerance	Action
Green	At or above 100%	Within acceptable tolerance range No action required
Amber	≥ 80% & <100%	If the warning level is reached in a quarter the Investment Panel will discuss the reasons for reduction in funding and the position will be monitored closely over the next three quarters. If the warning level continues to be reported for three consecutive quarters the Investment Panel will meet to discuss the actions or further modelling required.
Red	Below 80%	Review discussions and actions identified/ taken during amber status and determine whether further action is required.

2. Total Contributions

Objective: Enable employer contribution rates to be kept as stable as possible (measure = Total Contributions (employer and employee))

Risk Appetite Statement: “LCPF shall seek to limit expected Total Contributions (assessed on the triennial valuation basis at whole Fund level) to between 10% and 30% of pensionable salary p.a. while aiming for a total expected contribution rate in the range of 21.0%* to 25.6%* of pensionable salary p.a.”

*10% below/above total contributions as per relevant triennial valuation, whole fund level

Frequency of assessment: Quarterly

Time Horizon: In 3 years' time

Tolerance and actions:

Status	Tolerance	Action
Green	≥ 21.0% p.a. & ≤ 25.6% p.a.	Within acceptable tolerance range No action required
Amber	≥ 10% p.a. & < 21.0% p.a., >25.6% p.a. & ≤ 30% p.a.	As for funding level, if the warning level is reached in a quarter the Investment Panel will discuss the reasons and the position will be monitored closely over the next three quarters. If the warning level continues to be reported for three consecutive quarters the Investment Panel will meet to discuss the actions or further modelling required.
Red	Below 10% p.a.& above 30% p.a.	Review discussions and actions identified/ taken during amber status and determine whether further action is required.

3. Liquidity

Objective: Optimise the returns from investments whilst keeping risk within acceptable levels and ensuring liquidity requirements are at all times met (measures = Asset Allocation and Liquidity)

Risk Appetite Statement: “A sufficient buffer of cash and cash equivalent instruments will be maintained to meet between 5 and 12 months of peak net liability outflows* and no less than 3 months of peak net liability outflows”

*largest monthly net cash outflow observed over the past year, excluding investment income

Frequency of assessment: Quarterly

Time Horizon: Immediate/current

Tolerance and actions:

Status	Tolerance	Action
Green	≥ 5 months & ≤ 12 months	Within acceptable tolerance range No action required
Amber	≥ 3 months & < 5 months, more than 12 months	LPPI will investigate to determine cause/drivers of move into amber. LPPI will discuss with LCPF actions to move status to green, if required.
Red	Below 3 months	LPPI to review with LCPF the actions identified/taken during amber status and take immediate corrective action, as required.

4. Asset Allocation

Objective: Optimise the returns from investments whilst keeping risk within acceptable levels and ensuring liquidity requirements are at all times met (measures = Asset Allocation and Liquidity)

Risk Appetite Statement: “The Fund shall aim to maintain investments within +/- 70% of agreed strategic asset allocation while observing agreed maximum and minimum levels at all times”

Frequency of assessment: Quarterly

Time Horizon: Immediate/current

Tolerance and actions:

Status	Tolerance	Action
Green	Within 70% of the difference between the maximum/minimum compared with the SAA benchmark.	Within acceptable tolerance range No action required
Amber	Between 70% and 100% of the difference between the maximum/minimum compared with the SAA benchmark	LPPI will investigate to determine cause/drivers of move into amber. LPPI will discuss with LCPF actions to move status to green, if required.
Red	Outside the upper or lower SAA tolerance range	Red breach of min/max SAA levels will automatically be reported to LCPF and LPPI IC and action taken to cure or where short-term cure would be detrimental, a longer-term plan communicated.

Risk Appetite Statement Summary:

Funding Level: “LCPF will seek to maintain an expected triennial valuation basis funding level at or above 100% and will seek to take action to prevent it falling below 80%”, with the following RAG thresholds:

- **Red** < 80%,
- **Amber** ≥ 80% & <100%,
- **Green** ≥ 100%

Total Contributions: “The Fund shall seek to limit expected total contributions to between 10% and 30% of pensionable salary p.a. while aiming for a total expected contribution rate in the range 21.0% to 25.6% of pensionable salary p.a.”, with the following RAG thresholds:

- **Red** < 10% & > 30%,
- **Amber** ≥ 10% & <21.0%, >25.6% & ≤ 30%,
- **Green** ≥ 21.0% & ≤ 25.6%

Liquidity/Cashflow: “A sufficient buffer of cash and cash equivalent instruments will be maintained to meet between 5 and 12 months of peak liability outflows and no less than 3 months of peak liability outflows” with the following RAG thresholds:

- **Red** < 3 months,
- **Amber** ≥ 3 months & < 5 months, > 12months
- **Green** ≥ 5 months & ≤ 12 months

Asset Allocation: “The Fund shall aim to maintain investments within +/- 70% of agreed strategic asset allocation (SAA) while observing agreed maximum and minimum levels” with the following RAG thresholds:

- **Red** = outside agreed maximum and minimum SAA level,
- **Amber** = upper and lower limits are ≥+/-70% of the difference between the maximum/minimum compared with the SAA benchmark.
- **Green** = within +/- 70% of the difference between the maximum/minimum compared with the SAA benchmark.

Important Information

LCPF has been assessed as an elective Professional Client for the purposes of the FCA regulations.

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