

WIRRAL COUNCIL

PENSIONS COMMITTEE

1 JULY 2014

SUBJECT:	INVESTMENT PERFORMANCE
WARD/S AFFECTED:	NONE
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION & RESOURCES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report sets out the investment performance of Merseyside Pension Fund for the fiscal year ended March 2014 as computed and reported by the WM Company.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Fund returned 6.2 per cent in the financial year to the end of March 2014 compared to its bespoke benchmark return of 4.2 per cent, a significant outperformance of 2 per cent.
- 2.2. As growth in the global economy continued to falter throughout the major developed economies, stock markets saw a significant decoupling from their respective real economies with European equities increasing in value by just over 17 per cent over the fiscal year, North American equities up over 10 per cent, and the UK recording an increase in value of just under 9 per cent over the period.

Japanese and Emerging markets proved to be the exception as Japanese stocks fell just under 2 per cent, and Emerging market stocks dipped almost 6 per cent over the period due to the “quantitative easing programme”.

Much of the growth in developed world stock markets was driven by the persistence of historically low interest rates which encouraged capital flows to “risk assets” such as equities, while undermining the performance of “fixed interest” investments such as bonds.

As a result, UK Government Bonds declined in value by almost 3 per cent over the fiscal year, and Index Linked (inflation protected) Gilts declined by just under 4 per cent over the period.

The depressed levels of Bonds gave further impetus to the investor appetite for riskier assets such as equities, in the search for higher investment returns. The depressed levels of bonds also continued to weigh

heavily on the Fund's liabilities with the low discount rate increasing the value of future pension commitments due to the way in which liabilities are quantified.

- 2.3. The performance of the Fund against its benchmark over 1, 3, and 5 year periods is tabulated below.

	1 Year	3 Year	5 Year
MPF	6.2	7.3	12.3
Benchmark	4.2	6.4	11.5
Relative Return	2.0	0.9	0.8

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 longer term liabilities.

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 6.2 percent in the financial year ending March 31st 2014 and outperformed its bespoke benchmark which returned 4.2 per cent over the comparable period, an increase of nearly £300m.

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	