

## **REPORT FOR: Pension Fund Committee**

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<b>Date of Meeting:</b>	6 September 2016
<b>Subject:</b>	Performance Measurement Services
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance
<b>Exempt:</b>	No
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Local Authority Pension Performance Analytics – Information Sheet

### **Section 1 – Summary and Recommendation**

#### **Summary**

This report advises the Committee of developments in connection with the provision of performance measurement services for the Fund. The Committee is requested to consider this report in line with its function to administer all matters concerning the Council's Pension investments in accordance with law and Council policy as conferred by Part 3A, Terms of Reference of the Council's Constitution.

#### **Recommendation**

The Committee are recommended to agree:

to subscribe to the performance measurement service to be provided by Pension and Investment Consultants Ltd at a cost of £3,000 in 2016-17 and £4,500 in subsequent years.

## **Section 2 – Report**

1. At their meeting on 21 June 2016 the Committee received the regular annual report from State Street Global Services (WM Performance Services) discussing the Fund's performance over the various periods ended on 31 March 2016.
2. However, the Committee were also advised that this would be the last performance measurement report to be received from State Street since they had decided to discontinue providing this service to their third-party clients.
3. Both the Committee and the Pension Board had previously expressed concern at the cessation of this much valued service and were aware that this was a view expressed by many administering authorities and stakeholders of the Local Government Pension Scheme. Whilst the possibility of another organisation taking over the service had been rumoured the Council had been advised by the Local Authority Pension Fund Forum that "State Street do not have any plans currently to transfer the data en bloc to another provider so it is important that all funds request what data is held by State Street on their fund."
4. The Director of Finance had written to State Street to request the data which could then be made available to a successor provider and this has been received.
5. The Council has now been advised that Pension and Investment Consultants Ltd (PIRC), who are known to the Council as the company which provides backup services to the Local Authority Pension Fund Forum (LAPFF), have launched "a new service monitoring UK local authority pension fund performance." PIRC have further advised that the service will be run by Karen Thrumble and David Cullinan who are known to the Council for their work with State Street and the WM Company.
6. An information sheet provided by PIRC is attached.
7. The core service to be provided will include:
  - Participation within the Local Authority Aggregate
  - Extraction of fund and portfolio data from previously calculated performance reporting
  - Fund data included in quarterly, annual and long term aggregations
  - Quarterly aggregate results and asset allocation publication
  - Annual in-depth analysis publication which provides detailed analysis of the aggregate results, allocation and changes that have occurred and trends that have been identified.
  - Annual league tables detailing individual fund performance over the latest year and longer term.

- Research articles covering topics of interest which will include such perennial subjects as 'Has active management added value for the LGPS?' and 'Does internal management continue to deliver outperformance?'
8. We are also advised that once these core services are established other elements could become available including:
- An annual, fund specific, performance report analysing the fund in the context of the peer group.
  - A performance review meeting to present the aggregate and the fund specific analysis in more detail
  - Bespoke research
9. Whilst this advice from PIRC generally bodes well for the future it is of concern that the core service will not include the fund specific quarterly service which the Committee has been used to receiving. Furthermore, PIRC have advised that:

*Most funds are now able to obtain basic performance measurement as part of their custody services therefore demand for basic performance measurement would seem quite limited. This, combined with the escalating costs of obtaining index data, increased our belief that it would not be viable to offer this service at this time.*

10. Whilst it is recommended that the Committee agrees to subscribe to the new service and to forward the historic data to PIRC, officers will need to review existing processes to develop our own fund specific analysis. They will be seeking advice from fund managers and advisers to ensure that sufficient information is provided to PIRC in time for the Fund to be included in the first reports due in November and to maintain an appropriate level of service to the Committee.
11. The cost of the previous service in recent years has been approximately £20,000 pa and in 2015-16 was £22,000. The estimate for the new service is £3,000 in 2016-17 and £4,500 in subsequent years.
12. The Committee are recommended to agree to subscribe to the new performance measurement service to be provided by PIRC,

## **Financial Implications**

13. Whilst the performance of the Fund's investments plays an extremely important part in the financial standing of the Pension Fund there are no financial implications arising directly from this report.
14. The costs involved will be charged to the Pension Fund. Regulation 4 (5) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 provides that costs such as these incurred in the administering of the Pension Fund can be paid from it.

## Risk Management Implications

15. The risks arising from investment performance are included in the Pension Fund risk register.

## Equalities implications

16. There are no direct equalities implications arising from this report.

## Council Priorities

17. Investment performance has a direct impact on the financial health of the Pension Fund which directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities

## Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 18 August 2016		
Name: Caroline Eccles	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 18 August 2016		

<b>Ward Councillors notified:</b>	<b>NO</b>
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## Section 4 - Contact Details

**Contact:** Ian Talbot, Treasury and Pension Fund Manager  
0208 424 1450

**Background Papers - None**