

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee

11th July 2016

REPORT BY: Strategic Director of Resources

SUBJECT: CEM Investment Costs Report

REPORT FOR: Information

1 Introduction

- 1.1 CEM were commissioned by the eight Welsh LGPS Funds to collect and analyse data in respect of the investment costs for each of the Funds to inform the process of developing a Welsh investment pool. CEM are also providing a similar service to the other LGPS Pools. The attached document sets out the analysis of the Powys Pension Fund's costs, for the three years ending 31st March 2015.

2 Report Basis

- 2.1 The report focuses on the Fund's individual circumstances and seeks to establish a benchmark cost based on the experience of approximately 400 pension funds around the world that give their data to CEM. The report is designed to compare costs with the benchmark that is an indicative cost for a fund of a similar size and asset mix to the Powys Pension Fund. The report also gives information on potential reasons why the Fund's costs vary from the benchmark.

3 Main Findings

- 3.1 The Fund's 2014 net return was 10.4% compared to the Universe median net return of 10.9%.
- 3.2 The Fund's 2014 net value added (comparison of returns net of costs between active and passive management) was -1.4% compared to the Universe median net value added of -0.1%. In other words, based on the Fund's asset mix, passive indexing would have provided a net return of 11.8%.
- 3.3 The Fund's asset risk was 9.1% compared to the Universe median of 9.0%.
- 3.4 The Fund's 2015/15 total investment cost amounted to 79.8bps compared to the Universe median of 49.2bps. However, differences in total costs may be due to differences in fund size or asset mix. Therefore, CEM has calculated a benchmark cost for a fund of the same size and asset mix as the Powys Pension Fund. This benchmark

cost is 90.6bps.

4. Recommendation

4.1 Committee is asked to note the contents of this report.

Recommendation:		Reason for Recommendation:	
To note the contents of the report.		As per report	
Person(s) To Action Decision:			
Date By When Decision To Be Actioned:			
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
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Relevant Portfolio Member(s):	Councillor Wynne Jones
Relevant Local Member(s):	