

PENSIONS COMMITTEE – 15 DECEMBER 2023

Report of the Director of Finance

Staffordshire Pension Fund Investment Cost Benchmarking 2022/23

Recommendation of the Chair

1. That the Pensions Committee notes the report from CEM Benchmarking at Appendix 1 and the presentation on such, to be given at the meeting.

Background

2. The Pension Fund takes part in an annual investment cost benchmarking exercise with an international company CEM Benchmarking ('CEM'). CEM benchmark over 400 asset owners globally, with total assets of £15 trillion. Attached at Appendix 1 are the results of the 2022/23 CEM benchmarking survey, where Staffordshire is compared on several cost and performance metrics to a global peer group of 41 pension funds that have a median size of £7.3bn versus the Pension Fund's £6.6bn market value, on 31 March 2023.
3. On a like for like basis, versus the international peer group, Staffordshire Pension Fund is below the benchmark cost (0.51% versus 0.53%) for the peer group. Despite making significant changes to the asset structure of the Fund over the past few years, allocating more to the more expensive private market asset classes, the Fund has been able to reduce its overall average investment management cost and provide value for money to stakeholders in the Fund.
4. However, it is important to understand that a straightforward comparison of investment returns and costs as publicly reported by pension funds, will never be meaningful. This is because there are several variables which also need to be considered, to obtain a like for like comparison. e.g., Assets under management, strategic asset allocation, implementation style, benchmarks etc. The survey undertaken by CEM adjusts for these variables and provides the Pensions Committee with more clarity on investment cost versus the selected peer group.

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Background Documents: CEM Benchmarking Investment Benchmarking Report

Equalities Implications: There are no direct equalities implications arising from this report.

Legal Implications: There are no direct legal implications arising from this report.

Resources and Value for Money Implications: There are no resources implications and the value for money Implications are covered within this report.

Risk Implications: The Pension Fund by virtue of being a global investor in a number of asset classes is subject to a wide range of investment risks. Specialist advice is always taken to ensure that these risks and their potential impact are understood.

Climate Change Implications: There are no direct climate change implications arising from this report.

Health Impact Assessment screening – There are no health impact assessment implications arising from this report.