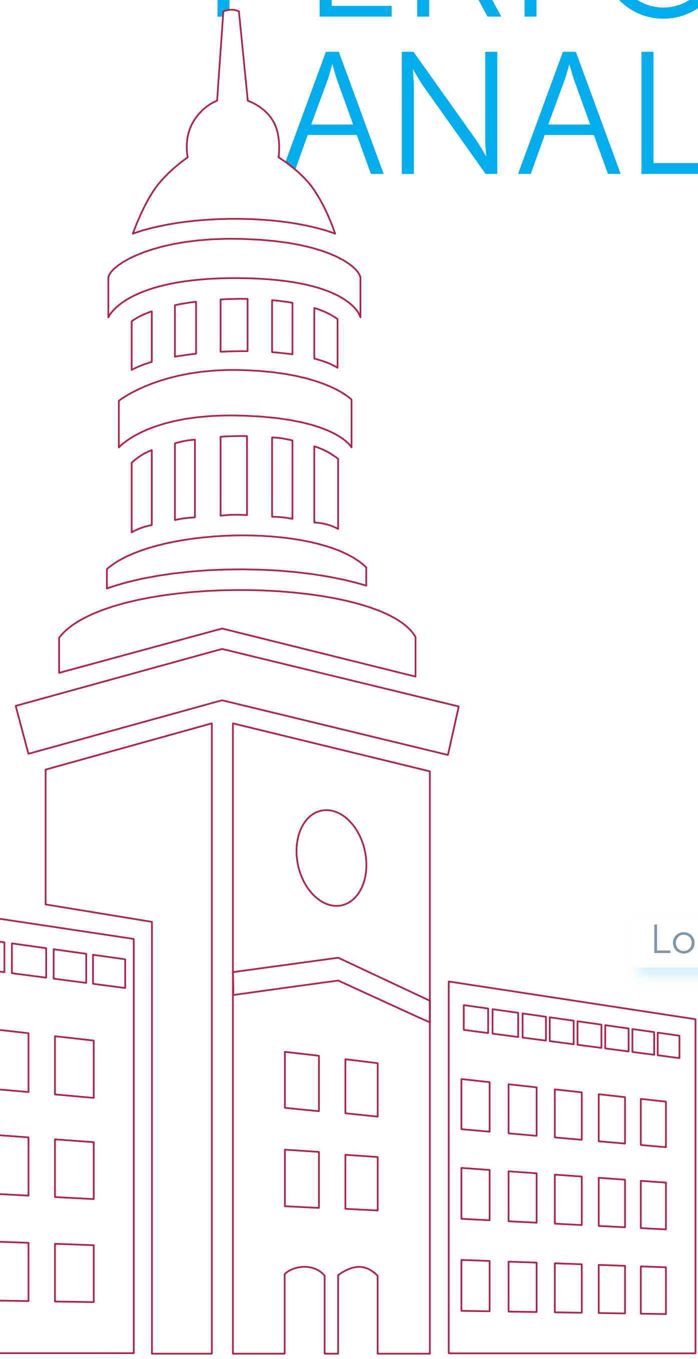
PIRC

LOCAL AUTHORITY PENSION PERFORMANCE ANALYTICS



ANNUAL REPORT 2016/17

2016/17 Local Authority Universe results

Long term results and trends

Comment and analysis

INTRODUCTION

Welcome to the 2016/17 PIRC Local Authority Pension Performance Analytics Annual Review.

When the existing provider exited from providing peer group performance at the end of March 2016 funds faced the possibility that the peer group benchmark would cease to exist. Fortunately, many within the industry agreed with us that this information is not only useful but essential, for individual funds, for the new pools and for the LGPS in its entirety.

In recognition of this, the Local Authority Pension Fund Forum (LAPFF) stepped in early in the proceedings and voluntarily wrote to every fund to help to secure funds' historical data in a consistent, standardised format which would allow the historical aggregates to be recreated. As a result we now have a full 30 year historical record of local authority fund performance.

The Society of London Treasurers advocated strongly for the need for funds to participate and we would like to thank them together with all of our participating funds for your support. We have now been appointed as the National Framework provider for this service which should now enable any funds who wanted to appoint through this route to participate.

We are delighted to be able to publish this year's peer group results, based on a Universe of 60 funds with a value of £162bn. This represents some two thirds of local authority pension fund assets and includes all of the Welsh and Northern Pools, all bar three of the London Pool, with funds from all other pools except Central. We look forward to this number continuing to grow as more funds come on board.

The LGPS is under constant scrutiny and often attack. We hope the Universe provides objective evidence of how strong and well run the investment side of the funds has been. Enjoy!
If you need to know anything more please get in touch.

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2016-17 UNIVERSE RESULTS

OVER the last twelve months the average Local Authority pension fund has returned 21.4%. This return is well ahead of the 30 year average of 8.7% p.a. and well ahead of actuarial assumptions which are currently estimating around 5% p.a. With the full LGPS currently valued at around £200bn this year's return represents a net gain of some £40bn for the public sector schemes.

