

PENSIONS INVESTMENT SUB COMMITTEE

5 MARCH 2024

CEM BENCHMARKING REPORT 2023

Recommendation

- 1. The Chief Financial Officer recommends that the CEM Benchmarking report for 2023 be noted and considered.**

Background

2. As part of the Fund's ongoing internal review of its investment costs, performance, and risk profile, it has engaged CEM Benchmarking UK Ltd to assess these metrics against its peers since 2018. This is achieved by officers sourcing specific detailed cost data from fund managers and submitting that data to the CEM database. The most recent report for the five-year to 31 March 2023 is attached at Appendix 6.
3. The latest benchmarking report includes the following highlights:
 - a. An overall investment costs of 61.6bps, 9.1bps below the peer median and 19.5bps below benchmark of 81.2bps.
 - b. The 19.5bps positive cost performance was derived from:
 - i. 4.2bps pooled assets
 - ii. 9.4bps non-pooled assets
 - iii. 5.2bps from reduced active equity management fees
 - iv. 0.7bps reduced custody & other costs
 - c. Since 2019, the Fund's overall investment costs have increased from 46.8bps to 61.6bps. That increase is less than predicted by its asset mix. Over that same period, its net asset value has increased from £2.8bn to £3.6bn.
 - d. The Fund's 5-year net total return of 5.8% is compared to an LGPS median of 6.3%.
4. The CEM Benchmarking presentation is attached at Appendix 5 and covers the findings and assessment of the Fund's position at 31 March 2023.
5. The Pensions Investment Sub Committee is asked to note and comment on the CEM Benchmarking Investment Benchmarking Report 2023 and presentation.
6. **Please note that Appendices 1 and 2 contain exempt information (on salmon pages) and should members wish to discuss the information included in these Appendices they would need to consider passing the appropriate resolution and moving into exempt session.**

Contact Points

Specific Contact Points for this report

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Supporting Information

- CEM Benchmarking presentation (Appendix 1). **(Exempt Information – Salmon pages)**.
- CEM Benchmarking Investment Benchmarking Report 2023 (Appendix 2). **(Exempt Information – Salmon pages)**.

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report: