

LOCAL AUTHORITY PENSION PERFORMANCE ANALYTICS

PERFORMANCE ANALYTICS | PRODUCT PROFILE

PIRC

Local Authority Pension Performance Analytics

The withdrawal of State Street (WM) from the creation of their highly valued and widely used Local Authority Universe analysis service has meant that local authority funds are currently without any form of peer group comparison.

Having been approached by a number of funds expressing the view that the peer group remains a necessary and still valuable form of benchmarking, PIRC has decided to offer a service to fill this gap going forward.

We intend to create a quarterly local authority aggregate analysis that will initially replace the State Street Universe reporting whilst, we hope, also improving upon the data quality and depth of analysis.

Our focus in the first few months will be to set up the new composite and create a historical time series. By the end of the first year of the new aggregate production we would hope to have expanded the service to include fund specific reporting against the aggregate.

To ensure the endeavour has the best possible chance of success it will be led by Karen Thrumble, formerly with State Street, and previously with the WM Company, and her former colleague at State Street, David Cullinan. Between them they have over 60 years of experience with this data set and the Local Authority pension fund market.

The Service

The core service 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?'

Once the aggregate is established and a historical data set defined we hope to add additional elements to the service which could be subscribed to as required. These would include

- 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

Q and A

Why should I subscribe?

Local authority pension funds need to be able to demonstrate best value – comparison of the risk and return taken against other schemes remains a key indicator of a fund's success. The analysis allows anyone involved in the running and monitoring of a local authority pension fund to review the decisions that they have taken to be understood in a wider industry context.

When do you plan to start the service?

To ensure there is no gap in any fund's long term data record, we will be collecting data from Quarter 2 2016. We expect that there will be a significant amount of work involved in establishing the ongoing data supply with each fund and also recognise that the historic information will take some time to aggregate.

Therefore we are aiming to produce the Q2 and Q3 aggregates by the end November 2016 with Q4 and subsequent production back to a normal timescale.

What about the historical data?

It is currently our intention to create a bespoke historical aggregate using the individual fund data that has been supplied directly to each previously participating fund. Once a fund subscribes to our service we will arrange to collect their historic data and add it to the historic aggregate. Once we have a critical mass of funds the historic aggregate will be frozen and the results published to the participants.

Who Will Own the Data?

Whilst PIRC will be the custodian of the aggregate information, the ownership remains, as before, with the participating authorities. Whilst aggregate results and analysis may be purchased by other industry participants, no individual fund data will ever be displayed or released without the express permission of each fund.

What will the implications of pooling be on the need for such analysis?

Individual funds, even within each pool, will still have quite different levels of risk and returns. A fund's asset allocation decision will remain solely with the fund, as will the choice of investment managers from within the range offered by the pool. Both these decisions need monitoring and performance reviewed. The choice of managers offered by the pools and the long term results will also require review.

It would seem likely that the government would look to compare across pools to review the relative success of each group, so the level of analysis could increase.

Do you intend to undertake core performance measurement?

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.

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PIRC is regulated by the Financial Conduct Authority