Funds also had an unusually strong year compared to their own benchmarks – with more than three quarters outperforming. This is in contrast to the ten year results where the majority of funds underperformed their benchmarks after fees.

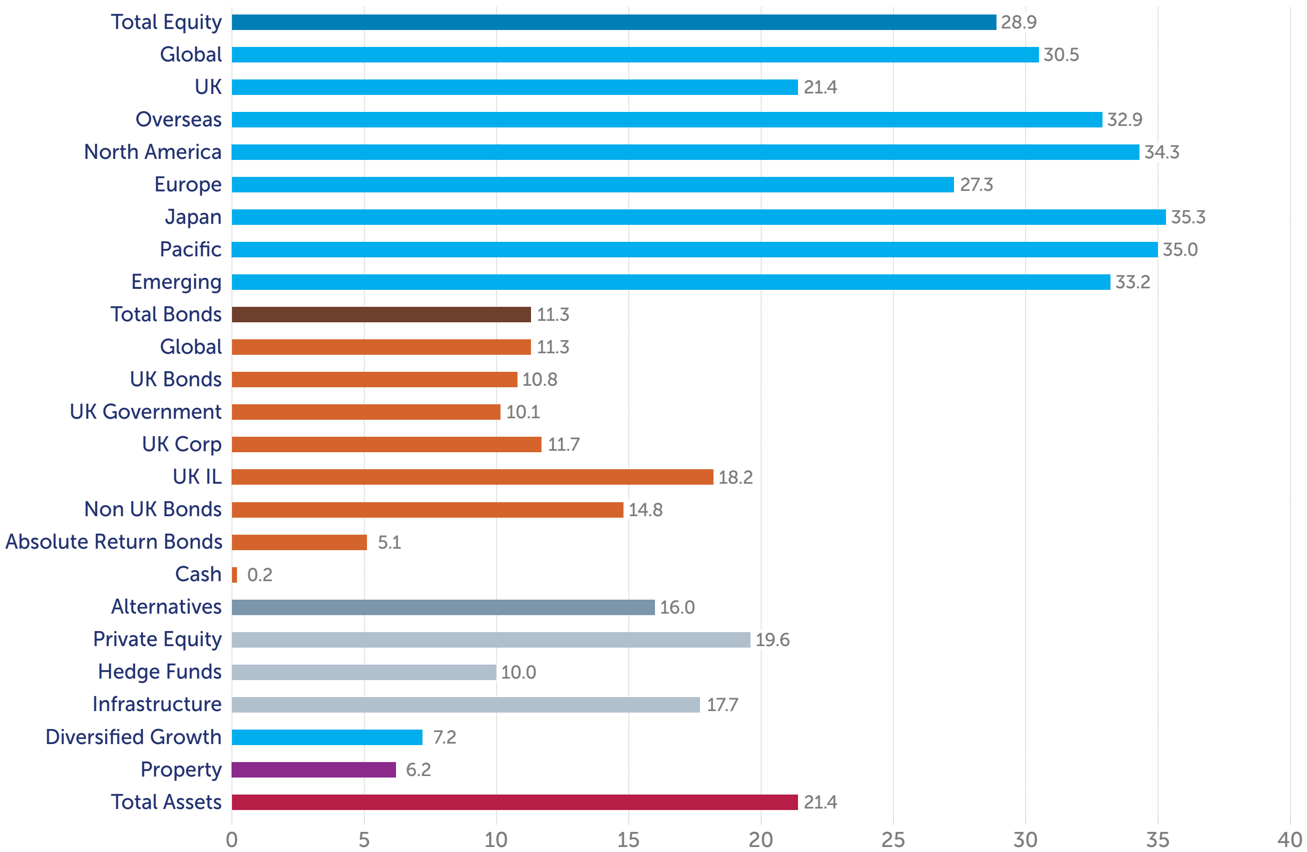
An excellent year for investment returns with funds returning 21.4%, well ahead of the long term average of just below 9% and actuarial assumptions of around 5%

Local authority funds have retained a high commitment to equities which, this year, has been extremely favourable. The strong overall returns have been driven by the excellent performance from equity markets in the last twelve months.

UK equities performed well despite the large fall in the value of Sterling. Whilst initially counterintuitive, this reflects the importance of large overseas earnings of many of the UK quoted companies. The UK returned 21.4% for the year with large companies, as represented by the FTSE 100, outperforming their smaller peers (within the FTSE 250 and Small Cap indices) for the first time in eight years.

Overseas returns were better still, boosted for those

Figure 1: 2016/17 performance



funds who did not hedge their assets, by the marked decline in Sterling following the surprise decision to leave the EU. Local authority funds saw returns of around 35% across their US, Japanese and Pacific Rim investments with a marginally lower 33% from Emerging Markets and 27% from Europe. Most funds invest on an unhedged basis –funds that were fully hedged would have produced returns around 15% lower on their overseas assets.

