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Date: 14 May 2018

Dear Sir/Madam

You are invited to the following meeting:

Pension Fund Committee / Pension Board
Council Chamber, Town Hall, Lerwick
Tuesday 22 May 2018 at 2pm

Please note that in accordance with the agreed terms of reference, this is a concurrent meeting of both the Pension Fund Committee and the Pension Board - SEE MEMBERSHIP OF BOTH BODIES OVERLEAF

Apologies for absence should be notified to Louise Adamson at the above number.

Yours faithfully

Executive Manager – Governance and Law

Chair: Steven Coutts

AGENDA

- (a) Hold circular calling meeting as read.
- (b) Apologies for absence, if any.

- (c) Declarations of Interest – Members are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Member making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.
- (d) Confirm the minutes of meetings held on 6 March 2018 (enclosed).

ITEM

1. Presentation from Newton Investment Management
F-044
2. Management Accounts for Pension Fund Committee:
2017/18 – Draft Outturn
F-046
3. Pension Fund Management Annual Review 2017/18
F-040

Pension Fund Committee
A Cooper S Coutts A Duncan S Leask E Macdonald R McGregor I Scott G Smith T Smith R Thomson

Pension Board	
<u>Employers Representatives:</u> M Bell, SIC J Fraser, SIC A Westlake, SIC J Johnston, SRT <u>Joint Secretary</u> J Riise, Executive Manager – Governance and Law	<u>Trade Union Representatives:</u> David Marsh, Unison Alan Goudie, Unite Robert Williamson, GMB Austin Taylor, Unison <u>Substitutes:</u> C Wiseman, Unison <u>Joint Secretary</u> C Wiseman, Unison



MINUTES

A&B - Public

Pension Fund Committee Council Chamber, Town Hall, Lerwick Tuesday 6 March 2018 at 2pm Present - Members: A Cooper S Coutts A Duncan S Leask E Macdonald I Scott C Smith G Smith T Smith <u>Apologies:</u> R McGregor R Thomson	Pension Board Council Chamber, Town Hall, Lerwick Tuesday 6 March 2018 at 2pm Present - Members: J Fraser J Johnston D Marsh A Taylor A Westlake <u>Apologies:</u> M Bell
In Attendance: J Belford, Executive Manager – Finance C Bain, Treasury Accountant L Adamson, Committee Officer	

Chair

Mr C Smith, Chair of the Committee presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

Minutes

The minutes of the meeting held on 6 December 2017 were confirmed on the motion of Mr Cooper, seconded by Mr Leask.

01/18 **Management Accounts for Pension Fund Committee: 2017/18** **Projected Outturn at Quarter 3**

A report by the Executive Manager – Finance [F-003], enabled the Committee and Board to monitor the financial performance of the Pension Fund to ensure that Members are aware of the forecast income and expenditure position and its impact on delivery of the approved budget.

The Executive Manager – Finance introduced the report. In referring to the revenue outturn position as presented in Appendix 1, he highlighted the projected overspend on lump sums payable by the end of the financial

year, and advised that the Pension Fund is in a positive position in terms of being cash positive for the foreseeable future.

In responding to a question, the Executive Manager – Finance said he was not aware of any specific studies nationally on the short and long-term impacts of retirees opting to take more in lump sum payments, he advised however that an assessment on the impact on the local Fund had formed part of the triennial valuation. The Executive Manager – Finance advised on the flexibility now available to members on how much lump sum to take, and when to opt to retire, between the age of 55 and 75.

Decision:

The Pension Fund Committee and Pension Board NOTED the Management Accounts showing the projected outturn position at Quarter 3.

02/18 **Final Draft Formal Triennial Pension Fund Valuation as at 31 March 2017 and Final Funding Strategy Statement**

The Committee and Board considered a report by the Executive Manager – Finance [F-028], which presented Hymans Robertson LLP first draft 2017 Actuarial Valuation Report and the final Funding Strategy Statement (FSS).

In introducing the report, the Executive Manager – Finance referred to the earlier reporting on the initial results and draft FSS to the Pension Fund Committee and Board in December 2017, and advised that the Triennial Valuation and FSS would be finalised next month. He reported from a meeting of the Employers Pension Fund Forum in January, which provided a good opportunity to hear from employers, including their feedback on employer contribution rates going forward.

On behalf of the Admitted Bodies to the Fund, Mr Johnston thanked the Executive Manager – Finance for arranging the Employers Pension Fund Forum, which he said was extremely useful for dialogue on the complexities of the Pension Fund.

Mr Coutts moved that the Committee approve the recommendation contained in the report. Ms Leask seconded.

Decision:

- The Pension Fund Committee RESOLVED to approve Hymans Robertson LLP final draft Actuarial Valuation Report as at 31 March 2017 and the final Funding Strategy Statement (FSS).
- The Pension Board NOTED the report.

03/18

2018/19 Budget Proposal – Pension Fund

The Committee and Board considered a report by the Executive Manager – Finance [F-005] that presented the proposed Pension Fund budget for 2018/19.

After hearing the Executive Manager – Finance summarise the main terms of the report, Mr G Smith moved that the Committee approve the recommendation contained therein. Mr Coutts seconded.

Decision:

- The Pension Fund Committee RESOLVED to approve the budget proposals for 2018/19.
- The Pension Board NOTED the report.

04/18

Pension Fund – Quarter to December 2017 Investment Review Report

The Committee and Board considered a report by the Executive Manager – Finance [F-024] that presented the investment position and performance of the Pension Fund's external investments, managed by Fund Managers, for the quarter to December 2017.

In introducing the report, the Executive Manager – Finance advised that over the last quarter Pension Fund investments have increase in value by £18m, to an overall value of £478m. He provided a summary of the performance of each Fund Manager over the quarter, as detailed in Appendix 1, and he confirmed that the Fund Managers would be attending meetings of the Committee/Board.

In response to a question regarding the performance of Fund Manager, Newton, the Executive Manager – Finance reported on the need to consider investments in the longer-term, rather than the returns over a 3-month period. He advised that as the Pension Fund mandates had commenced in January 2015, a review of Fund Managers is required to take account of that three-year period. He made a suggestion that representatives from an under-performing fund could attend a forthcoming meeting of the Committee/Board to provide further explanation on their performance.

