

WIRRAL COUNCIL

PENSIONS COMMITTEE

24 JUNE 2013

SUBJECT:	INVESTMENT PERFORMANCE
WARD/S AFFECTED:	NONE
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
KEY DECISION? <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i>	NO

1.0 EXECUTIVE SUMMARY

1.1 This report sets out the investment performance of Merseyside Pension Fund for the year ended March 2013 as calculated by the WM Company.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Fund returned 13.2 per cent in the financial year to the end of March 2013 compared to its bespoke benchmark return of 11.6 per cent, an outperformance of 1.4 per cent. Asset allocation detracted from performance by 0.2 per cent but this was significantly outweighed by strong stock selection which contributed 1.7 percent of relative benchmark outperformance.

2.2 Over the same period, the average of all local authority pension funds, based on the WM Local Authority universe of 90 funds, was 13.8 per cent.

2.3 The fiscal year to the end of March 2013 marked a sharp turnaround in investor sentiment with riskier equity markets comfortably outperforming the safer haven bond markets by a considerable margin. As major central banks further eased their monetary stance from already accommodative levels, nominal bond yields sank to record lows. The prospect of low yields in core bond markets contributed to investors searching for yield in so called risk assets such as equities. All the major OECD stock markets delivered positive returns in a market rally which featured the US S&P 500 Index up 18.94 per cent, and the Japanese Nikkei index up 17.34 per cent. The UK's FTSE 100 index ended the fiscal year up 8.71 per cent.

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	13.2	8.2	6.8	9.1
Benchmark	11.6	7.5	6.3	9.1
RPI	3.3	4.1	3.2	3.3

CPI	2.8	3.4	3.3	2.7
Average Earnings	-0.1	1.0	1.7	3.4
LGPS average	13.8	8.1	6.5	9.4

2.4 A detailed presentation on the Fund's performance was given by the WM Company at the Investment Monitoring Working Party on 12 June 2013.

3.0 RELEVANT RISKS

3.1 The performance of the Fund, relative to its benchmark, is a key indicator of the successful implementation of the Fund's investment strategy which is established with a view to meeting the Fund's 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 13.2 percent, appreciating in value by circa £638m over the financial year to 31 March 2013.

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/S

12.1 Members note the report.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 The performance of the Fund, relative to its benchmark, is a key indicator of the successful implementation of the Fund's investment strategy which is established with a view to meeting the Fund's 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
A report on the Fund's investment performance is brought annually to June Pensions Committee	