Despite the increased political instability and resulting volatility, **bond markets** produced positive results. Funds achieved an average return from UK government bonds of 10.1% with corporates rather better at 11.7%. Index Linked gilts returned 18.2%.

Alternative investments as usual had a mixed time and there was a very wide dispersion of returns across this group. The average fund produced a return of 16.0% from this grouping. Private equity investments delivered close to 20% for the year, Infrastructure almost 18% whilst hedge funds returned 10%.

A good year in relative terms as most funds outperformed their benchmark, helped by relatively strong performance within their alternative portfolios

How to appropriately benchmark these investments has long been a source of contention. Some funds benchmark these against relatively soft targets such as cash or inflation whilst others are benchmarking against more demanding (and arguably better aligned targets) such as cash plus 4% p.a. or absolute return targets such as 8% p.a. In the latest year, regardless of which approach was taken, most funds outperformed their benchmark for alternative assets.

This outperformance was the key driver in the unusual statistic that more than three-quarters of funds managed to outperform their benchmark in the latest year.

Diversified Growth funds, with an average return of 7.2%, outperformed their benchmarks but produced returns well below most other investments.

Property produced a return of 6.2%.

If we exclude the transport funds, which have very different liability profiles, the range of results in the latest year ranged from a high of 26.8% to a low of 13.9%. Generally funds with a higher equity component were towards the top of the range with those that had a higher commitment to absolute return strategies towards the bottom.

Many **active equity managers** struggled to add value in the peculiar market conditions with the majority of global equity managers employed across the LGPS underperforming, and some quite significantly. Managers who had a value type approach to investing – where there is a greater focus on dividends, tended to perform better.

Local authority funds still retain a high commitment to active management with the average fund having just under a quarter of its assets managed passively. Whilst the weighting in passive has been increasing it has been doing so very slowly – ten years ago the average fund's passive exposure was already 20%. The increased focus on cost reduction may promote a further move towards index-tracking, however this may be balanced by the asset allocation decisions being made, with funds continuing to increase exposure to assets for which there is no passive alternative.

Local authority funds still retain a high commitment to active management

The median (middle) performing fund returned 20.6%, 0.8% below the average. This reflects the relatively strong performance of the larger funds in the Universe this year. These funds have benefited from a relatively high exposure to equities and better returns within this area.

Asset Allocation

In terms of asset allocation, there was no significant change at the macro level over the year. The relatively small changes observed resulted from differential market movements rather than cash flow, with equities

There was no significant change at the macro level of fund asset allocation over the year increasing in proportion as a result of the strong results achieved over the year and property reducing because of the relatively poor results. At 62% of the average fund, equities represent the largest component by a significant amount as can be seen in Figure 2.

Within the equity allocation the average fund saw its overseas commitment reach its highest ever level at two thirds of the overall exposure. This was in part a continuation of the disinvestment from the UK that has been happening for a decade now and in part due to the relative underperformance of UK equities in the last year.

There were a number of portfolio changes: some on the back of disappointing performance, some structural, and others as a result of funds, particularly in London where asset pooling is further advanced, aligning their managers to take advantage of the new pool structures.

Figure 2: Asset allocation in the latest year

% allocation	31/3/2016	31/3/2017
Equities	60	62
Bonds	16	15
Alternatives	9	10
Property	9	8
Cash	3	2
Diversified Growth	3	3

Note: 3% of the Universe by value is invested in segregated multi asset portfolios – these have been removed and the % allocation adjusted accordingly

LONGER TERM PERFORMANCE

PERFORMANCE has been extremely strong over the medium and longer term. Figure 3 shows that there have been only six years of negative performance in the last thirty – following the crash of 1987, at the start of the millennium (the bursting of the dot-com bubble) and the global financial crisis of 2008/9. All periods were followed by double-digit returns which meant that even the three-year results had turned positive by the end of the following year.

Long term performance has been excellent. Funds delivered a positive return in 24 of the last 30 years and delivered an annualised performance of 8.6%p.a.