During the discussion, reference was made to the decision at Policy and Resources Committee earlier this week, for a letter to be sent to BlackRock in support of their recent stance to withdraw from investments in firearms businesses following the recent shootings in America. In response to a suggestion, the Executive Manager – Finance confirmed that he would prepare a similar submission on behalf of the Pension Fund Committee/Board.

In response to a question, the Executive Manager – Finance advised that while it is appropriate for Fund Managers to attend the Pension Fund Committee/Board to make representations to ensure a better understanding of their assets, approaches and methodology.

In response to a question, the Executive Manager – Finance provided an overview of the procurement process followed to appoint Fund Managers. He referred to the detailed procurement exercise undertaken during 2014, which he suggested he could circulate to the Committee/Board.

Decision:

The Committee and Board NOTED the contents of the report.

05/18

Annual Audit Plan 2017/18

The Committee and Board considered a report by the Executive Manager – Finance [F-002] that presented the Annual Audit Plan for the 2017/18 financial year by the Pension Fund's external auditors, Deloitte LLP.

The Executive Manager – Finance introduced the report, and advised on the key audit work as set out in the Audit Plan at Appendix 1.

In responding to questions, the Executive Manager – Finance advised on the decision for Deloitte to apply a higher audit fee in Year 1, reducing to a lower fee in Year 5. He said that this will offer a reflection of how the audit work will be conducted rather than any direct correlation between actual hours undertaken and the fee.

Decision:

The Committee and Board NOTED the contents of the Audit Plan 2017/18 for Shetland Islands Council Pension Fund from external auditors, Deloitte LLP.

06/18

General Data Protection Regulation (GDPR) – Impact on Pension Funds

The Committee and Board considered a report by the Executive Manager – Finance [F-030] that informed on the impacts of the EU General Data Protection Regulation (GDPR) which replaces the existing UK data protection legislation from 25 May 2018.

The Executive Manager – Finance introduced the report.

Decision:

The Committee and Board NOTED the contents of the report.

The meeting concluded at 2.40pm.

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Chair



Meeting(s):	Pension Fund Committee Pension Board	22 May 2018 22 May 2018
Report Title:	Presentation from Newton Investment Management	
Reference Number:	F-044-F	
Author / Job Title:	Jonathan Belford Executive Manager - Finance	

1.0 Decisions / Action required:

- 1.1 That the Pension Fund Committee and Pension Board NOTE the presentation.

2.0 High Level Summary:

- 2.1 As part of the Pension Fund's governance arrangements to receive fund manager presentations at the quarterly meetings, representatives of Newton Investment Management will attend the meeting and give a presentation to the Pension Fund Committee and Pension Board regarding their mandate.
- 2.2 Newton manage a diversified growth fund on behalf of the Pension Fund and were awarded this mandate in November 2014, with management of the mandate commencing in January 2015.
- 2.3 Newton are owned by the Bank of New York Mellon who have a worldwide group of financial companies under their banner. The Bank of New York Mellon generally leave the companies they own alone to get on with their own specialised businesses but it does mean there is the security of a large financial institution supporting them.
- 2.4 Representatives from Newton will attend the meeting and give a presentation explaining how Newton invest, along with a review of their performance. Newton will give out handouts at the meeting to go along with their presentation. Information on Newton and the fund's investment performance is in the Pension Fund Management Annual Review 2017/18 report covering the 2017/18 financial year, which is also included on the agenda for this meeting.
- 2.5 The presentation from Newton along with this report is intended to inform the members and employers about the Pension Fund's diversified growth fund investment and its investment performance. It is envisaged that all of the Pension fund managers will over future meetings be invited to give similar types of presentations.

3.0 Corporate Priorities and Joint Working:

- 3.1 The report links to the Council's corporate priorities, defined in its Corporate Plan, specifically in relation to assisting the Pension Fund in ensuring that financial resources are managed effectively.

4.0	Key Issues:
4.1	The presentation from Newton Investment Management forms part of the governance arrangements in regard to the investments, to allow the Pension Fund Committee and Pension Board the opportunity to meet and hear directly from a fund manager that is investing on behalf of the Pension Fund. This also provides an opportunity to question the fund manager on any aspect of the fund and its performance.
5.0	Exempt and/or confidential information:
5.1	None

6.0	Implications :
6.1 Service Users, Patients and Communities:	The fund manager presentation forms part of the monitoring of the Pension Fund's investments, to assist in providing reassurance to members and employers that the fund is being managed appropriately for the long term sustainability objectives, and to ensure that monies will be available to fund future pension benefits for members.
6.2 Human Resources and Organisational Development:	None.
6.3 Equality, Diversity and Human Rights:	None.
6.4 Legal:	As required by The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010, where investment managers have been appointed their performance must be kept under review.
6.5 Finance:	<p>The long term investments and their performance are important to the Pension Fund and the achievements of its outcomes and objectives.</p> <p>It is recognised that the actual investment performance each year will be different to what is expected or required however over the long term this will be monitored and reviewed to ensure that the Pension Fund is working towards meeting its long term objectives.</p> <p>It is not likely that the Pension Fund can expect a positive investment return from its investments every year but having robust governance and monitoring in place, alongside a diversified investment strategy mitigates the financial risks and enables the Pension Fund to take action at appropriate times to</p>

	address poor performance by the fund managers. This report is part of that governance and monitoring framework.
6.6 Assets and Property:	Long term investments are assets of the Pension Fund and represent money given to fund managers to manage on its behalf for long term benefit. The Pension Fund relies upon each fund manager's fiduciary duty and to buy and sell appropriate assets in accordance with the mandate awarded to them and to report regularly on the value and performance of the fund in which Pension Fund money is invested. The value of long term investments under these mandates can go down as well as up.
6.7 ICT and new technologies:	None.
6.8 Environmental:	<p>Whilst the fund managers have delegated powers for the acquisition and realisation of investments, fund managers are expected as part of their investment process to consider all factors, including the social, environmental and ethical policies of companies in which they may invest, to the extent that these may materially affect the long term prospects of such companies. The fund managers will also be expected to enter into dialogue with companies in which they invest, in relation to the pursuance of socially responsible business practices, and report on these activities.</p> <p>Corporate Governance is a key responsibility for institutional shareholders and as a matter of principle the Pension Fund will seek to exercise all of its voting rights in respect of its shareholdings. It is recognised however that in practical terms this may not always be possible for overseas holdings. However for UK stocks all voting rights will be exercised in a positive fashion, i.e. no abstentions.</p> <p>The fund managers, who will act in accordance with this policy, will exercise voting.</p> <p>Newton Investment Management have signed up to the United Nations Principles on Responsible Investment. The principles reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios, and therefore must be given appropriate consideration by investors, if they are to fulfil their fiduciary (or equivalent) duty. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices, and so better align their objectives with those of society at large.</p>
6.9 Risk Management:	All investments carry risk. Risks, such as market risk are mitigated and actively managed through diversification of fund managers, asset classes, markets, size of holdings and through performance monitoring against benchmarks.

