

AGENDA MANAGEMENT SHEET

Name of Committee Pension Fund Investment Board

Date of Committee 22 August 2005

Report Title Investment Performance

Summary The report considers pension fund performance to 30 June 2005.

For further information please contact: Phil Triggs
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Would the recommended decision be contrary to the Budget and Policy Framework? No.

Background papers Reports from fund managers

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

- Other Committees
- Local Member(s)
- Other Elected Members Cllr Davis, Chair of Pension Fund Board
- Cabinet Member
- Chief Executive
- Legal Jane Pollard, Assistant County Solicitor,
Catherine Witham, Senior Solicitor
- Finance David Clarke, County Treasurer (reporting officer)
- Other Chief Officers
- District Councils
- Health Authority
- Police

Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by this Committee

To Council

To Cabinet

To an O & S Committee

To an Area Committee

Further Consultation

Pension Fund Investment Board – 22 August 2005

Investment Performance

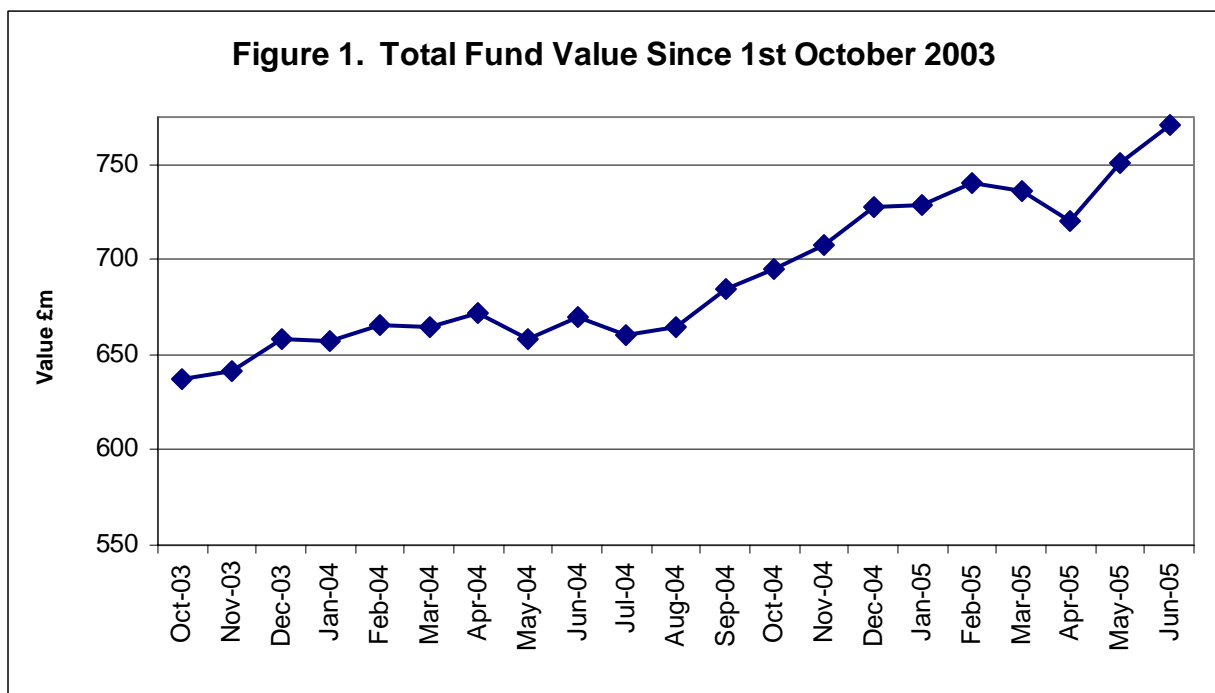
Report of the County Treasurer

Recommendation

That the Board notes the fund value and performance for the first quarter in 2005/2006.

