

## OXFORDSHIRE LOCAL PENSION BOARD – 18 JANUARY 2019

### MONITORING INVESTMENT EXPENDITURE

#### Report by the Director of Finance

##### Introduction

1. This report has been provided to the Board at the request of one of its scheme member representatives. Specifically, the request was to provide a breakdown of the investment costs described in the Fund's 2018 annual report, showing the fees paid to each fund manager for each mandate in the year to 31 March 2018. The request stated that the information will enable the Board to explore the relationship between cost and performance, following the report on Monitoring Investment Expenditure to the last meeting of the Board.

##### Management Expenses 2017/18

2. The Fund's Annual Report and Accounts for 2017/18 included in the Fund Account Statement for the Year Ended 31 March 2018 management expenses totalling £10,925,000. This figure was further broken down in the notes to the accounts as follows:

##### Note 11 – Management Expenses

Administrative Costs	£ 2,013,000
Investment Management Expenses	£ 8,186,000
Oversight & Governance Costs	<u>£ 726,000</u>
	£10,925,000

The Investment Management Expenses figure was further broken down in note 13 to the accounts as follows:

Management Fees	£ 8,129,000
Custody Fees	<u>£ 57,000</u>
	£ 8,186,000

3. Within these figures, it is the Management Fees of £8,129,000 which are paid to the Fund Managers for managing the individual mandates awarded to them by the Pension Fund Committee, and it is this figure that is therefore further analysed as part of this report.
4. The table at Annex 1 provides the requested breakdown of the £8,129,000 between the various Fund managers employed by the Fund during 2017/18. To provide some context, the table also includes a simple average mandate size (mid - point between the mandate size as at 31 March 2017 and 2018), and the investment performance for the year compared to the mandate's benchmark.

5. Against a total mandate size of £2.3bn, the management expenses of £8,129,000 represents an average fee of 0.35% or 35 bps. Across the Fund as a whole, the Fund outperformed its benchmark by 1.7%, which represents additional investment performance of £39m in cash terms.
6. Over the course of the year, there has been considerable variation between the investment performance of the various fund managers. As all fund managers are paid ad valorem fees rather than performance fees, there is no direct relationship between the fees paid in 2017/18 and the performance achieved. Over the longer term, it is likely that the performance of the Fund Managers will vary relative to each other, as the wider financial environment offers greater or lesser support to their asset class and/or investment style. We would not though expect to see similar variations in the patterns of fees paid.
7. **The Board is invited to consider the information contained in the report, determine what conclusions it can draw from the data and advise the Pension Fund Committee accordingly.**

Lorna Baxter  
Director of Finance

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January 2019