	<p>Going forward, as the fund reaches maturity, there could be a risk where contributions receivable are less than benefits payable.</p> <p>To mitigate this risk an investment strategy was approved with the aim to become fully funded by 2027, when the Fund is expected to mature. This strategy of diversification of fund managers is a significant element of mitigating the risk of investing for growth and income.</p>	
6.10 Policy and Delegated Authority:	<p>The Pension Fund Committee has delegated authority to discharge all functions and responsibilities relating to the Council's role as administering authority for the Shetland Islands Council Pension Fund (the Pension Fund) in terms of the Local Government (Scotland) Act 1994, the Superannuation Act 1972 and the Public Service Pensions Act 2013.</p> <p>The Pension Board is the body responsible for assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pension Regulator. The Pension Board will determine the areas they wish to consider.</p>	
6.11 Previously considered by:	None	

Contact Details:

Colin Bain, Treasury Accountant
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Appendices:

None

Background Documents:

None



Meeting(s):	Pension Fund Committee Pension Board	22 May 2018
Report Title:	Management Accounts for Pension Fund Committee: 2017/18 – Draft Outturn	
Reference Number:	F-046-D1	
Author / Job Title:	Jonathan Belford, Executive Manager - Finance	

1.0 Decisions / Action required:

- 1.1 That the Pension Fund Committee and Pension Board RESOLVES to note the Management Accounts showing the draft outturn position for 2017/18.

2.0 High Level Summary:

- 2.1 The purpose of this report is to enable the Pension Fund Committee and Pension Board to note the financial performance of the Pension Fund for the 2017/18 financial year. This report shows the draft outturn of the Pension Fund for 2017/18, and will be subject to final accounting and audit adjustments as part of the year-end accounts process.
- 2.2 The draft revenue outturn position for the Pension Fund for 2017/18 is an under-achievement of £299k (4.7%), which means that the Pension Fund has spent more than its approved budget.
- 2.3 Further detail on the draft outturn position is found in Appendix 1.

3.0 Corporate Priorities and Joint Working:

- 3.1 There is a specific objective in the Corporate Plan that the Council will have excellent financial management arrangements to ensure that it continues to keep a balanced and sustainable budget and is living within its means. In addition, the Council continues to pursue a range of measures, which will enable effective and successful management of its finances over the medium to long term.
- 3.2 Within the next 20 years, the investment strategy of the Pension Fund is targeted with achieving a 100% funded position in order to ensure that the scheme remains affordable and sustainable in the future.

4.0 Key Issues:

- 4.1 This report presents the draft outturn position for 2017/18 for revenue.
- 4.2 On 7 December 2016 (Min Ref 21/16), the Pension Fund Committee approved the 2017/18 Pension Fund Budget. It is vital to the economic wellbeing of the Pension Fund that its financial resources are managed effectively and that net income is delivered in line with the budget, as any overspends or under-achievements of income could result in a reduction in the net contribution to the Pension Fund.

4.3	At Quarter 4, the Pension Fund is showing a year-end under-achievement of net income of £299k (4.7%). Detailed information on the draft outturn position is attached at Appendix 1.
5.0	Exempt and/or confidential information:
5.1	None.
6.0	Implications :
6.1 Service Users, Patients and Communities:	None arising from this report.
6.2 Human Resources and Organisational Development:	None arising from this report.
6.3 Equality, Diversity and Human Rights:	None arising from this report.
6.4 Legal:	None arising from this report.
6.5 Finance:	<p>The Pension Fund Investment Strategy, approved in 2015/16, seeks to address the prospect of falling income and rising expenditure projections over the longer term. The aim of the strategy is to ensure that the Pension Fund is 100% funded within the next 20 years.</p> <p>It is vital that the Pension Fund continues to receive a surplus of income over expenditure as it is a component of the strategy to become fully funded within the next 20 years. However, there are many factors within Pension Fund transactions that can cause the actual outturn to differ significantly from the budget.</p> <p>Should the Pension Fund consistently under-achieve its net income budget, employer contributions may need to significantly increase in order to meet any shortfall. The success of the investment strategy, the performance of the fund managers and the cost of future liabilities, all of which are considered as part of the triennial fund valuations, are also factors that could have an effect on employer contributions.</p>
6.6 Assets and Property:	None arising from this report.
6.7 ICT and new technologies:	None arising from this report.
6.8 Environmental:	None arising from this report.

6.9 Risk Management:	<p>There are numerous risks involved in the delivery of the Pension Fund and awareness of these risks is critical to successful financial management.</p> <p>From a financial perspective, risks are an integral part of planning for the future, as assumptions and estimates are involved. These assumptions can be affected by many internal and external factors, such as supply and demand, which could have an adverse impact.</p> <p>The main financial risks for the Pension Fund are:</p> <ul style="list-style-type: none"> • That the Fund's investments fail to deliver returns in line with those required to meet the valuation of long-term liabilities; • That bond yields fall, leading to a rise in value placed on liabilities; • That employers leave the scheme or the scheme closes to new members, which could be attributed to factors such as cost, liquidation or bankruptcy; • That a failure to recover unfunded payments from employers occurs, potentially leading to other employers having to increase their employer contributions to subsidise; • That a global stock market failure occurs; • That active fund managers under-perform against expectations. 	
6.10 Policy and Delegated Authority:	<p>The Pension Fund Committee has been delegated authority to discharge all functions and responsibilities relating to the Council's role as administering authority for the Shetland Islands Council Pension Fund in terms of the Local Government (Scotland) Act 1994, the Superannuation Act 1972 and the Public Service Pensions Act 2013.</p> <p>The Pension Board is the body responsible for assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pension Regulator.</p>	
6.11 Previously considered by:	<i>n/a</i>	<i>n/a</i>

