

Minutes of the Pensions Committee Meeting held on 12 July 2019

Attendance	
Ben Adams	Tim Legg
Mike Davies	Bob Spencer
Colin Greatorex (Chairman)	Mike Sutherland
Ian Jenkinson	Stephen Sweeney

Apologies: Philip Atkins OBE, Phil Jones (Co-optee), Martyn Tittley and Michael Vaughan (Co-optee).

PART ONE

15. Declarations of Interest

There were no declarations of interest on this occasion.

16. Staffordshire Pension Fund Investment Performance and Benchmarking

Members received a presentation from Nick Kent of Portfolio Evaluation Limited (PEL) giving an overview of the performance of the Staffordshire Pension Fund for the period ending 31 March 2019. The key points arising from the presentation were as follows:

- The Fund had outperformed its benchmark over the one, three, five and ten-year periods.
- The Fund had outperformed the PEL LGPS Information Service average return over the one, three, five year and ten-year periods.
- Markets had provided high returns over the medium term due to, in part, sterling depreciation, Brexit, global economic growth and QE. The outlook remained uncertain.
- The outperformance in 2018 / 2019 was due primarily to the outperformance of Longview (global equities), Insight (bonds) and Alternative assets, specifically Private Equity and Private Debt. Asset allocation had been a drag on excess return.
- The outperformance over the three-year period was primarily due to the outperformance of Private Equity.
- The Fund had begun transitioning assets to LGPS Central.
- Total risk remained low and active risk was at a level that was consistent with the structure of the Fund. Risk had remained stable over the year.

In response to a question from Mr Adams in relation to the recent poor performance of Standard Life, the Director of Corporate Services indicated that their performance had been impacted by their stock selection and that the situation was being closely monitored.

Members also received a presentation from John Simmonds of CEM Benchmarking outlining the results of the 2017/18 CEM survey, where Staffordshire was shown against a peer group of 21 LGPS and international funds ranging in size from £3.2bn to £8.6bn at 31 March 2018. The key points arising from the presentation were as follows:

(a) Returns

- The Staffordshire Pension Fund 5-year net total return was 9.0%. This was above the LGPS median of 8.6% and above the global median of 7.9%.
- The Fund's 5-year strategic asset mix return was 8.8%. This was above the LGPS median of 8.6% and above the global median of 7.6%.

(b) Risk

- The Staffordshire Pension Fund asset risk of 11.7% was above the LGPS median of 11.5%. The asset-liability risk of 11.9% was above the LGPS median of 11.6%.
- The Fund's funding level on the standard GAD basis of 96% was equal to the LGPS median of 96%.

(c) Value added

- The Staffordshire Pension Fund's 5-year net value added was 0.2%. This was above the LGPS median of 0.1% and equal to the global median of 0.2%.

(d) Cost

- The Staffordshire Pension Fund's investment cost of 53.9 bps was below its benchmark cost of 57.2 bps. This suggested that the Fund was slightly lower cost compared to its peers.
- The Fund was slightly lower cost because it had a lower cost implementation style and it paid less than its peers for similar services.
- The cost fell from 58.4 bps in 2013/14 to 53.9 bps in 2017/18.

In response to a question from Mr Sutherland concerning the Fund's likely costs in 2018/19 compared to 2017/18, he was informed that they were likely to be higher due to the Fund investing more in Alternative assets (e.g. Private Equity and Private Debt), which were widely accepted to be some of the most expensive asset classes in which to invest; and also as a result of void costs in the Fund's property portfolio.

Mr Jenkinson commented on the level of returns the Fund had achieved and expressed the view that the Fund's officers should be applauded for their achievements.

RESOLVED – That the presentations from Portfolio Evaluation and CEM Benchmarking be received and noted.

Chairman