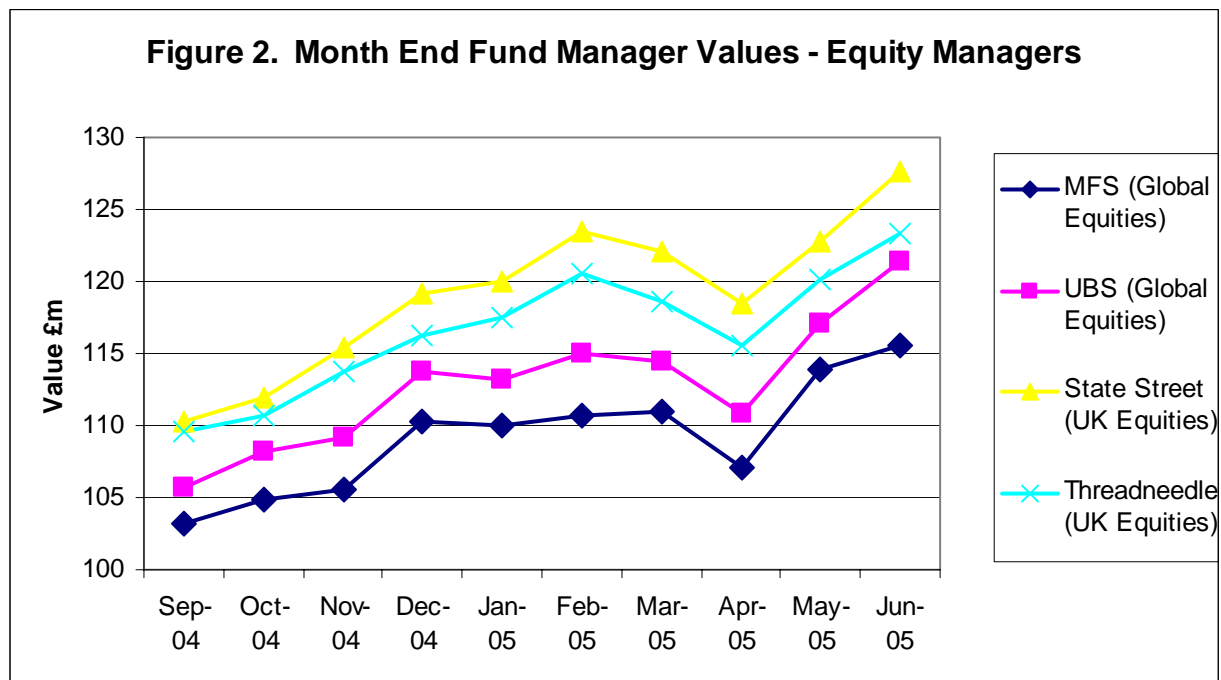
1. Fund Value to date in 2005/2006

- 1.1 The report to the Board's meeting on 23 May 2005 gave the position on the fund at 31 March 2005 at £736.1m. This was at a time when the US and UK have exhibited strong growth while Europe has lagged and the Japanese economy has fallen back into recession.
- 1.2 Since this time, the fund has seen a further rise in value to £770.8m as at 30 June 2005. Over the quarter, the UK and US equity markets continued to enjoy positive returns. The total value of the pension fund has experienced a rising trend over the last 18 months, fluctuating as shown in Figure 1.

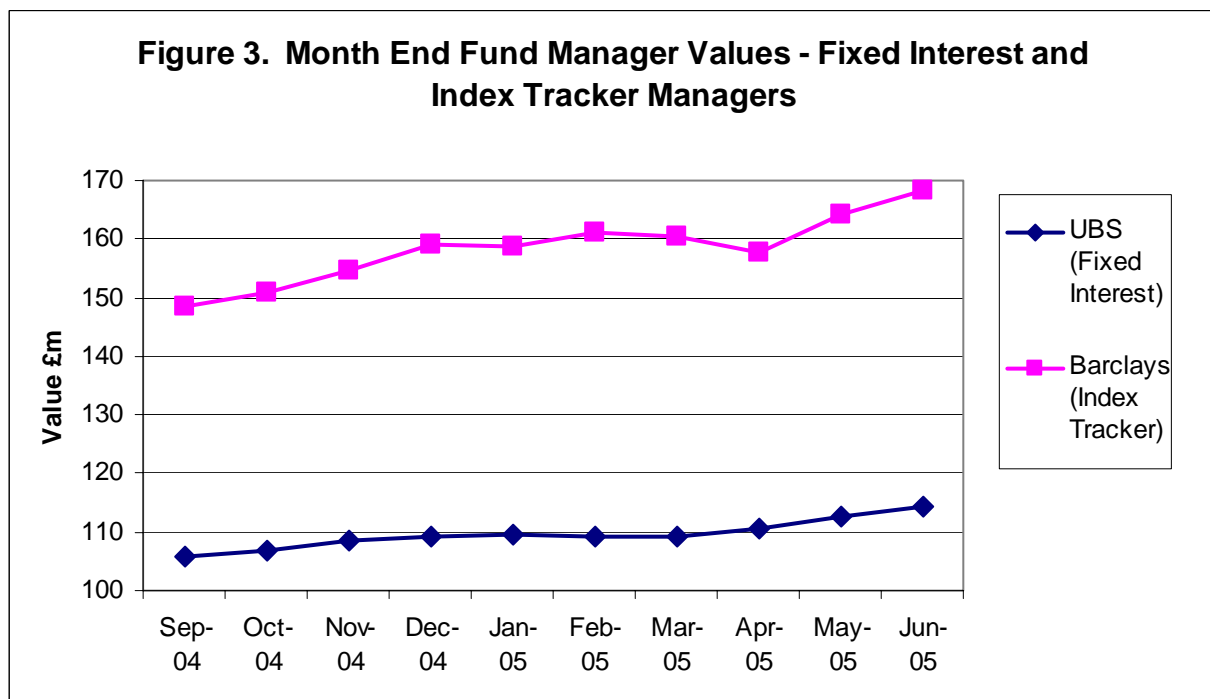


- 1.3 The value of the portfolios invested with the new equity managers since September 2004 is shown in Figure 2. All managers have seen an increase

in portfolio values since September, although values fell for each manager in March and April 2005.