Contact Details:

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Jacqueline.johnson@shetland.gov.uk*

Appendices:

Appendix 1 - Draft Outturn Position for 2017/18

Background Documents:

Pension Fund Budget Proposals 2017/18, Pension Fund Committee/Pension Board, 7 December 2016

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=20199>

Pension Fund Committee / Pension Board

1. Revenue Outturn Position 2017/18 (Quarter 4)

Budget v Projected Outturn variance at Q3 £000	Pension Fund	Revised Annual Budget £000	Draft Annual Outturn £000	Budget v Draft Outturn at Q4 (Adv) / Pos £000
54	Employee Costs	280	221	58
(6)	Operating Costs	154	220	(66)
124	Investment Expenses	1,644	1,482	162
(330)	Benefits Payable	9,565	10,006	(441)
(202)	Transfers Out	296	527	(231)
(612)	Lump Sums	1,693	2,736	(1,043)
(124)	AVC Out	225	458	(233)
(1,096)	Total Expenditure	13,857	15,650	(1,794)
209	Contributions Received	(16,585)	(16,918)	333
(26)	Other Income	(55)	(28)	(27)
155	Investment Income	(3,213)	(3,407)	193
293	Transfers In	(200)	(740)	539
325	AVC In	(225)	(682)	457
956	Total Income	(20,278)	(21,775)	1,495
(140)	Net Income	(6,421)	(6,125)	(299)

An explanation of the significant variances to budget for the Pension Fund at Quarter 4 is set out below.

1.1 Employee Costs – underspend of £58k (20.7%)

This underspend relates to two in-year vacancies. The Pension Assistant post was filled during January 2018 the ICT Systems Development Officer post was filled in May 2018.

Included in the outturn figure is an additional recharge of Council Finance staff time at the year-end.

1.2 Operating Costs – overspend of £66k (42.9%)

This overspend relates to extra costs in relation to the actuarial valuation and a tax payment on members' benefits where the lifetime allowance has been exceeded.

1.3 Investment Expenses – underspend of £162k (9.9%)

This underspend relates to a reduction in fees for one of the Fund Managers and a saving in relation to fund performance monitoring being conducted in-house by the fund managers, rather than bought in.

1.4 Benefits Payable – overspend of £441k (4.6%)

This overspend is due to more retirements in 2017/18 than was anticipated when the budget was set. Members now have the option to retire between the ages of 55 and 75 and this age range is prevalent in the demographic of this Pension Fund.

1.5 Transfers Out – overspend of £231k (78.0%)

This cost relates to the transfer of employees' pensions to other Pension Funds. The value of the transfer depends on a number of factors, including salary and length of service. The budget is based on a five-year rolling average of eight transfers at £37k each and the year-end position consists of ten transfers out at an average of £53k.

1.6 Lump Sums – overspend of £1,043k (61.6%)

The value of lump sums payable to retirees varies greatly depending on a number of factors including length of service, salary, additional voluntary contribution (AVC) portion and whether there is automatic entitlement to a lump sum. The year-to-date position represents 139 retirees, analysed as follows:

- 18 ill health retirements (£328k);
- 39 late retirements (over 65) (£723k);
- 68 normal retirements (£1.140m);
- 4 redundancies / efficiency retirements (£61k)
- 10 flexible / phased retirement lump sums (£221k).

A flexible or phased retirement is where the employee accesses their retirement benefits and is still employed on reduced hours or reduced grade.

Death-in-Service benefit lump sums are paid out at the rate of three times salary. Nine payments in this regard have been made so far this year. The budget is underspent by £77k at the year-end.

1.7 AVC Out – overspend of £233k (103.6%)

This cost varies, depending on the extent of AVCs built up during a retiree's career. The year-to-date position represents 10 retirees that have taken AVC lump sums, analysed as follows:

- | | |
|----------------------------|---------------------------|
| • 1 efficiency retirement; | • 6 normal retirements; |
| • 5 late retirements; | • 2 flexible retirements. |

1.8 Investment Income – over-achievement of £193k (6.0%)

This additional income relates to a Schroders European property investment fund that is due to close in 2018. Its winding down means that some of the fund's underlying assets are being sold off, generating capital receipts into the Pension Fund.

1.9 Transfers in – over-achievement of £539k (269.5%)

This is due to more, higher value transfers being received than budgeted. Income from transfers into the Pension Fund is based on the value of a new employee's previous pension benefits; transfers in from other local authority Pension Funds are often higher value than those from private Pension Funds. The budget is based on a five-year rolling average of 10 transfers at £20k each. The year-end position consists of 29 transfers in at an average of £26k.

1.10 AVC In – over-achievement of £457k (203.1%)

The budget here is set to match the AVCs Out budget, however transfers into the Pension Fund for AVCs upon retirement is of significantly higher value than the AVC lump sums paid out. The balance of AVCs in excess of the lump sum permitted is converted to LGPS pension. This will increase ongoing benefits payable, but at no cost to the Pension Fund.



Shetland Islands Council

Agenda
Item

3

Meeting(s):	Pension Fund Committee Pension Board	22 May 2018 22 May 2018
Report Title:	Pension Fund Management Annual Review 2017/18	
Reference Number:	F-040-F	
Author / Job Title:	Executive Manager - Finance	

1.0 Decisions / Action required:

1.1 That the Pension Fund Committee and Pension Board NOTE:

- the performance of BlackRock which was close to the benchmark in 2017/18;
- the underperformance of the benchmark and target by KBI in 2017/18;
- the underperformance of the fixed benchmark by Newton in 2017/18;
- the outperformance of the benchmark but underperformance of the target by Schroders in 2017/18;
- the performance of M&G which achieved the fixed benchmark in 2017/18.

2.0 High Level Summary:

- 2.1 The purpose of this report is to inform the Pension Committee and Pension Board on the position and performance of the Pension Fund's external investments, with fund managers for the financial year 2017/18.
- 2.2 The Pension Fund's investments increased in value by £9 million over the 2017/18 financial year and now have an overall value at the end of March 2018 of £459 million. The investment return for the Pension Fund in 2017/18 was 2.3%. See additional information in Appendix 1.
- 2.3 Over the 2017/18 financial year BlackRock were close to their benchmark aim, KBI Global Investors and Newton underperformed their benchmarks, Schroders outperformed their benchmark while M&G equalled their benchmark.

3.0 Corporate Priorities and Joint Working:

- 3.1 This report links to the Council's corporate priorities, defined in its Corporate Plan, specifically in relation to assisting the Council in ensuring the financial resources are managed.

4.0 Key Issues:

4.1	This report is an annual review of how the markets and fund managers have performed. All of the Pension Fund's investments are invested for the long term in line with the 2014 Pension Fund investment strategy, which aims at reaching a fully funded position by 2027 when pension contributions are expected to equal pension benefits payable.
5.0 Exempt and/or confidential information:	
5.1	None
6.0 Implications :	
6.1 Service Users, Patients and Communities:	The monitoring of fund manager performance is a means of providing reassurance to members and employers that the fund is being managed appropriately for the long term sustainability objectives and to ensure that monies will be available to fund future pension benefits.
6.2 Human Resources and Organisational Development:	None
6.3 Equality, Diversity and Human Rights:	None
6.4 Legal:	As required by The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010, where investment Managers have been appointed their performance must be kept under review.
6.5 Finance:	<p>The long term investments and their performance are important to the Pension Fund and the achievements of its outcomes and objectives.</p> <p>It is recognised that the actual investment performance each year will be different to what is expected or required however over the long term this will be monitored and reviewed to ensure that the Pension Fund is working towards meeting its long term objectives.</p> <p>It is not likely that the Pension Fund can expect a positive investment return from its investments every year but having robust governance and monitoring in place, alongside a diversified investment strategy, mitigates the financial risks and enables the Pension Fund to take action at appropriate times to address poor performance by the fund managers. This report is part of that governance and monitoring framework.</p>
6.6 Assets and Property:	Long term investments are assets of the Pension Fund and represent money given to fund managers to manage on its

	<p>behalf for long term benefit. The Pension Fund relies upon each fund manager's fiduciary duty and to buy and sell appropriate assets in accordance with the mandate awarded to them and to report regularly on the value and performance of the fund in which Pension Fund money is invested. The value of long term investments under these mandates can go down as well as up.</p>
6.7 ICT and new technologies:	None
6.8 Environmental:	<p>Whilst the fund managers have delegated powers for the acquisition and realisation of investments, fund managers are expected as part of their investment process to consider all factors, including the social, environmental and ethical policies of companies in which they may invest, to the extent that these may materially affect the long term prospects of such companies. The fund managers will also be expected to enter into dialogue with companies in which they invest, in relation to the pursuance of socially responsible business practices, and report on these activities.</p> <p>Corporate Governance is a key responsibility for institutional shareholders and as a matter of principle the Pension Fund will seek to exercise all of its voting rights in respect of its shareholdings. It is recognised however that in practical terms this may not always be possible for overseas holdings. However for UK stocks all voting rights will be exercised in a positive fashion, i.e. no abstentions.</p> <p>The fund managers, who will act in accordance with this policy, will exercise voting.</p> <p>All of the Pension fund managers have signed up to the United Nations Principles on Responsible Investment. The principles reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios, and therefore must be given appropriate consideration by investors, if they are to fulfil their fiduciary (or equivalent) duty. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices, and so better align their objectives with those of society at large.</p>
6.9 Risk Management:	<p>All investments carry risk. Risks, such as market risk are mitigated and actively managed through diversification of fund managers, asset classes, markets, size of holdings and through performance monitoring against benchmarks.</p>
6.10 Policy and Delegated Authority:	<p>The Pension Fund Committee has delegated authority to discharge all functions and responsibilities relating to the Council's role as administering authority for the Shetland Islands Council Pension Fund (the Pension Fund) in terms of the Local Government (Scotland) Act 1994, the Superannuation</p>

	<p>Act 1972 and the Public Service Pensions Act 2013.</p> <p>The Pension Board is the body responsible for assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator. The Pension Board will determine the areas they wish to consider.</p>	
6.11 Previously considered by:	None	

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Appendices:

Appendix 1 - Pension Fund Management Annual Investment Review 2017/18

Background Documents:

None

Pension Fund Management Annual Investment Review 2017/18

1.0 Background

- 1.1 This report forms part of the Pension Fund's governance arrangements where the Pension Committee and Pension Board will receive an annual investment report for 2017/18 on the external investments.
- 1.2 This report also fulfils a requirement under The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 for the Council, as administering authority for the Pension Fund, to keep investment Managers' performance under review.
- 1.3 This report concentrates on the financial year 2017/18. The report looks at the performance of the Pension fund managers, the overall investment performance relative to the markets, the physical movement of funds, any changes from the investment strategy, and any other relevant issues relating to the investments over the period.
- 1.4 The current investment strategy was approved by the Council on 26 March 2014 (Min. Ref. 17/14). The strategy's focus is on achieving a 100% funding level over a period of time, which is before the Pension Fund's contributions equal benefits payable.
- 1.5 The reorganisation of the Pension Fund's investments occurred in November and December 2014 with performance monitoring of the new strategy commencing on the 1st January 2015. The new investment strategy resulted in three new mandates being awarded, a new Equity mandate to Kleinwort Benson (now KBI Global Investors), a new Alternative Credit mandate to M&G and a new Diversified Growth Fund mandate to Newton.
- 1.6 KPMG, the Pension Fund's investment consultants, will conduct an interim investment strategy review of the Pension Fund later this financial year. This investment strategy review follows on from the actuarial review which the Pension Fund's actuaries conducted last year. The investment strategy review later in the year is in line with the Pension Fund's long term monitoring, to review the investments after an actuarial review to ensure the Pension Fund's investments are performing as required and the Pension Fund is heading towards a long term fully funded position.

2.0 Investment Position and Market Performance

- 2.1 The Pension Fund has five fund managers, with total investments under management at the end of March 2018 of £459 million. Their specific mandates and current percentage allocations are as follows:

Manager	Fund	% of Assets
BlackRock	Equity	42
KBI Global Investors	Equity	21
Newton	Diversified Growth	16
Schroders	Property	12
M&G	Alternative Credit	9

- 2.2 The initial investment allocations were set when the investment strategy was put in place at the end of December 2014. The percentage allocations at 2.1 are a reflection of the market movements, investment management by fund managers and cash additions since December 2014. These movements have altered the initial investment percentages. No movement of funds between fund managers occurred during 2017/18 and none are planned in 2018/19, as KPMG will be starting an interim investment strategy review during 2018/19.
- 2.3 The external investments of the Pension Fund are co-ordinated by the Council's Treasury function. The Council's reserves and Charitable Trust's reserves (as per a Service Level Agreement) are also co-ordinated by the Council's Treasury function. This approach provides the opportunity to share experience and benefit from knowledge in a specialist subject area built up over a number of years.
- 2.4 On an annual basis each fund manager makes available their internal controls report. These reports are produced by their respective external auditors, and review all aspects of the fund manager's operating controls, with any concerns and weaknesses reported. The reports are reviewed by the Treasury Section within the Finance Service annually, with any concerns or issues identified that may impact on the Pension Fund reported accordingly. No issues were found that required to be reported.
- 2.5 The Council's Pension Fund is in a growth phase where income from Employer and Employee contributions are projected to exceed benefits paid to pensioners, and is expected to continue for the next 9 years. Consequently, a long-term investment strategy is appropriate. This allows us to have a higher percentage of equity investments, which in itself produces a greater volatility of returns over the short to medium term, i.e. 1-3 years, but is less evident over longer periods. Over the long term this investment policy has proved beneficial with the Pension Fund up 43% over the last 5 years.
- 2.6 The Managers, type of mandate and market value are listed below:

Manager	Market Value £ million	
	2018	2017
BlackRock	193	189
KBI Global Investors	96	97
Newton	75	75
Schroders	56	51
M&G	39	38
Total	459	450

- 2.7 This report at section 3 presents a review and comparison of the performance of each fund manager in turn and a comparison of their performance in 2017/18 against the relevant market's performance where they were asked to invest, and if appropriate, also against any additional out performance target they were asked to achieve.
- 2.8 Due to the nature of the investments the fund managers are investing into, a long term investment view is appropriate, generally a five year period. The report therefore looks not only at each manager's performance over 2017/18 but also at their performance over a five year period, or from inception of the mandate if that is shorter.
- 2.9 This report concentrates on the fund manager's performance relative to the markets but there is a need to consider the effect of any cash withdrawals or injections to the funds and the performance of the markets themselves. These influences can easily alter the absolute fund value.
- 2.10 The following table shows the effect on the fund due to withdrawals/additions, the investment return over the financial year to March 2018 and as a comparison the previous financial year.

	Pension Fund £ million	
	2017/18	2016/17
Opening Value	450	377
Additions/(Withdrawals)	3	2
Investment Return	6	71
Closing Value	459	450

- 2.11 During 2017/18 the overall value of the Pension Fund's investments increased by £9 million.
- 2.12 There was a positive investment return over the 2017/18 financial year of £6 million. The main contributing asset class to this investment return was property, and the Pension Fund's property mandate is actively managed by Schroders.

2.13 The £3.2 million of additions during 2017/18 is in main due to the difference between the employer and employee contributions (Council and admitted bodies) versus the pension payments during the year.

2.14 The 2017/18 market performance by asset class is set out below:

		%
Equities:	UK	1.2
	North America	0.6
	Europe (Ex UK)	3.0
	Japan	6.7
	Pacific	-3.3
	Emerging Markets	11.4
Bonds:	UK Index Linked Gilts	0.7
	UK Corporate	1.2
Property		10.0
Cash		0.4

2.15 The best performing sector in 2017/18 was emerging equities with a return of 11.4% followed closely by property with 10.0%. Other equity markets produced mixed returns with the Pacific Region negative and the UK and North America just positive. Bonds also had a very quiet year in 2017/18 only just managing to achieve positive figures. These returns are in contrast to 2016/17 where all of the equity markets and bond markets produced good returns. Cash returns are still low as UK interest rates remain low.

2.16 The main constituent of a fund's performance is the market return, i.e. where the fund is invested. A number of fund managers are asked to outperform the market return, a UK equity scenario in 2017/18 where a fund manager is asked to outperform the UK market by 2% would equate to a 3.2% target return.

2.17 In some instances fund managers are investing in many different markets and in this situation no market benchmark is appropriate, so a cash plus benchmark is used. This is the situation for Newton and M&G where they have fixed benchmarks that are not related to investment markets, e.g. Newton's benchmark is 1 month LIBOR (Cash) + 4%.

2.18 While this report reviews performance in 2017/18; a brief update for the start of the 2018/19 financial year sees equity markets recovering from a poor end to 2017/18, following trade war concerns between America and China and concern about interest rate rises in America. Recent oil price rises have caused America to speak with OPEC but they have stated that they will not alter oil production levels in the near future. Interest rate rise concerns remain in America and the UK with the possibility of two or three rate rises in 2018 being considered.

3.0 Fund Manager Review

- 3.1 This section of the report takes each mandate in turn and discusses manager performance.
- 3.2 A fund manager's performance is measured against a specific fund benchmark, which is made up of market indices of the countries where they invest.
- 3.3 Some fund managers are passive managers (in general they match their investment profile to the indices (benchmark) they are compared to, with the objective being to achieve investment returns that are the same as the index, and is a common equity mandate); while other fund managers are active managers (they make choices and investment decisions that move their investment profile away from a particular index and look to exceed the index by taking account of various investment decision making factors, for example future dividend or growth prospects. Active management will often involve research activities and involve a higher level of risk – it incorporates Manager risk).
- 3.4 Where the Pension Fund decides, a fund manager's target is a level of outperformance above the benchmark that is seen as achievable with a low level of measured risk on a given mandate. The Manager will seek to produce investment returns in order to achieve the stated target. Performance at or above target is desirable but any returns above the benchmark will add value to the fund above the market return that was achieved for the period.

