

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JUNE 2012

SUBJECT:	INVESTMENT PERFORMANCE
WARD/S AFFECTED:	ALL
REPORT OF:	ACTING CHIEF FINANCE OFFICER
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report sets out the investment performance of Merseyside Pension Fund for the year ended 31 March 2012 as calculated by the WM Company.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Fund returned 2.9 per cent in the financial year to the end of March 2012 compared to the bespoke benchmark return of 3.6 per cent, an underperformance of 0.7 per cent. Asset allocation detracted from performance by 1.2 per cent but was partially offset by a 0.5 per cent contribution from stock selection. Over the same period, the average of all local authority pension funds, based on the WM Local Authority universe of 90 funds, was 2.6 per cent.

2.2 The modest investment returns for the period reflect the economic and geopolitical headwinds faced by investors. Looking back over the 12 months, equity markets started quietly but over the summer reacted badly to a rapid deterioration in the financial stability of the eurozone, particularly in relation to Greek sovereign debt, and signs of a renewed global economic downturn. The MSCI world index troughed in early October 2011, having fallen some 15%, and then staged a recovery, punctuated by further weakness in November 2011, ultimately ending the financial year little changed. This masked a significant divergence in the performance of developed markets with the USA appreciating by nearly 7% whilst European markets were, on average, down by more than 11%. UK equities returned 1.4%.

2.3 Financial markets were characterised by so called "risk on, risk off" reflecting the sharp mood swings by investors between confidence and fear. Investors sought perceived lower risk assets such as gold, US dollars, yen, sterling, Swiss francs and 'safe haven' bonds issued by countries such as the USA, Switzerland, Sweden and the UK. This was reflected in the performance of the fixed interest holdings with index-linked gilts returning 18.1% for the twelve-month period.

2.4 The performance of the Fund against the 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	2.9	14.2	3.9	6.1
Benchmark	4.3	14	3.8	5.8
RPI	3.6	4.5	3.3	3.3
CPI	3.5	3.6	3.2	2.6
Average Earnings	0.1	2.9	2.5	3.8
LGPS average	2.6	14.5	3.2	5.7

2.5 A detailed presentation on performance was given by the WM Company at the Investment Monitoring Working Party on 6 June 2012.

3.0 RELEVANT RISKS

3.1 The performance of the Fund, relative to the benchmark, is a key indicator of the successful implementation of the investment strategy which is established with a view to meeting the liabilities over the long-term.

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report

5.0 CONSULTATION

5.1 *Not relevant for this report*

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are no implications arising directly from this report

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

7.1 The Fund returned 2.9 percent, appreciating in value by £113m over the financial year to 31 March 2012.

8.0 LEGAL IMPLICATIONS

8.1 There are no implications arising directly from this report

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are no planning or community safety implications arising from this report.

12.0 RECOMMENDATION

12.1 That Members note the report.

13.0 REASON FOR RECOMMENDATION

13.1 The performance of the Fund, relative to the benchmark, is a key indicator of the successful implementation of the investment strategy which is established with a view to meeting liabilities over the long-term.

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APPENDICES

NONE

REFERENCE MATERIAL

The WM Company – Merseyside Pension Fund Quarterly Performance Review.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	27 June 2011
Pensions Committee	28 June 2010
Pensions Committee	18 June 2009

