

**WIRRAL COUNCIL
PENSIONS COMMITTEE
27 JUNE 2011**

SUBJECT:	INVESTMENT PERFORMANCE 2010-11
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

This report outlines the investment performance of Merseyside Pension Fund for the year ended 31 March 2011 as reported by the WM Company.

2.0 RECOMMENDATION

- 2.1 That Committee note the investment performance for the 12 month period to 31 March 2010.

3.0 REASON/S FOR RECOMMENDATION

- 3.1 The performance of the Fund relative to the benchmark is a key indicator of the successful implementation of the investment strategy

4.0 BACKGROUND AND KEY ISSUES

- 4.1 The Fund returned 8.9 per cent in the financial year to the end of March 2011 compared to the bespoke benchmark return of 7.5 per cent, an outperformance of 1.4 per cent against benchmark.
- 4.2 Over the same period, the average return of all Local Authority Pension Funds based on the WM Local Authority universe of 90 funds was 8.2 per cent.
- 4.3 Investment returns were positive for the financial year to the end of March 2011 despite economic and geopolitical headwinds. Governments, particularly in the developed world, maintained monetary and fiscal stimulus measures to bolster their economies whilst economic activity rebounded in developing economies.
- 4.4 Looking back over the 12 months, equity markets started poorly in the second quarter of 2010 as the pace of economic recovery in the United States and Europe moderated. The peripheral European debt crisis dominated the headlines leading to major falls in share prices as the European Central Bank and International Monetary Fund stepped in with aid packages for Greece. The BP oil spill in the Gulf of Mexico also weakened sentiment in the UK.

- 4.5 However, equities rebounded in the third quarter, driven by better than expected company earnings and in spite of the UK emergency budget and associated austerity measures. Markets remained volatile in the fourth quarter. Sentiment was boosted by the Federal Reserve announcing another round of quantitative easing but worries continued over European the sovereign debt crisis with the bailout of the Irish economy in November. Notwithstanding this, global markets benefitted from a combination of better than expected macroeconomic data and improved prospects for the US economy. Most markets finished the calendar year at or around their highs for the year.
- 4.6 The first quarter of 2011 saw evidence of heightened investor concerns with markets hit by the fallout from the earthquake in Japan and the further strength in oil prices as a consequence of political instability in North Africa and the Middle East. Growth in Emerging markets was clouded with uncertainty as inflation was in danger of becoming an entrenched problem in some countries. Closer to home, the European debt crisis remained to the fore with Portugal approaching the European Union to request a bailout. Nonetheless, equity markets made further headway to give a positive outcome for the 12 month period.
- 4.7 The performance of the Fund against its relevant benchmark and against price and earnings indices over 1, 3, 5 and 10 year periods is tabulated below.

	1 Year	3 Year	5 Year	10 year
MPF	8.9	6.1	4.6	5.7
Benchmark *	7.5	5.5	4.6	5.3
RPI	5.3	3.1	3.6	3.1
Average Earnings	1.7	2.4	3.7	4.0

- 1, 3 & 5 year benchmarks = MPF bespoke.

5.0 RELEVANT RISKS

- 5.1 Management of investment risk is implicit in the strategic benchmark which is formulated in conjunction with the actuary and advisers.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 None

7.0 CONSULTATION

- 7.1 The Funding Strategy Statement and Statement of Investment Principles, which influence the investment strategy, are subject to consultation with the principal stakeholders.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 None

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

9.1 The Fund returned 8.9 per cent in 2010/11. The Fund appreciated in value by circa £311m over the financial year to 31 March 2011.

10.0 LEGAL IMPLICATIONS

10.1 None

11.0 EQUALITIES IMPLICATIONS

11.1 None

11.2 Equality Impact Assessment (EIA)

(a) Is an EIA required?

No

12.0 CARBON REDUCTION IMPLICATIONS

12.1 No direct implications. MPF is a member of the Institutional Investor Group on Climate Change and the support for Responsible Investment encourages an awareness of environmental issues by the investment managers.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 None.

FNCE/130/11

REPORT AUTHOR: **Peter Wallach**
Head of Pension Fund
telephone: (0151) 242 1309
email: peterwallach@wirral.gov.uk

APPENDICES

None

REFERENCE MATERIAL

WM Company – Quarterly Performance Review to end March 2011

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	28 June 2010
Pensions Committee	18 June 2009