1.4 The value of the portfolios invested with the Fixed Interest and Index Tracker Managers are shown in Figure 3.



1.5 The fund managers will provide detailed performance reports in their six monthly presentations to the Board.

2. Fund Asset Allocation

2.1 The asset allocation of the fund as at 30 June 2005 is as follows:

Asset Class	Q/E June 2005	Fund policy	Over/under weight
	%	%	%
Equity	75.7	75.0	0.7
UK	38.3	37.5	0.8
Europe (ex UK)	16.4	15.0	1.4
North America	10.6	11.3	-0.7
Japan	5.4	5.6	-0.2
Pacific Basin (ex Japan)	2.4	2.8	-0.4
Emerging Markets/other	2.5	2.8	-0.3
Fixed Income	23.4	25.0	-1.6
UK corporate bonds	9.4	10.0	-0.6
UK government bonds	9.1	10.0	-0.9
UK index linked bonds	4.7	5.0	-0.3
Global fixed income	0.3	0.0	0.3
Cash	0.9	0.0	0.9
Total	100.0	100.0	0.0

Source: Russell Mellon

2.2 Overall the fund was overweight in UK and European equities, Global Fixed Income and cash and underweight in all other asset classes. Necessary adjustments to asset allocation are made by Barclays (Index-Tracker Manager) immediately after the quarter end in order to adhere to the fund policy.

3. Fund Performance

3.1 The performance of the fund against its asset class benchmarks for the quarter ending 30 June 2005 was:

Asset Type	Benchmark Measure	Q/E June 2005	Benchmark	Variance
		%	%	%
Equity				
United Kingdom	<i>FTSE All-Share</i>	4.08	5.01	-0.93
Europe ex UK	<i>FTSE World Europe ex UK</i>	4.87	4.81	0.06
North America	<i>FTSE World North America</i>	6.80	7.62	-0.82
Japan	<i>FTSE World Japan</i>	2.57	1.76	0.81
Pacific Basin ex Japan	<i>FTSE AWI Developed Asia Pacific (ex Japan)</i>	10.25	10.77	-0.52
Emerging Markets	<i>FTSE AWI Emerging Markets</i>	7.62	10.14	-2.52
Fixed Income				
UK Corporate Bonds	<i>iBoxx Sterling Non-Gilts</i>	4.59	4.69	-0.10
UK Government Bonds	<i>FTSE UK Government All Stocks</i>	4.50	4.65	-0.15
UK Index Linked Bonds	<i>FTSE UK Government Linked Gilts</i>	4.10	4.09	0.01
Total WCC Fund		4.72		-0.60
	WCC Total Fund Benchmark		5.32	

Source: Russell Mellon

3.2 Overall the fund under performed the benchmark by 0.60%. There was out-performance in three asset classes:

- European Equities (16.4% of the fund) performed 0.06% above the benchmark
- Japanese Equities (5.4% of the fund) performed 0.81% above the benchmark
- UK Index Linked Bonds (4.7% of the fund) performed 0.01% above the benchmark

3.3 However, six asset classes under-performed against their benchmark in the quarter:

- UK Equities (38.3% of the fund) performed 0.93% below the benchmark
- North American Equities (10.6% of the fund) performed 0.82% below the benchmark

- Emerging Market Equities (2.5% of the fund) performed 2.52% below the benchmark
- Pacific (ex Japan) Equities (2.4% of the fund) performed 0.52% below the benchmark
- UK Corporate Bonds (9.4% of the fund) performed 0.10% below the benchmark
- UK Government Bonds (9.1% of the fund) performed 0.15% below the benchmark.