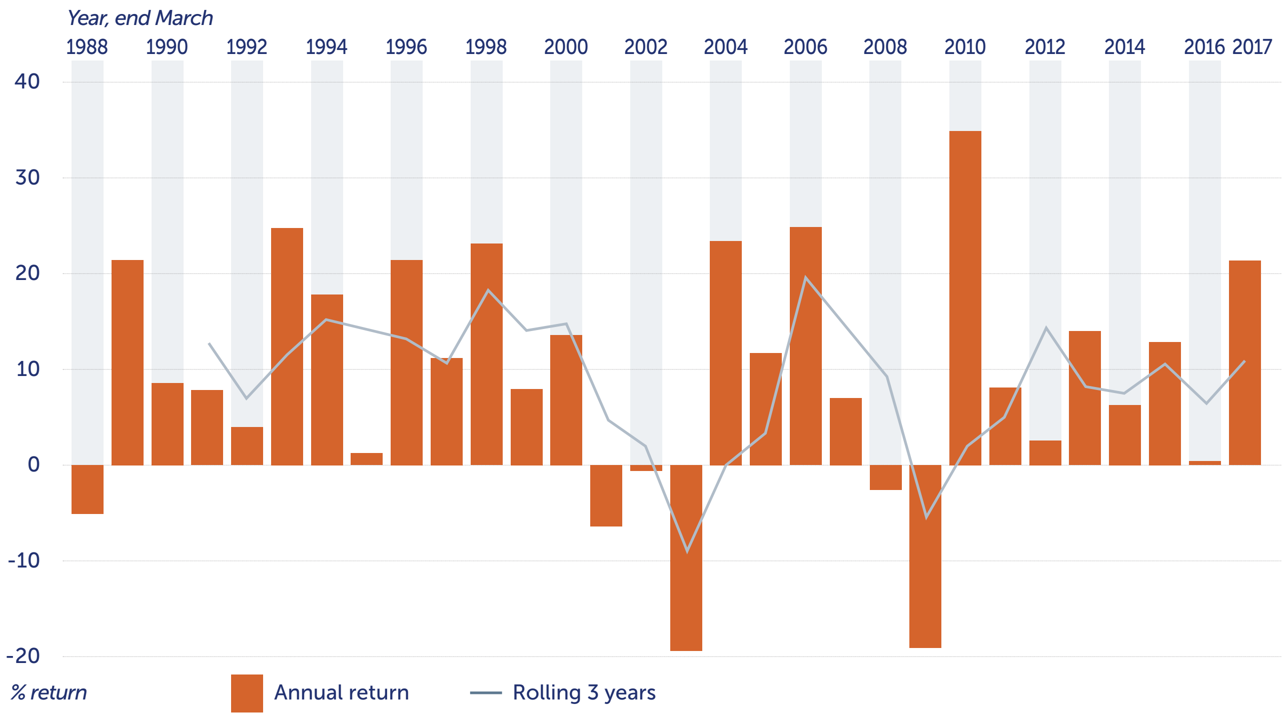
Over the recent past, performance has been strong. Figure 4 shows that over the three years the average fund returned 11.2% p.a. and over the ten years (which includes the period of the global financial crisis) has returned 7.0% p.a. These results are particularly impressive when viewed in the context of very low single digit inflation.

The median result is below the average over all periods indicating the relatively strong performance of larger funds in aggregate over their smaller peers. This result does not reflect the range of results across the smaller funds, a group within which there is a marked dispersion. Indeed over all periods the very best performances have come from some of the smallest funds.

Figure 4: Long term performance of local authority funds

% P.A.	3 YRS	5 YRS	10 YRS	20 YRS	30 YRS
Average	11.2	12.7	7.0	7.4	8.6
Median	10.8	10.7	6.8	7.1	-
RPI	1.9	2.3	2.8	2.8	3.3
CPI	0.9	1.4	2.3	2.0	2.6

Figure 3: Long term performance of local authority funds



Risk and volatility

The long-term performance is always dominated by the results from equities, the area that makes up over 60% of most funds' asset allocation and increasingly the impact of the US market, which makes up an ever increasing weighting within the global equity benchmark.

Over recent years we have seen a large increase in lower risk investments such as absolute return strategies and in assets with strong income generating potential, such as infrastructure

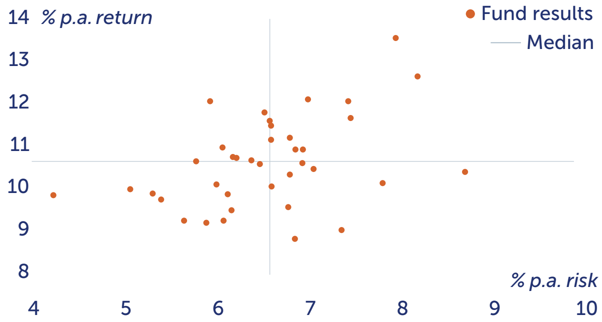
Funds have different attitudes to the investment (asset) risk that they are taking. Whilst many view their funds as very long term investments and are therefore prepared to live with market volatility in the short term, others are increasingly looking to mitigate the impact of these short term fluctuations. Over recent years we have seen a large increase in lower risk investments such as absolute return strategies and in assets with strong income generating potential, such as infrastructure.

These lower risk strategies are being put in place because of the changing circumstances in which funds find themselves. After decades of being in a situation where the money coming in (through contributions and income) has been greater than that going out (in pension payments) some funds are experiencing negative cashflow for the first time. This brings new challenges as funds try to avoid a situation where they are forced to sell assets at distressed values. Concerns are also being expressed around how to protect assets from a steep rise in inflation over the coming years.

