

## **Committee: Pension Fund Advisory Committee**

**Date: 23 June 2015**

Agenda item: 3

Wards: All

### **Subject: Annual Performance Review by StateStreet Global Services Performance Services (WM)**

Lead officer: Caroline Holland Director of Corporate Services

Lead member: Councillor Imran Uddin

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Access to Information: This report is classified as Public

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#### **Recommendations:**

- a. That the Panel note the contents of the presentation attached as appendix A to this report
  - b. Note the performance of the Merton Pension Fund in comparison with its peers in the local authority universe; and
  - c. Note the performance of investment managers as at 31 March 2015.
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#### **1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

The report summaries the key facts in the WM presentation attached as appendix a to this report.

#### **2. BACKGROUND**

- 2.1 The Fund's investment performance as a whole has been reviewed by WM Company now known as StateStreet Global Services Performance Services. In addition to fund performance, a review against other LGPS Funds in the local authority universe is also conducted alongside their review of each manager's performance against their peers.

#### **3. DETAIL**

- 3.1 Average local authority pension fund returned 13% in 2014/15, 11% per annum over three years and 9% per annum over five years. Merton returned 12.6%, 10.4% and 8.8% respectively.
- Equity markets performed strongly but with marked regional differences. Domestic equities returned 6%. Japan was the strongest performing of the major overseas markets returning 30% to local investors, but a slightly lower 27% to UK investors as the Yen continue to weaken against Sterling. Pacific and emerging markets returned 16% and 14% respectively whilst Europe returned 9%.

After the near flat outcome in 2013/14, UK bonds bounced back strongly, producing double digit returns.

Alternative investments in aggregate also enjoyed a good year. Pooled multi asset (diversified growth) investments returned 10% while property returned 16% for the year.

- 3.2 Manager performance did not make significant contribution to the performance of the Fund. The largest contributor to performance of the fund was from Aberdeen in their management of the equity portfolio. On the other hand the manager's performance in the bond portfolio was down 0.3% against a benchmark of 0.60%.

**4. CONSULTATION UNDERTAKEN OR PROPOSED**

N/A

**5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

N/A

**6. LEGAL AND STATUTORY IMPLICATIONS**

There are no legal implication contained within the report.

**7. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

N/A

**8. CRIME AND DISORDER IMPLICATIONS**

N/A

**9. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

N/A

**10. APPENDICES**

Appendix A: London borough of Merton Performance Review Period Ending 31 March 2015 by StateStreet Global Services Performance Services.

**11. BACKGROUND PAPERS**

There are not background papers to this report.

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