BlackRock

- 3.5 BlackRock was initially a large US fund management business but over the past few years they have acquired Merrill Lynch and BGI, to become one of the largest global fund managers.
- 3.6 BlackRock's mandate was reorganised in line with the Pension Fund strategy review in December 2014. Before this reorganisation BlackRock held funds on a temporary basis but they were awarded a passive equity mandate as part of the new Pension Fund strategy.
- 3.7 BlackRock's benchmark until December 2014 was 45% UK equities, 45% overseas equities and 10% bonds. After the Pension Fund reorganisation BlackRock's fund now has a benchmark of 50% UK equities and 50% global ex UK equities.
- 3.8 The fund is passively invested, removing the Manager risk, therefore the benchmark and the target are the same, i.e. one aim the index return. For performance comparison purposes the fund return is only compared against the index return.

- 3.9 The following table sets out in summary the performance of BlackRock versus the benchmark return for 2017/18 and also on a cumulative basis over a five-year investment period.

Fund Performance versus Benchmark

	Fund Return (%)	Performance v Benchmark (%)	Annualised Fund Return (%)
2017/18	2.0	0.2	2.0
Five years 13/14 to 17/18	51.6	0.5	8.7
The performance v benchmark figure gives the percentage that the fund has out or underperformed the benchmark.			

- 3.10 BlackRock returned 2.0% in 2017/18, which was close to the benchmark return. This shows that the fund has mirrored the returns of the markets the fund invests into.
- 3.11 BlackRock's mandate is split 50%:50% between Global and UK equities. Both investment sectors produced low positive returns with global equities returning 2.4%, and UK equities returning 1.4%. This is a passive investment that tracks the market return, so the overall return of 2.0% is a reflection of the general market return.
- 3.12 On a cumulative basis over the five year rolling monitoring period the fund is 0.5% above the benchmark return, which is close to the fund's investment aim of replicating the performance of the markets. During this five year period the fund has increased in value by 51.6%, which equates to a return of 8.7% per annum.

KBI Global Investors

- 3.13 Kleinwort Benson (now KBI Global Investors) was awarded a £68 million global equity mandate in November 2014 as part of the Pension Fund's investment strategy review. They received the funds in December 2014 with performance monitoring commencing January 2015.
- 3.14 KBI Global Investors was originally formed in 1980. Their headquarters is in Dublin, Ireland. They were founded in 1980 and were part of the Kleinwort Benson Group. During 2016 the Kleinwort Benson Group sold their Dublin investment company to Amundi, a large European fund manager. Amundi have left KBI Global Investors alone to continue to operate their business.
- 3.15 KBI invests via a set systematic investment process, which uses a strategy that financially robust, higher dividend paying stocks will outperform over the long term. It is an actively managed equity mandate.

- 3.16 The performance target for this fund is to beat its benchmark by 3.0% per annum.
- 3.17 The following table sets out in summary the performance of KBI versus the benchmark and the performance target in 2017/18 and on a cumulative basis since inception of the mandate in January 2015.

Fund Performance versus Benchmark

	Fund Return (%)	Performance v Benchmark (%)	Performance v Target (%)	Annualised Fund Return (%)
2017/18	0.5	-0.7	-3.7	0.5
From inception Jan 15 – Mar 18	39.8	-2.4	-11.3	10.9
<p>The performance v benchmark figure gives the percentage that the fund has out or underperformed the benchmark return (market indices).</p> <p>The performance v target figure gives the percentage that the fund has out or underperformed the set target.</p>				

- 3.18 KBI returned 0.5% in 2017/18 which was 0.7% below the benchmark and 3.7% below the target. Equity returns during 2017/18 were low due to a fall in all equity markets over the last couple of months of the financial year.
- 3.19 On a cumulative basis since inception KBI are below the benchmark and the target, but the fund has increased in value by 39.8%, which equates to a return of 10.9% per annum.
- 3.20 KBI is under benchmark over three and a quarter years after a poor initial first quarter investment return to March 2015 but they were making steady progress to get above benchmark, but in 2017/18 they have underperformed. This fund is a pure equity fund based on dividend return and value whereas the current market is being driven by large growth focused companies which is not helping KBI's performance figures. KBI are confident that the current growth focus of the equity markets will shift back to more sensible value based investing which will benefit their investment strategy.

Newton

- 3.21 Newton was awarded a £68 million global equity mandate in November 2014 as part of the Pension Fund's investment strategy review. They received the funds in December 2014 with performance monitoring commencing January 2015.
- 3.22 Newton is a wholly owned but autonomous subsidiary of Bank of New York Mellon. Bank of New York Mellon has various investment businesses

throughout the world but generally leave the companies alone to continue with their specialist services.

- 3.23 The Pension Fund mandate with Newton is a diversified growth fund mandate and is invested in Newton's Real Return Fund, which is an unconstrained multi asset strategy seeking to return 1 month LIBOR (cash) +4% per annum. The agreed benchmark is a cash plus benchmark, which aims at a constant positive return every year. As it is a fixed constant positive benchmark, the benchmark and target are the same so performance is only compared to the benchmark.
- 3.24 The Real Return Fund uses a wide range of different investments which they categorise into return seeking assets (infrastructure, equities, debt), stabilising assets (commodities, index-linked bonds, government debt) and hedging positions to provide downside protection (currency, equity and bond options).
- 3.25 The following table sets out in summary the performance of Newton versus the fixed benchmark in 2017/18 and on a cumulative basis since inception of the mandate in January 2015.

Fund Performance versus Benchmark

	Fund Return (%)	Performance v Benchmark (%)	Annualised Fund Return (%)
2017/18	-1.3	-5.7	-1.3
From inception Jan 15 – Mar 18	5.8	-8.3	1.7
The performance v benchmark figure gives the percentage that the fund has out or underperformed the fixed benchmark return.			

- 3.26 Newton returned -1.3% in 2017/18, which was 5.7% below the benchmark. Most of the underperformance occurred in the final quarter of the financial year due to falling equity markets.
- 3.27 On a cumulative basis since inception in January 2015 Newton are 8.3% below the benchmark. Newton continues to take a cautious outlook on the global economic situation. Their strategy remains patient and they have concerns over rising interest rates, central-banks reducing money supply and potential inflation issues. In equity markets they see "corporate profits under pressure as wage growth and debt funding costs grow, a derating in equity markets appears highly probable."
- 3.28 Newton have therefore positioned the fund with a bias towards defensive higher dividend paying equities. They also have defensive holdings in bonds, cash and gold. Newton says they have a dynamic portfolio which will seek to take advantage of opportunities as they present themselves.