Figure 5: Relation between risk and return

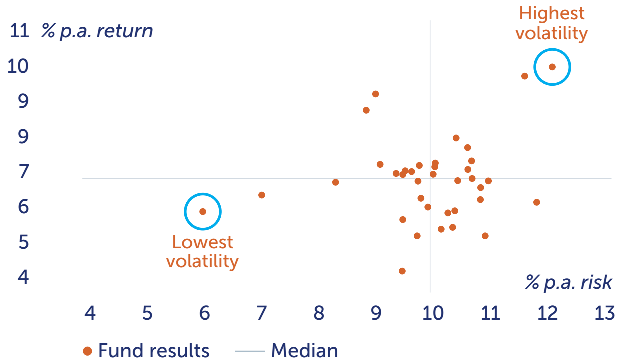
Figure 5 shows there is a direct (and ordinarily obvious) relationship between risk and return. As such, we should expect to see the more risk averse funds deliver lower volatility but achieve lower returns than their peers. Over the last five years this is exactly the relationship that resulted. Figure 6 shows fund performance over the period in risk and return space. Each fund is represented by an orange dot. The higher the fund lies on the vertical y axis the better its return, the further to the right on the horizontal x axis the greater the volatility experienced. The cross-hair lines represent the median risk and return.

Figure 6: Risk and return distribution of funds over the 5 years to end March 2017



Quite visibly, the best returns over this period are those delivered by the funds with the highest level of volatility. The funds that have taken the lowest levels of risk have delivered below median returns.

Figure 7: Risk and return distribution of funds over the 10 years to end March 2017



A similar pattern can be seen over the longer term in Figure 7 above. Over the ten-year period, the fund with the lowest level of volatility (circled) produced a return 4% p.a. below that of the fund with the highest volatility (circled). This represents a compounded cumulative shortfall of 46% over the period. To put it another way, had the former fund been valued at

£1bn at the start of the period and produced the same results as the latter, its value would have been half a billion pounds better off by the end of the period.

Whilst we would not, nor could not, comment on the efficacy of one approach over the other, it is important that investment committees, officers and other decision makers appreciate the potential value implications of 'de-risking'. Most LGPS funds have liabilities that are extremely long term in nature. This should allow funds to be less concerned with short term volatility. However the strictures put in place by the cycle of triennial revaluations can have the effect of reducing funds' time horizons and focussing them on much shorter term periods.

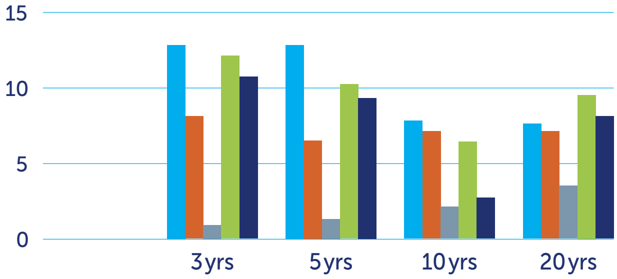
There are funds that have produced well above average returns at below average levels of volatility. These funds held high levels of index linked gilts as a liability matching strategy. Over the last ten years index linked gilts have returned 9.2% p.a. with a volatility of less than 5% p.a.

Asset class performance

Asset class performance is becoming increasingly difficult to disentangle as funds become ever more complex. Even within asset subclasses, we see funds with markedly different investments and benchmarks as they seek quite different outcomes – infrastructure is probably the best example of this currently.

Figure 8: Longer term performance by asset class

Return % p.a. to end March 2017



	3yrs	5yrs	10yrs	20yrs
Equity	12.8	12.8	7.8	7.6
Bonds	8.1	6.5	7.1	7.1
Cash	0.9	1.3	2.1	3.5
Alternatives	12.1	10.2	6.4	9.5
Property	10.7	9.3	2.7	8.1

As can be seen in Figure 8, Equities have produced the best returns over the short and medium term periods, substantially ahead of other asset types over the three and five years but closer over the ten year period. Alternatives have produced strong returns over all periods, in part reflecting the exposure to equity / equity type investments that many of these investments incorporate. The very strong twenty year return for this asset class is driven by the first half of the period when there was very small amounts invested, almost all of which was in private equity which performed very well.

Any exposure to cash over any of the periods would have reduced overall fund performance.

Over the ten year period property returns are relatively poor. Even ten years is quite a short time over which to judge property performance. If we look out to 20 years the return achieved is ahead of that of equities.

Long term asset allocation

Figure 9: Asset allocation, last ten years

% allocation as at end March

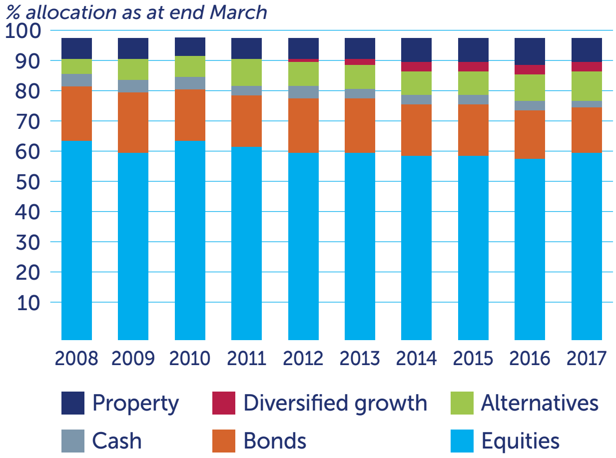


Figure 9 shows that asset allocation has remained broadly unchanged over the last decade - with equities remaining the dominant asset class in most funds' allocations. This continued commitment to equities is in marked contrast to the corporate sector where schemes have shrunk their equity component as they have sought to 'de-risk' their assets, moving instead to bonds and cash flow matching investments. Given the strong

