

PENSIONS COMMITTEE – 25 NOVEMBER 2004

PENSION FUND INVESTMENT PERFORMANCE 2003/2004

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 2003/2004

A summary of the fund's performance in 2003/2004 together with the pension fund's accounts can be found in the Pension Fund Annual Report 2003/2004 which has been circulated with the agenda and distributed to the fund's admitted bodies.

2. WM Report on Fund Performance 2003/2004

The WM Company has published a report on the Fund's performance for 2003/2004. 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 2003/2004 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

Sector	Bexley %	Fund Benchmark %
UK Equities	40.1	31.0
Overseas Equities	35.2	34.4
UK Government Bonds	2.5	2.3
Corporate Bonds	5.4	5.1
Overseas Bonds	1.8	n/a*
Index-Linked Gilts	5.5	6.2
UK Property	17.4	n/a*
Cash	7.1	n/a*
TOTAL	24.6	20.6

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

Source: WM Performance Review 2003/2004

In a better year for pension funds Bexley's Fund showed a return of 24.6% against the fund benchmark of 20.6%. Both managers outperformed the benchmark, UBS with a return of 26.4% and Newton returned 22.6%.

3. Long Term Performance

Over the last three years the fund has outperformed the fund benchmark by 0.9% 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	26.4	22.6	24.6	20.6
3 years	1.4	-1.0	0.2	-0.7
10 years	7.4	-	6.7	6.6

Source: WM Performance Review 2003/2004

4. Investment Profiles and Relative Risk Target

Table 3 shows the asset allocation of the portfolio as at 31 March 2004:

Table 3: Asset Allocation

	Fund Benchmark %	Newton Profile %	UBS Profile %	Total Fund Profile %
UK Equities	36	38	38	38
Overseas Equities	24	27	24	25
Gilts	16	13	15	14
Overseas Bonds	0	3	1	2
Index Linked	8	6	5	6
Corporate Bonds	16	12	15	13
Property	0	0	1	1
Cash	0	1	1	1
Total	100	100	100	100

Source: WM Performance Review 2003/2004

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 2004			
	Newton Profile %	UBS Profile %	Total Fund Profile %	Control Ranges %
UK Equities	+2	+2	+2	+/-7.5
Overseas Equities	+3	0	+1	+/-7.5
UK Fixed Interest Gilts	-3	-1	-2	+/-7.5
Overseas Bonds	+3	+1	+2	Up to 10
Index Linked	-2	-3	-2	+/-7.5
Corporate Bonds	-4	-1	-3	+/-7.5
Property	0	+1	+1	Up to 5
Cash	+1	+1	+1	Up to 5

Source: WM Performance Review 2003/2004

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 2.0%. Both are within the approved relative risk target of 3.5%.

5. Local Government Chronicle Finance Awards

Bexley had another successful year at the Local Government Chronicle 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 and was runner up for Best Exchequer Services. 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
	2 nd	Exchequer Services Team

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

WM Company Performance Review 2003/2004

Contact Officer: Michael Ellsmore, Assistant Director ext 2646
Reporting to: David Berry, Director of Finance and Business Services