



**Pensions Fund Sub-Committee**  
02 October 2019

**Report from the Director of Finance**

**Review of Fund benchmarks and performance targets**

<b>Wards Affected:</b>	ALL
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
<b>No. of Appendices:</b>	1. Fund Benchmarks and Targets by Hymans Robertson
<b>Background Papers:</b>	▪ N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance

## **1.0 Purpose of the Report**

1.1 The purpose of this report is to review the Fund's investment benchmarks and performance targets at an individual asset class level.

## **2.0 Recommendation**

2.1 The Committee is recommended to note this report and comment on the proposed changes to the Funds investment benchmarks and performance targets.

## **3.0 Detail**

3.1 A benchmark is a standard against which performance of a fund is compared against. The Fund requires Benchmarks so that 'gaps' or problems with performance can be identified and performance improvements can be achieved through investigating causes and identifying the best solutions.

3.2 The Fund's investment advisors, Hymans Robertson, produced a report (set out in Appendix 1) summarising recommendations to the Fund's benchmarks and performance targets.

### 3.3 The main items from the report to note are as follows:

- Traditional Benchmarks are based on either market indices or peer group performances. Hymans Robertson have recommended to use market indices as a benchmark rather than peer groups, although the overriding consideration is that the benchmark should be suitable for the purpose employed.
- In many cases, the current benchmarks in place are in line with recommended targets, therefore no change is proposed.
- At an individual asset class level, it is proposed to adopt new benchmarks and performance targets set against Capital Dynamics Private Equity, Baillie Gifford Multi Asset, Ruffer Multi Asset, Alinda Infrastructure, Capital Dynamics Infrastructure and LCIV CQS Multi Credit. Further details are set out in Appendix 1.

Mandate	Current benchmark	Proposed benchmark	Proposed performance target
LGIM Global Equity	FTSE All-World Developed Markets ex UK	No change	No change
LGIM UK Equity	FTSE All-Share	No change	No change
LCIV Emerging Markets	MSCI Emerging Markets Index	No change	MSCI Emerging Markets Index +2.5% p.a.
Capital Dynamics Private Equity	Absolute Return of +8% p.a.	MSCI All World +1% p.a.	MSCI All World +3% p.a.
Baillie Gifford Multi Asset	BOE Base Rate +3.5% p.a.	BOE Base Rate +2% p.a.	BOE Base Rate +3.5% p.a.
Ruffer Multi Asset	BOE Base Rate +3.5% p.a.	BOE Base Rate +2% p.a.	BOE Base Rate +3.5% p.a.
Alinda Infrastructure	Absolute Return of +8% p.a.	CPI +2% p.a.	CPI +6% p.a.
Capital Dynamics Infrastructure	Absolute Return of +8% p.a.	CPI +2% p.a.	CPI +6% p.a.
LCIV CQS Multi Credit	LIBOR +4-5% p.a.	LIBOR +2% p.a.	LIBOR +4% p.a.
BlackRock UK Gilts Over 15 years	FTSE UK Gilts Over 15 years	No change	No change

- Subject to comments from committee members, it is proposed to incorporate the changes in the next Quarterly Reporting of Fund activity.

#### **4.0 Financial Implications**

4.1 These are discussed throughout the report.

#### **5.0 Legal Implications**

5.1 Not applicable.

#### **6.0 Equality Implications**

6.1 Not applicable.

#### **7.0 Consultation with Ward Members and Stakeholders**

7.1 Not applicable.

#### **8.0 Human Resources**

8.1 Not applicable.

**Report sign off:**

***Minesh Patel***  
Director of Finance