

Date:	19 October 2015
Classification:	General Release
Title:	Pension Fund Benchmarking
Report of:	Steve Mair <i>City Treasurer</i>
Wards Involved:	All
Policy Context:	Effective Control over Council Activities
Financial Summary:	There are no financial implications arising from this report

1. Executive Summary

- 1.1 This report advises the Board of the current position with regard to performance benchmarking of the Fund and in particular the Scheme Advisory Board Key Performance Indicator (KPI) Benchmarking exercise.

2. Key Matters for the Board

- 2.1 The Board note the contents of this paper

3. Background

- 3.1 At the initial meeting of the Westminster Local Pension Board members asked for more information on the benchmarking arrangements for the Funds' investments and funding position. The Pension Administrator (Surrey CC) will provide separate reporting on the performance indicators attached to the Administration contract.
- 3.2 This report will focus upon the requirements of the Scheme Advisory Board KPI Benchmarking exercise but will also highlight other benchmarking analysis which will be available to the Board in due course.

4. Scheme Advisory Board KPI's

- 4.1 As part of its work over the last two years the LGPS Scheme Advisory Board (in shadow for prior to April 2015) has sought to improve the quality and comparability of data associated with the LGPS following criticism from the Hutton Commission Final Report in 2012.
- 4.2 This has involved work to consolidate the 89 separate Annual Reports into a single scheme document and this can be found on the Scheme Advisory Board website: <http://www.lgpsboard.org/index.php/schemedata/scheme-annual-report>
- 4.3 There has also been considerable discussion around the ability to identify and compare the financial health of individual LGPS Funds. This led to the establishment of a working party which was tasked with creating a range of meaningful performance indicators to show those funds who were in a stronger or weaker position. This assessment is not necessarily a reflection of the current governance and administration arrangements but will highlight where improvements are required following decisions made over a number of years.
- 4.4 Attached at Appendix 1 is the Guidance issued by Scheme Advisory Board which sets out the rationale for the exercise and explains the range of KPI's to be completed by each Fund. These are split into 4 core KPI's and 14 supplementary KPI's where the core KPI's are classed as "alarm bells" to identify under-performing funds.
- 4.5 Officers are completing the KPI Proforma attached at Appendix 2 in advance of the 31st October deadline and this will be reported to the next Pension Fund Committee meeting in November and also to the next meeting of the Board.
- 4.6 A summary of all responses is expected in early 2016 and those funds identified with significant issues are likely to be contacted directly regarding establishing an action plan to make the necessary improvements.

5. Investment Performance Benchmarking

- 5.1 The Pension Fund Committee receive reports every quarter which analyse the investment performance between asset classes, fund managers and various time periods all against pre-determined benchmarks. These benchmarks are largely market related i.e. FTSE indices' and give an indication of the success of the investment strategy and individual mandates/fund managers.
- 5.2 In order to better understand the performance of the fund relative to other LGPS funds, officers have recently subscribed to the WM Local Authority Performance League tables. These tables are produced annually and provide comparisons on the level of returns across asset classes as well as overall returns achieved by individual funds.

- 5.3 Whilst there may well be particular circumstances which determine individual fund returns, such as level of risk taken, this remains a helpful indication of where an individual fund's returns sit when compared to their peers and the overall range of results achieved. It also provides an insight into the drivers for success such as the investment strategy adopted and the success or otherwise of particular fund managers.
- 5.4 Compiling data from almost all LGPS Funds also provides the opportunity to carry out wider analysis and hence the ability to draw out specific conclusions. Each year an Annual Review of Local Authority Funds is produced which discusses a range of topical issues in relation to LGPS investments such as asset allocation, individual asset classes and comparisons to corporate funds.
- 5.5 Data has now been submitted for the 2014/15 Performance Universe and results will be available for the next Pension Fund Committee meeting in November and also for the next meeting of the Board.

**If you have any queries about this Report or wish to inspect any of the
Background Papers please contact:**

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BACKGROUND PAPERS:

None

APPENDIX 1:

Guidance for LGPS funds on the 2015 benchmarking exercise

APPENDIX 2:

KPI Proforma

APPENDIX 3:

WM UK Local Authority Annual Review 2013/14