Any future asset liability modelling could consider not only the optimal solution of a strategic benchmark, but also the range of possibilities that provide an acceptable trade-off between risk and return as a more joined-up way of setting the permitted ranges for asset allocation.

We would stress that we are not concerned with the type of tactical asset allocation that some of the investment managers engage in. We do not form a view on which asset class will perform best on a 6 or 12 month view. We would also point out that opportunities may appear infrequently and there should be no expectation of considering possible changes on a frequent basis. We may go 12 months (or longer) without having a strong view on any such valuation discrepancy.

We have proposed specific ranges for the Fund below.

	Target weighting (%)	Proposed Range (%)
Equities (quoted)	70	62.5-77.5
Bonds	15	7.5-22.5
Property	10	5-15
Private Equity	5	-
Cash	0	0-10

- We would not anticipate having views on the relative merits of different equity markets. The Fund's global equity managers should be prepared to take high-conviction positions reflecting relative valuations across markets.
- Although we may have strong views between different categories of bond (gilts, index linked gilts and corporate bonds, for example), the Fund's bond assets will soon all be managed within a single absolute return mandate and the Trustees will not be able to change the Fund's allocations to different types of bond.
- The costs of changing property allocations will tend to be prohibitive. However, there may be times when we would be happy for allocations to drift materially under or over the target – such as during 2008 and 2009.
- We do not anticipate taking views on asset classes such as private equity. However, we may raise discussion on investments such as commodities which might at some point be worthy of a target weighting.

Delegation of decision-making

Ideally, we would aim to bring recommendations to the Pensions Committee. However, any recommended changes would be based by definition on prevailing market conditions and it may therefore be preferable if decisions did not need to be deferred for maybe several weeks. This can be particularly important where we might be recommending that a temporary position is closed out and profits taken.

An alternative approach would be to allow the Fund's officers to consult with the Chair if there were no meeting planned within a suitable timeframe.

We understand that this would require a formal delegation of authority by the Committee. However, we would expect this to be used infrequently and within tolerances of the form outlined above.