

PENSIONS COMMITTEE – 23 NOVEMBER 2005

PENSION FUND INVESTMENT PERFORMANCE 2004/2005

SUMMARY

This report presents a background summary to the presentation that will be made to the Committee by a representative from the performance measurement company, WM, who will attend the meeting to comment more fully on performance.

REPORTED FOR INFORMATION

1. Annual Report 2004/2005

A summary of the fund's performance in 2004/2005 together with the pension fund's accounts can be found in the Pension Fund Annual Report 2004/2005 which has been circulated with the agenda and distributed to the fund's admitted bodies.

2. WM Report on Fund Performance 2004/2005

The WM Company has published a report on the Fund's performance for 2004/2005. This document has been circulated with the agenda. A representative from the company will be attending the meeting to provide Members with a short presentation on the report.

The WM Report highlights how each manager has performed during the last year and individual performance by each manager will be brought out by WM in their presentation.

The performance of the Fund for 2004/2005 was reported to the last meeting, but is reproduced below for easy reference. Table 1 below analyses the return over the different market sectors and compares it to the fund benchmark.

Table 1

	Benchmark Return %	Newton Return %	UBS Return %	Total Fund Return %
UK Equities	+15.6	+15.7	+16.5	+16.1
Overseas Equities	+10.3	+12.6	+10.4	+11.5
Gilts	+5.0	+5.3	+5.4	+5.4
Overseas Bonds	n/a	+17.5	+7.0	+14.5
Index Linked	+5.4	+4.9	+5.6	+5.2
Corporate Bonds	+6.5	+6.8	+6.4	+6.6
Property	n/a	0	+16.2	+16.2
Cash	n/a	+4.5	+4.7	+4.9
Total	+10.3	+11.7	+11.0	+11.3

*n/a : Returns are not applicable to these sectors as the benchmark does not specify any holding.

Source: WM Performance Review 2004/2005

In a good year for pension funds Bexley's Fund showed a return of 11.3% against the fund benchmark of 10.3%. Both managers outperformed the benchmark, UBS with a return of 11.0% and Newton returned 11.7%.

3. Long Term Performance

Over the last three years the fund has outperformed the fund benchmark by 1.3% per annum. Table 2 below gives details on the fund managers' performance and the total combined fund against the fund benchmark.

Table 2

	UBS	Newton	Combined Fund	Benchmark
1 year	11.0	11.7	11.3	10.3
3 years	4.2	3.7	4.0	2.7
10 years	8.0	-	7.4	7.5

Source: WM Performance Review 2004/2005

4. Investment Profiles and Relative Risk Target

Table 3 shows the asset allocation of the portfolio as at 31 March 2005:

Table 3: Asset Allocation

	Fund Benchmark %	Newton Profile %	UBS Profile %	Total Fund Profile %
UK Equities	36	36	37	37
Overseas Equities	24	29	24	26
Gilts	16	11	15	13
Overseas Bonds	0	3	2	2
Index Linked	8	6	5	5
Corporate Bonds	16	12	15	14
Property	0	0	1	1
Cash	0	3	1	2
Total	100	100	100	100

Source: WM Performance Review 2004/2005

The Fund's Statement of Investment Principles includes a series of control ranges within which the Managers must operate when investing the Fund's assets. These ranges are expressed as a variation from the Fund Specific Benchmark, details of which are shown in Table 4.

Table 4: Control Ranges Variations

	Asset Allocation Relative to the Fund Benchmark as at 31st March 2005			
	Newton Profile %	UBS Profile %	Total Fund Profile %	Control Ranges %
UK Equities	0	+1	+1	+/-7.5
Overseas Equities	+5	0	+2	+/-7.5
Gilts	-5	-1	-3	+/-7.5
Overseas Bonds	+3	+2	+2	Up to 10
Index Linked	-2	-3	-3	+/-7.5
Corporate Bonds	-4	-1	-2	+/-7.5
Property	0	+1	+1	Up to 5
Cash	+3	+1	+2	Up to 5

Source: WM Performance Review 2004/2005

The table shows that the managers are operating within the approved control ranges.

The relative risk of that part of the Fund managed by UBS was 1.2% at the end of March, whilst the relative risk reported by Newton was 1.3%. Both are within the approved relative risk target of 3.5%.

5. Local Government Chronicle Finance Awards

Bexley had yet another successful year at the Local Government Finance Awards held at the Dorchester Hotel recently. The Fund again won the award for the top performing local authority pension fund in UK equities. It is interesting to note recent awards:-

2002	1 st	Bonds
	2 nd	Total Equities
2003	1 st	Total Equities
	2 nd	Bonds
2004	1 st	UK Equities
2005	1 st	UK Equities

Local Government Act 1972 – section 100d List of background documents

WM Company Performance Review 2004/2005

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