Schroders

- 3.29 Schroders were awarded a £20 million Property Mandate in March 2007 with the first investments commencing in July 2007.
- 3.30 The benchmark for this fund is based on a 100% UK property investment. The fund manager does however have the scope to invest up to a maximum of 30% of the fund in overseas property if attractive investment opportunities exist. The performance target for this fund is to beat a specific benchmark by 1.0% per annum.
- 3.31 Schroders have used the flexibility in the mandate to invest in their European property fund. This investment initially outperformed, but then went through a number of years where it was a drag on performance due to the general European economic climate. This investment is now currently 0.9% of the overall mandate.
- 3.32 As part of the Pension Fund strategy review in 2014 Schroders mandate was increased from 10% to 12% of the Pension Fund's assets. Schroders invested the additional funds in UK property when good opportunities arose and achieved full investment in 2016/17. Investing in property is costly and this has impacted on their performance figures over the past couple of years.
- 3.33 The following table sets out in summary the performance of Schroders versus the benchmark and the performance target in 2017/18, on a cumulative basis over a five-year investment period and since inception of the mandate in July 2007. As property is an expensive asset class to invest into and to allow these costs to be spread over many years, performance since inception is shown.

Fund Performance versus Benchmark

	Fund Return (%)	Performance v Benchmark (%)	Performance v Target (%)	Annualised Fund Return (%)
2017/18	10.6	0.6	-0.4	10.6
Five years 13/14 to 17/18	59.7	-3.1	-7.8	9.8
From inception July 2007	56.8	16.9	5.1	4.3
The performance v benchmark figure gives the percentage that the fund has out or underperformed the benchmark return (market indices).				
The performance v target figure gives the percentage that the fund has out or underperformed the set target.				

- 3.34 The Property Fund with Schroders in 2017/18 increased in value by 10.6%, which was 0.6% above the benchmark return but 0.4% below the target. The UK part of the mandate outperformed the benchmark by 0.7%. The European

part of the fund is being reduced and should be completely sold by the end of the 2018/19 financial year.

- 3.35 On a cumulative basis over the five year rolling monitoring period Schroders are below the benchmark return by 3.1%. Over this period the UK property investments have outperformed the benchmark and it is the European investment, due to the economic climate, that has pulled down the five year return figure.
- 3.36 The fund's cumulative performance from inception (July 2007) is above the benchmark by 16.9%. This performance was due to initial cash holdings plus European property investment returns over the first couple of years and long term UK property outperformance.

M&G

- 3.37 M&G was awarded a £34 million global equity mandate in November 2014 as part of the Pension Fund's investment strategy review. They received the funds in November 2014 with performance monitoring commencing January 2015.
- 3.38 M&G investment management is currently a wholly owned subsidiary of the listed financial services group, Prudential. The Prudential is splitting into two separate companies and one company will be called M&G Prudential covering UK based insurance and asset management operations. M&G have stated that this will have minimal effect on their business, and KPMG the Pension Fund's investment consultants have no immediate concerns with this announcement as M&G has always retained a high degree of autonomy from the parent company.
- 3.39 The Pension Fund mandate with M&G is an alternative credit mandate invested in M&G's Alpha Opportunities Fund. This fund is an actively managed multi-asset fund that will move in and out of different credit markets to generate returns. The fund can invest in investment grade bonds, loans, high yield bonds and asset backed securities.
- 3.40 The fund's performance benchmark is 1 month LIBOR (cash) plus 3-5%. The agreed benchmark is a cash plus benchmark, which aims at a constant positive return every year, which is independent of the investment classes that the fund invests into. As it is a fixed constant positive benchmark, the benchmark and target is the same so performance is only compared to the benchmark.
- 3.41 The following table sets out in summary the performance of M&G versus the benchmark in 2017/18 and on a cumulative basis since inception of the mandate in January 2015.

Fund Performance versus Benchmark

	Fund Return (%)	Performance v Benchmark (%)	Annualised Fund Return (%)
2017/18	3.4	0.0	3.4
From inception Jan 15 – Mar 18	10.7	-1.0	3.2
The performance v benchmark figure gives the percentage that the fund has out or underperformed the fixed benchmark return.			

- 3.42 M&G returned 3.4% in 2017/18, which was equal to the benchmark. This return is a combination of the various sectors that M&G invest into. The main returns coming from industrial holdings, alongside securitised and financial bond holdings.
- 3.43 On a cumulative basis since inception in January 2015 M&G are 1.0% below the benchmark. The fund has since inception increased in value by 10.7% which equates to a return of 3.2% per annum. This mandate has been in place for three and a quarter years, and after a poor initial start over the first year and a half M&G have recovered well and are now close to the long term benchmark return. The fund is currently defensively positioned and is looking for more volatility in the credit markets before they change the current strategy.

4.0 Investment Governance

- 4.1 During 2017/18 the Pension Committee and Pension Board received quarterly investment performance reports covering all of the Pension Fund's investment managers. This reporting framework incorporates the statutory Annual Review and Mid Year review.
- 4.2 The Pension Committee and Pension Board on reviewing the quarterly report can if they believe it would be beneficial request a presentation from a fund manager, to find out more about a specific mandate or question that manager about their performance. During 2017/18 fund managers KBI and Schroders along with Hymans Robertson the scheme's actuary gave presentations to the Pension Committee and Pension Board.

5.0 Conclusions

- 5.1 BlackRock were close to their aim of equalling the equity benchmark return during 2017/18. Over the five year period BlackRock are close to the equity benchmark return.

- 5.2 KBI underperformed the equity benchmark and target during 2017/18. Over the three and a quarter years of their mandate KBI are under the equity benchmark.
- 5.3 Newton underperformed the fixed benchmark during 2017/18. Over the three and a quarter years of their mandate Newton are under the fixed benchmark.
- 5.4 Schroders outperformed the UK property benchmark during 2017/18 but did not achieve the target. Over the five year period Schroders are under the property benchmark.
- 5.5 M&G equalled the fixed benchmark during 2017/18. Over the three and a quarter years of their mandate M&G are under the fixed benchmark.
- 5.6 The main investment markets produced mixed returns during 2017/18 but it was emerging market equities and property investment sectors that produced the best returns. This along with the fund managers' management of the funds helped to contribute £6 million in investment returns to the Pension Fund during 2017/18. The Pension Fund ended the financial year with a valuation of £459 million.