



## Committee report

Committee	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date	<b>24 JULY 2015</b>
Title	<b>GLOBAL INVESTMENT PERFORMANCE OVERVIEW 2014-15</b>
Report of	<b>TECHNICAL FINANCE OFFICER</b>

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### EXECUTIVE SUMMARY

1. This report introduces the annual performance report of the Isle of Wight Pension Fund's investment for the year ended 31 March 2015, prepared by the fund's performance analysts, Global Services Performance Services (formerly State Street Investment Analytics, previously WM Company).
2. The Global Services report is attached as Appendix 1 to this paper, and will form the basis of a presentation by a representative of Global Services at the committee meeting.
3. The report and presentation provide the committee with details of the performance of the fund relative to other local authority pension funds for the year ended 31 March 2015, as well as contextual information for presentations from the investment consultants and the fund managers later in this meeting.
4. The committee is asked to note the content of the report and receive the presentation.

### BACKGROUND

5. At the May 2015 meeting, the committee received a report setting out the draft results for the fund for the year ended 31 March 2015, including the return on investment assets of 13.7 per cent for the year, compared to a combined benchmark increase of 12.5 per cent.
6. The above report also contained information about the relative performance of each of the fund managers.

7. This report contains detailed analytical information about the contributing factors towards the fund's investment performance, as well as demonstrating the Isle of Wight fund's performance in the context of the local authority universe.

## STRATEGIC CONTEXT

8. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits
9. Understanding the fund's investment performance will assist the committee in ensuring that the asset allocation and fund manager structure is adequate to ensure the overall objectives are met.

## RELATIVE PERFORMANCE

10. The performance of the Isle of Wight Pension Fund's investments, broken down by asset class, and ranked against other local authority pension funds (in brackets) is shown in the table below:

<b>Asset class</b>	<b>Annual 2015 %</b>	<b>Annual 2014 %</b>	<b>3 years % p.a.</b>	<b>5 years % p.a.</b>
UK equities	7.6 (29)	20.8 (2)	16.0 (1)	12.1 (7)
Global equities	21.3 (16)	6.9 (73)	17.1 (13)	11.2 (11)
UK bonds	13.7 (43)	1.3 (24)	7.8 (55)	8.2 (52)
UK property	18.6 (10)	13.8 (16)	11.5 (15)	10.4 (8)
Multi asset #	7.9 (77)	0.9	n/a	n/a
Cash	0.5 (77)	-0.0 (74)	0.1 (88)	0.2 (89)
<b>TOTAL</b>	<b>13.7 (38)</b>	<b>10.8 (3)</b>	<b>14.0 (3)</b>	<b>10.7 (7)</b>

# the fund began investing in the Baillie Gifford Diversified Growth Fund in October 2013, hence full year data for 2014, and longer term performance data is not available.

11. Although the total fund's position in the annual league table for 2015 has fallen significantly in comparison to the previous year, to 38<sup>th</sup> from 3<sup>rd</sup>, there has been an improvement in the ranking of global equities (from 73<sup>rd</sup> to 16<sup>th</sup>).

12. This year's lower position in the overall league table is not unexpected, as the fund has benefited from a period of exceptional returns from the Majedie UK equity portfolio, which was unsustainable.
13. In absolute terms, the fund's investments grew by £55.1 million in the year ended 31 March 2015, outperforming the averaged fund benchmark by 1.2%.
14. In terms of the fund's longer term performance, it remains 3<sup>rd</sup> in terms of the annual performance over three years, and 7<sup>th</sup> for annual performance over five years.

#### CONSULTATION

15. There has been no consultation on this report, as it is for noting, and summarises the performance of the fund's assets, which has been regularly reviewed by the committee throughout the year.

#### FINANCIAL / BUDGET IMPLICATIONS

16. There are no direct financial implications arising from the presentation of this report.
17. At 31 March 2015, the market value of investments held by the fund was £482.7 million, an increase of £55.1 million over the previous year.

#### LEGAL IMPLICATIONS

18. There are no legal implications arising from the presentation of the fund's investment performance.

#### EQUALITY AND DIVERSITY

19. The council has a legal duty under the Equality Act 2010 to seek to eliminate discrimination, victimisation and harassment in relation to age, disability, gender re-assignment, pregnancy and maternity, race, religion, sex, sexual orientation and marriage and civil partnership. It is considered that there are no direct equality and diversity issues of this report.

#### RECOMMENDATION

20. That the committee receives this report and the presentation from Global Services Performance Services.

#### APPENDICES ATTACHED

21. [Appendix 1](#) – Annual Performance Report 2014-15 (State Street Global Services Performance Services)

## BACKGROUND PAPERS

22. Draft year end results 2014-15 (Pension Fund Committee 29 May 2015, Paper B)  
<https://www.iwight.com/Meetings/committees/IW%20Pension%20Fund/29-5-15/Paper%20B.pdf>

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