

<b>REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES</b>		
<b>LGPS Performance Universe Presentation</b>	<b>Classification</b> <b>PUBLIC</b>	<b>Enclosures</b> <b>None</b>
	<b>Ward(s) affected</b>  <b>ALL</b>	
<b>Pensions Committee</b> <b>12<sup>th</sup> December 2018</b>		

## 1. INTRODUCTION

- 1.1 This report introduces a presentation from PIRC (Pensions and Investment Research Consultants) Ltd as the provider of the LGPS Performance Universe formerly delivered by WM (State Street)

## 2. RECOMMENDATIONS

**The Pensions Committee is recommended to:**

- **Note the report**

## 3. RELATED DECISIONS

- None

## 4. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

- 4.1 For the Fund to achieve its objective of reaching 100% funding over the longer term, it needs to be able to achieve the assumed returns on its investment portfolio. However, this must be considered in the context of the level of risk that the Fund is prepared to accept. Monitoring the Fund's performance relative to its peers will assist the Committee in understanding of the impact of investment performance, helping it to better manage investment risks and improve the efficiency of the Fund.

- 4.2 There are no direct financial implications arising from this report

## 5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

- 5.1 The Council's Constitution gives the Pensions Committee responsibility for a range of functions, which under the terms of reference include:

- .To set the overall strategic asset allocation policy, the mandates to be given to the investment managers and the performance measures to be set for them
- To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles (Investment Strategy Statement).

- 5.3 The contents of this report help demonstrate that the Committee is adhering to its

Terms of Reference as set out in the Constitution. .

## **6. BACKGROUND/TEXT OF THE REPORT**

- 6.1 The Committee currently receives its quarterly investment performance reporting from Hymans Robertson. The reports assess the quarterly and annual performance of the Fund's managers, as well as the overall performance of the Fund for the most recent quarter, and the annual, 3 year and 5 year performances against the Fund's customised benchmark. Information on performance is also included within the Pension Fund Annual Report and Accounts.
- 6.2 Prior to 2016, the Fund received its performance reporting from WM/State Street. In addition to the reports described above, the service provided also included information on the Hackney Fund's performance relative to the other LGS funds in England and Wales. However, in 2016 WM ceased providing performance measurement for Local Authorities. Funds generally moved to receiving performance information from their custodians and investment consultants, leaving no single supplier immediately able to deliver the LGPS Performance Universe component.
- 6.3 Following the let of the National LGPS Framework for Investment Management Performance and Cost Monitoring and Reporting Services, PIRC Ltd have now been selected as the sole replacement supplier for the Universe. Funds have been able to appoint PIRC via direct call off using Lot 2 (LGPS Investment Performance Comparison and Reporting Services). The more funds that sign up with PIRC as the new supplier, the more useful the reporting becomes, as a wider range of comparative fund information can be provided. Take up has been particularly good in London, with Hackney the final London Fund to sign up.
- 6.4 The services provided by PIRC through the contract are as follows:
- The assimilation of historical client investment performance data (as provided to the client by the previous service supplier, or as otherwise supplied by the client)
  - The on-going collation of client investment performance data from all relevant sources (including but not limited to the client, their custodian and their asset managers as required)
  - The analysis of such data to provide overall investment performance of the client fund with respect both their own benchmark, the investment performance of the wider LGPS universe (i.e. the performance of all LGPS funds that are clients of the service) and any other specified investment performance benchmark
  - Basic attribution analysis of performance including allocating performance between strategic asset allocation/stock selection/manager selection discrepancies.
  - Ability to aggregate performance analysis, e.g. by asset class, including integration of overlays (e.g. currency hedging) on a pro rata basis if needed.
  - Quarterly and annual reporting of such performance to the client, annual reporting to include rolling 3, 5 year and 10 year investment performance

analysis against the specified benchmarks

- The maintenance of all historical client data
- Attendance at meetings as required by clients;

6.5 The Fund has now provided PIRC with the necessary data to commence reporting. Neil Sellstrom, of CIPFA, will be attending the Committee meeting to provide an overview of the reporting services offered and to answer any questions on the LGPS Performance Universe.

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**Background Papers**

None