

Pension Committee

10 June 2015

7. PENSION INVESTMENT UPDATE

Recommendation

1. The Chief Financial Officer recommends that:

- a) the Independent Financial Adviser's fund performance summary and market background be noted; and**
- b) the update on the Investment Managers placed 'on watch' by the Pension Investment Advisory Panel be noted.**

Background Information

2. The Committee will receive regular updates on fund performance. The fund's Independent Financial Adviser has provided a fund performance summary and a brief market background update (appendix 1). The market background update is provided to add context to the relative performance and returns achieved by the fund's investment managers.

3. The Committee will also receive regular updates regarding 'on watch' managers and will receive recommendations in relation to manager termination in the event of a loss of confidence in managers by the Advisory Panel (appendix 1).

JP Morgan – Emerging Markets Equities

4. JP Morgan outperformed the benchmark by +0.3% in the quarter ended 31st March 2015. Their one year performance to March 2015 was 3.7% behind their +2.0% outperformance target. Since inception they are +0.4% against benchmark but behind their outperformance target by 1.6% per annum. It is recommended that they remain 'on watch' until consistent outperformance is achieved.

Capital International

5. Capital International outperformed the index benchmark in the quarter ended 31 March by +3.1%. Their twelve month performance to March 2015 was 1.8% behind their target performance (benchmark +1.5%).

6. It is recommended that officers negotiate with Capital International in order to extend their discounted fee period to December 2015, at which point a decision is taken regarding Capital's contract continuance. To assist with that decision the Shadow Pension Investment Advisory Committee requested that the Principal Accountant – Pension Fund carry out due diligence on Capital's controls and processes. The

Nomura

report is available to Committee members on request.

7. Nomura underperformed the index benchmark in the quarter ended 31 March 2015 by -1.1%, this negative quarterly return dragged down their twelve month relative return to +1.1%, which was 0.4% behind their target outperformance of +1.5%.

8. It is recommended that a period of sustained outperformance is required before the manager is taken off 'watch'.

Supporting Information

Appendix 1 - Independent Financial Adviser summary report

Appendix 2 - Bar Chart of investment managers' performance

Contact Points

County Council Contact Points

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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 the report.