The key flow has been a continued disinvestment from equities into less traditional 'alternative' asset classes performance of equities over the recent past this decision will have made the corporate schemes considerably more expensive for the employer. In contrast, LGPS funds have seen their asset values increase significantly: offsetting some of the increases brought about by increased longevity and falling bond yields (the metric on which they are measured) in their liabilities over the same period.

Most of the changes that have occurred within public sector schemes' asset allocations have come about more from relative market movements than from directional cash-flows. The key flows that we have seen has been a continued disinvestment from equities into less traditional 'alternative' asset classes, the aggregate of which has increased from five to ten per-cent of the average fund over the decade (and from close to zero twenty years ago).

There has been considerable change to the detail of funds at the micro level with alternatives portfolios in particular becoming ever more diverse

Despite this broadly static high level asset allocation there has been considerable change to the detail of funds at the micro level with alternatives portfolios in particular becoming ever more diverse. This is resulting in some funds holding large numbers of portfolios of relatively small value. Such an approach brings considerable burdens in terms of administration, monitoring and governance (particularly for relatively illiquid investments) whilst the impact on the fund bottom line is likely to be minimal.

We fully appreciate funds' decisions to improve their risk/return profiles, provide downside protection and lock in strong historical returns, but would question how these strategies are being implemented.

Equities

Equities probably remain the 'cleanest', most transparent of the asset classes insofar as most funds have a dedicated equity component benchmarked against a market index.

Most external funds now view their equities on a global basis, with the assets given to managers to manage against a global index. The benchmark used most commonly is the MSCI All Countries World, although the MSCI World (which excludes emerging markets) and the FTSE All World and FTSE World are used too.

Equities are mostly managed on a global basis but most funds still retain a separate allocation to the UK market

Two thirds of funds still retain a separate allocation to UK equities. This is in part an historical artefact – funds believed that UK assets were a better match for their UK liabilities and that domestic managers had a better chance of success in outperforming the UK market. This has been consistent with a 'home country' asset allocation bias by investors across the world. The 'home country' argument has lost some traction in recent years; increasing globalisation has resulted in the UK market becoming significantly less domestic in composition, and manager domicile is no longer the guarantee of alpha generation success evidenced ten or twenty years ago.

Unsurprisingly, and despite the commitment of funds to UK manager biases, as can be seen in Figure 10 the exposure to UK Equities has significantly reduced. Even adding back the UK weighting in the global index the average UK exposure is around a third of total equity exposure compared to over 50% ten years before.

Figure 10: Equity allocation over time (at end March)

% allocation at end March	2007	2017	2017 reweighted
UK	54	28	33
Non-UK	46	4	67
Global*		68	

* UK Equities currently comprise around 8% of global equity indices

Funds that held a relatively high exposure to the UK within their equity portfolios would have achieved returns below their peers in the latest year. Over the longer term, UK equities have also trailed overseas equities as can be seen in Figure 11. The latest year underperformance is attributable to the sharp decline in Sterling. However, over the medium and longer term, there are more structural factors involved.

The UK market has a greater exposure to oil and gas and mining stocks than other major markets and these stocks have suffered from the decline in oil and commodity prices throughout these periods.

UK equities have performed relatively poorly compared to overseas markets over both the short and medium term

Over the medium term, the overall global equity return has been exceptionally strong – more than double any assumption made by actuaries in their scheme modelling. US equities have outperformed the other major markets over all longer term periods, assisted by the strength of the Dollar.

Figure 11: Equity performance by region to end March 2017

	2016/17	3yrs % p.a.	5yrs p.a.	10yrs p.a.
Global	30.5	15.0	13.9	8.3
UK	**21.4**	**7.5**	**10.3**	**6.0**
Non-UK	32.9	15.7	14.1	9.1
North America	34.3	20.0	18.2	11.5
Europe	27.3	10.4	13.3	6.7
Japan	35.3	18.4	14.0	6.4
Pacific ex Japan	35.0	13.5	10.1	10.0
Emerging	33.2	11.7	7.9	7.9

Around a quarter of funds hold a separate allocation to emerging markets, giving them the opportunity to flex their equity risk profile – the assumption being that these markets experience higher volatility because of the additional risks involved but that this risk will be rewarded by higher returns. However, the decision to hold emerging markets has not been rewarded over most of the last decade with returns from this area below those delivered by most developed markets.

Over the last decade investors in emerging markets have not been rewarded for the risk they have taken on

UK equity managers have, in aggregate trailed the index over the last three years, however, very strong performance in the previous four years has meant that they are still well ahead over the five and ten year periods.

Bonds

Historically funds held most of their bond exposure within two main investments – UK Government (nominal gilts) and UK Government Index-Linked securities. These assets were seen broadly as a diversifier for equities and a proxy for scheme liabilities.

Funds began to diversify their exposure into overseas government issues in the late 1980's and in the mid noughties into corporate issues. Now the average fund holds more in UK corporate bonds than it does in government gilts, currently the ratio is almost 2:1.

More recently we have seen funds invest in bond portfolios that are not benchmarked against market indices but which are seeking instead to deliver an absolute level of return (often defined as Cash plus x% or Inflation plus x %). These absolute return portfolios aspire to tap into better returns from a diversity of issuers, unencumbered by the straightjacket of the machinations of domestic interest rates and manipulated yields (sometimes negative in real terms) that have been available across bond markets in recent years.

Recently we have seen funds invest in bond portfolios that are not benchmarked against market indices but which are seeking instead to deliver an absolute level of return

Bond performance was strong in the latest year with all areas bar the above mentioned absolute return bond portfolios delivering double digit returns as can be seen in Figure 12:

Figure 12: Bond performance to end March 2017

	2016/17	3yrs %p.a.	5yrs %p.a.	10yrs %p.a.
UK	10.8	7.5	6.7	6.7
UK Government	10.1			
UK Corporate	11.7			
UK Index Linked	18.2	13.2	9.0	9.2
Overseas	14.8	9.1	6.1	7.1
Absolute Return	5.1			
Global	11.3			

Index-linked gilts produced the strongest returns, as fears about the possibility for rising inflation post – Brexit took hold and led to an increase in demand.

Overseas bonds were assisted by the same currency effects that aided the overseas equity returns. Funds saw their UK conventional bonds perform ahead of the broad market index assisted by their weighting towards the longer duration – long-dated bonds producing returns around three times that produced by the shorter dated issues.

Over the longer term too, index-linked gilts have been the best performing of the bond assets, outperforming conventional issues, both government and corporate with a return of 9.2% p.a. over ten years.

Longer term, funds have outperformed the market indices because of their over-weighting to longer dated issues, a sector that has performed extremely well over this period driven by high demand from pension funds trying to buy assets that more closely match their liability profiles almost regardless of price.

Bond markets have delivered a far wider range of results in recent years than has been seen before. Long dated gilts significantly outperformed shorter dated issues

Alternatives

It was just over ten years ago that alternative investments rose from being a relatively insignificant part of the average fund to reach ten percent of total assets today. At that time around half of all alternative investment was held within private equity, a percentage that has stayed broadly consistent through the period. However, the investments that funds held ten years ago in active currency and tactical asset allocation funds have all but disappeared.

Hedge fund investment increased markedly following the credit crisis as funds sought to reduce equity volatility, peaking in 2011 before falling back, partly on the grounds of disappointing returns and in part, as funds diversified into an increasingly broad and complex, but arguably more transparent, pool of other absolute return investments.

Infrastructure has only been identified as a distinct component of many funds' strategies in recent years but is becoming increasingly important as funds seek diversified forms of risk and relatively high yields. It now makes up just under a quarter of the total Alternative exposure of the average fund. This was one of the key drivers behind the setting up of the pools – allowing better access for smaller funds to infrastructure investments and we expect that the exposure of many funds will increase over the relatively short term.

Infrastructure continues to increase its weighting within funds asset allocation. It now makes up just under a quarter of the total Alternative exposure of the average fund

In the latest year, alternative assets performed strongly as can be seen in figure 13. One year is, however, generally too short a period over which to take a meaningful measure of these types of assets which often seek to deliver their returns over much longer time-horizons. Over three and five years (the longest periods that are currently available) and evidences that, whilst hedge funds have delivered returns in line with or ahead of their benchmarks, the return achieved has been well below the other alternative asset classes over the medium term.

Figure 13: Alternatives performance to end March 2017

	1 yr %	3 yrs % pa	5 yrs % pa
Alternatives	16.0	12.1	10.2
Private Equity	19.6	16.5	13.2
Hedge Funds	10.0	6.1	5.9
Infrastructure	17.7	12.4	9.8

Diversified Growth Funds

These funds make up 3% of the average fund but commitment to this asset is skewed, with just over half of all funds having no exposure at all. The average return on this asset in the latest year was 7.2% with most portfolios outperforming their benchmarks which tend to be three or four percentage points above either cash or inflation.

Over the last five years, these funds returned 5.5% p.a. Whilst this level of return is well below that of most other assets (which perhaps explains why the asset class has not grown as fast as had been expected) it has been delivered at relatively low volatility.

Property

In the latest year the average property return was 6.2%. Most funds hold all, or almost all of their property portfolio in the UK, but those funds who had overseas exposure performed considerably better, assisted by the decline of Sterling. In local currency terms however, non-UK property has performed weakly in recent years and funds' exposure has reduced substantially.