3.4 **Appendix A** provides details of the investment managers' mandates and benchmark targets. The performances of managers against their benchmarks for the quarter ending 30 June 2005 were:

Manager	Benchmark Measure	Q/E June 2005 %	Benchmark %	Variance %
Barclays	<i>BGI Benchmark</i>	4.88	4.95	-0.07
MFS	<i>Global Equity Benchmark</i>	4.21	6.21	-2.00
State Street	<i>FTSE All-Share</i>	4.51	5.01	-0.50
Threadneedle	<i>FTSE All-Share</i>	4.06	5.01	-0.95
UBS (Global Equities)	<i>Global Equity Benchmark</i>	6.08	6.21	-0.13
UBS (Fixed Interest)	<i>UBS UK Bond Benchmark</i>	4.48	4.67	-0.19
Total	<i>WCC Total Fund Benchmark</i>	4.72	5.32	-0.60

Source: Russell Mellon

3.5 Overall the fund under-performed its overall benchmark by 0.60%. During the quarter all managers failed to meet their benchmarks. The most significant underperformance was by MFS, 2.00% below its benchmark. **Appendix A** provides details of the out-performance required by each fund manager over three-year rolling periods.

3.6 Three quarters' data on the performance of the new managers is available. The performance of managers against their benchmark in these quarters is shown below.

Manager	Variance Q/E Dec 04 %	Variance Q/E Mar 05 %	Variance Q/E Jun 05 %
Barclays	0.10	0.04	-0.07
MFS	-0.32	-0.41	-2.00
State Street	1.32	-0.65	-0.50
Threadneedle	-0.68	-1.14	-0.95
UBS (Global Equities)	0.44	-0.44	-0.13
UBS (Bond)	-0.13	0.06	-0.19
Total	0.07	-0.40	-0.60

Source: Russell Mellon

3.7 No manager has consistently exceeded their benchmark over all three quarters. MFS and Threadneedle have failed to meet their benchmark since appointed.

DAVID CLARKE
County Treasurer

Shire Hall
Warwick
July 2005

Investment Managers Mandates

BGI

The initial details of the multi-asset passive mandate are as follows:

	Benchmark (%)	Index
UK Equities	9.0	FTSE All-Share Index
European (ex UK) Equities	38.5	FTSE AW Developed Europe (ex UK) Index
North American Equities	6.0 *	FTSE AW USA Index FTSE AW Canada Index
Japanese Equities	3.0	FTSE AW Japan Index
Pacific Basin (ex Japan) Equities	1.5	FTSE AW Developed Pacific (ex Japan) Index
Emerging Markets Equities	1.5	IFC Investable Index (ex Malaysia)
UK Corporate Bonds	9.0	iBoxx Sterling Non Gilts All Stocks years Index
UK Fixed Interest Gilts	9.0	FTSE A All Stocks Fixed Interest Gilt Index
UK Index Linked Gilts	22.5	FTSE A All Stocks Index Linked Gilt Index
Total	100.0	

* Split between the US and Canada in proportion with the FTSE AW Developed North America Index.

Within each class of assets, BGI will be expected to track the relevant benchmark index within agreed tolerance limits.

In addition, BGI will be expected to maintain the overall Fund benchmark (details given in section 3.3) by rebalancing its assets under management, i.e., the passive investment manager will act as a “Swing Manager” on behalf of the Fund. Therefore, the above mandate will only apply initially; the ongoing mandate will vary with swing management.

SSGA and Threadneedle

The details of the UK equity mandates are:

	Benchmark (%)	Allowable Range (%)	Index
UK Equities	100.0	+/- 5.0	FTSE All-Share Index
Cash	0.0	+/- 5.0	

The out-performance target for each UK equity mandate is FTSE All Share Index +1.5% per annum (gross of fees) over rolling three-year periods.

UBS (Global Equity) and MFS

The details of the global equity mandates are:

	Benchmark (%)	Allowable Range (%)	Index
European Equities	33.3	+/- 10.0	FTSE AW Developed Europe Index
North American Equities	33.3	+/- 10.0	FTSE AW Developed North America Index
Japanese Equities	16.7	+/- 5.0	FTSE AW Developed Japan Index
Pacific Basin (ex Japan) Equities	8.3	+/- 3.0	FTSE AW Developed Pacific (ex Japan) Index
Emerging Markets Equities	8.3	+/- 3.0	FTSE AW All Emerging Index
Cash	0.0	+/- 5.0	
Total	100.0		

Totals affected by rounding

The out-performance target for each global equity mandate is 1.5% per annum (gross of fees) over rolling three-year periods above the return of the indices weighted by the benchmark allocation.

UBS (Bonds)

The details of the bond mandate are:

	Benchmark (%)	Allowable Range (%)	Index
UK Corporate Bonds	50.0	+/- 20.0	iBoxx Sterling Non-Gilts All Stocks Index
UK Fixed Interest Gilts	50.0	+/- 20.0	FTSE A All Stocks Fixed Interest Gilt Index
Cash	0.0	+/- 5.0	
Total	100.0		

The out-performance target for the bond mandate is 1.0% per annum (gross of fees) over rolling three-year periods above the return of the indices weighted by the benchmark allocation.