After its significant fall in value immediately post the global financial crisis in 2008/09 property has recovered strongly. Although the near term returns trail those of equities, at 10.7% p.a. and 9.3% p.a. over the three and five years respectively, the recent performance has been well above the long term (20 year) average for this area of 8.1% p.a.

APPENDIX

Figure 14: Longer term returns, %

	2016/17	3 yrs p.a.	5 yrs p.a.	10 yrs p.a.	20 yrs p.a.
Total Assets	**21.4**	**11.2**	**10.7**	**7.0**	**7.4**
Total Equity	28.9	12.8	12.8	7.8	7.6
Global	30.5	15.0	13.9	8.3	
UK	21.4	7.5	10.3	6.0	
Overseas	32.9	15.7	14.1	9.1	
North America	34.3	20.0	18.2	11.5	
Europe	27.3	10.4	13.3	6.7	
Japan	35.3	18.4	14.0	6.4	
Pacific	35.0	13.5	10.1	10.0	
Emerging	33.2	11.7	7.9	7.9	
Total Bonds	11.3	8.1	6.5	7.1	7.1
Global	11.3				
UK Bonds	10.8	7.5	6.7	6.7	
UK Government	10.1				
UK Corp	11.7				
UK IL	18.2	13.2	9.0	9.2	
Non UK	14.8	9.1	6.1	7.1	
Absolute Return	5.1				
Cash	0.2	0.9	1.3	2.1	3.5
Alternatives	16.0	12.1	10.2	6.4	9.5
Private Equity	19.6	16.5	13.2	9.9	
Hedge Funds	10.0	6.1	5.9	3.3	
Infrastructure	17.7	12.4	9.8	5.1	
Diversified Growth	7.2	4.5	5.5		
Property	6.2	10.7	9.3	2.7	8.1

Figure 15: Asset allocation

	% Allocation as at end March									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Equities	65	62	66	64	62	63	63	62	60	62
Bonds	18	20	17	17	18	18	18	18	16	15
Cash	4	4	4	3	4	3	3	3	3	2
Alternatives	5	7	7	9	8	8	8	8	9	10
Diversified Growth					1	2	3	3	3	3
Property	7	7	6	7	7	7	8	8	9	8

Figure 16: Long term real returns

	10 years to end March, % p.a.									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total assets	5.1	2.0	3.8	5.3	5.7	9.4	7.8	7.9	5.6	7.0
RPI	2.8	2.6	2.7	3.0	3.3	3.3	3.3	3.0	3.0	2.8
Real return	**2.2**	**-0.6**	**1.1**	**2.2**	**2.3**	**5.9**	**4.4**	**4.8**	**2.5**	**4.1**
	20 years to end March, % p.a.									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total assets	9.4	7.2	8.3	8.3	8.3	7.8	7.2	7.8	6.8	7.4
RPI	3.6	3.2	3.0	2.9	2.9	2.9	2.8	2.8	3.0	2.8
Real return	**5.6**	**3.9**	**5.1**	**5.2**	**5.2**	**4.8**	**4.3**	**4.9**	**3.7**	**4.5**

The questions that the Universe seeks to address

THE PIRC Local Authority Pension Fund Performance Universe is a survey of UK local authority defined benefit pension funds. As at 31st March 2017 it comprised 60 funds with a value of £162 bn.

At aggregate level

- How has the LGPS performed in absolute terms over the short, medium and longer term?
- Is the LGPS adding value relative to the strategic benchmarks that funds have set?
- How is the LGPS structured in terms of asset allocation and how has this changed over time?
- What is the performance of the aggregate LGPS in the major asset classes in which it invests over the short, medium and longer term?
- How does this performance compare against benchmarks?
- Is risk taken being rewarded?
- What is the spread of performance – why are some funds performing better than others, can strengths and key drivers of performance be identified?

At fund level

- How does the absolute level of investment return achieved by the fund compare with others in the LGPS?
- What level of risk has been taken to achieve this return and how does this compare with others?
- How does the relative performance compare to that achieved by others in the LGPS?
- What level of risk has been taken to achieve this return and how does this compare with others?

These questions can be answered relative to the full LGPS or split in a variety of ways including by region/ funding level/structure

- How have these differences come about?
- How does the structure of the fund differ from other funds?

New questions relating to pooling

- How does the level of investment return achieved by the fund compare with others in the pool?
- How does the relative performance compare to that achieved by others in the pool?
- How has the pool manager performed relative to its benchmark, target and other pool managers operating the same mandate?
- How has the overall pool performed in absolute terms relative to other pools?
- How has the overall pool performed in relative terms relative to other pools?
- Is the performance of the pool improving?
- Is the volatility/risk of the pool reducing? How does this compare to the other pools?
- Is manager change within the pool reducing? How does this compare to the other pools?
- How does the structure of the pool differ from that of the other pools?

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