

Surrey Pension Fund



Investment Benchmarking Results Presentation - Year Ending 31 March 2023

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13 September 2024



Introduction to CEM



We collect proprietary data on ~£11 trillion in AUM

CEM in numbers

30 Years serving institutional funds

20+ Countries served

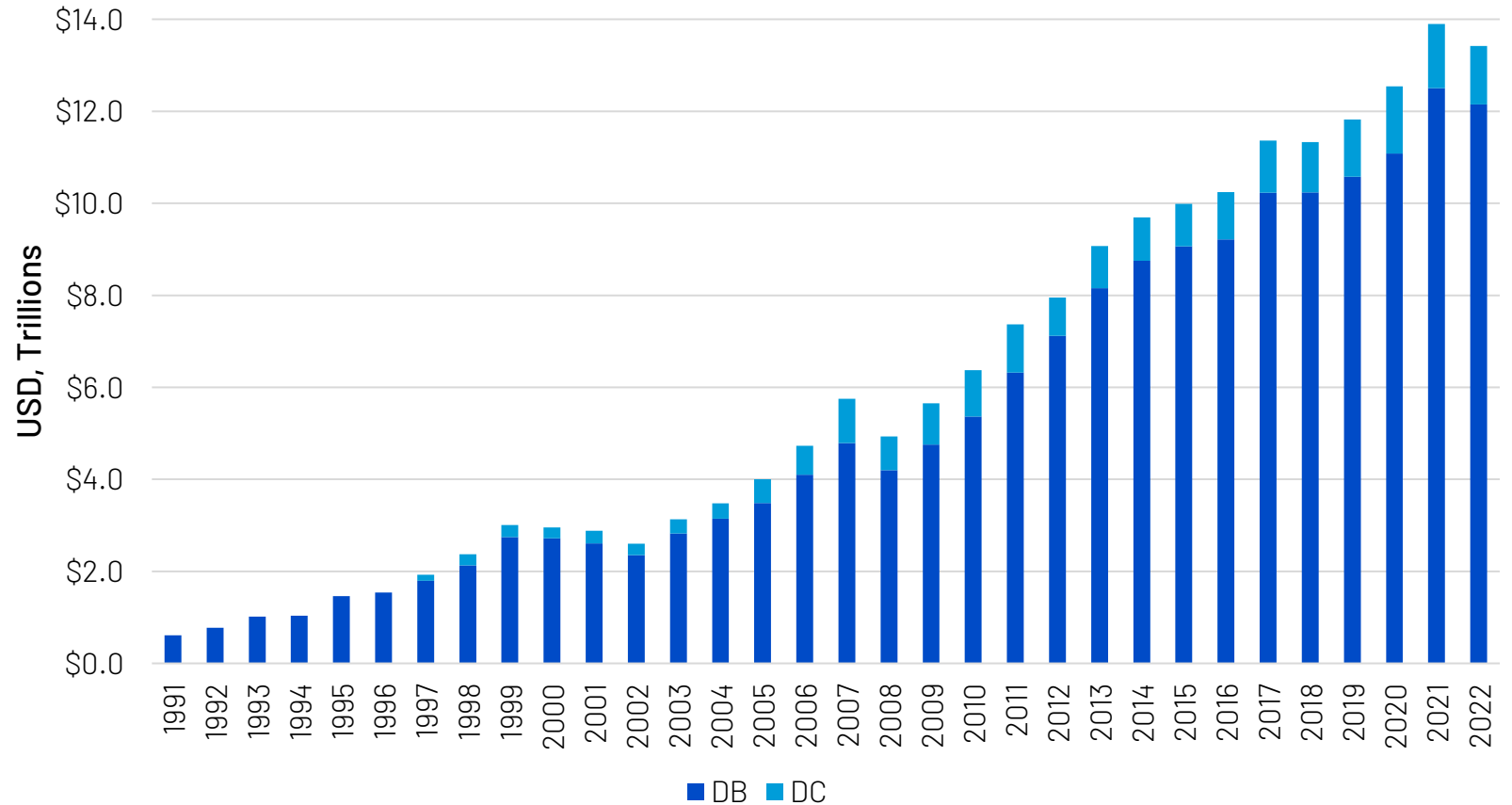
500 Institutional funds benchmarked

150 Of the world's top 300 funds use CEM

\$14T AUM investment database

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Participating AUM, 1991-2022



Data-driven • Objective • Expert • Trusted

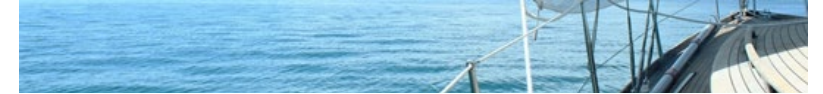
Why benchmark with CEM?

Funds use our analysis to:



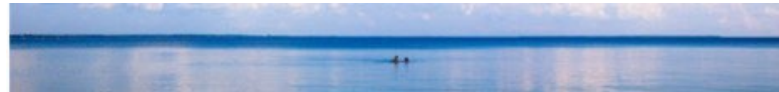
Demonstrate value-for-money

Demonstrate effectiveness, inside and outside LGPS, to Committees, members and other stakeholders.



Manage fees and costs

Revisiting areas of internal spending and negotiating commercial terms.



Identify opportunities to improve

Understand how others implement their strategies – and learn from them.



Deliver accountability

Hold suppliers, including the pool, accountable.



Investment Benchmarking Results 2022-2023





Investment Benchmarking Survey (IBS)

The CEM IBS service provides an independent assessment of value-for-money.

Your results can help you understand:

Cost – How do our costs compare and why? Where are we paying more/less than others?

Performance – How do our returns compare with others and why? How does our 'net value add' compare with others?

Risk – How does the risk in our portfolio compare with others?

Value-for-Money – If we are paying more, are we getting more?

We compare your costs with 37 global peer funds

- Peers are selected based on size – size impacts costs.
- To include both LGPS and non-LGPS funds globally.
- Because they hold similar assets to you.

Investment Costs are mostly driven by your asset mix.

- We collect your internal, external and oversight costs in a standard format.
- Asset mix is the biggest driver of cost differences between schemes.
- Differences in allocations to high-cost private market assets in particular drive big cost differences in cost at a total fund level.
- We are benchmarking total investment costs of £37.8 (75.1 bps) in 2023 vs 41.1m (78.4 bps) in 2022.
- Your private market costs account for >70% of your total investment costs, but account for only around 19% of your total assets.

We are benchmarking investment costs of £37.8m or 75.1 bps in 2023.

Assets	Internal costs and pool mgt fees ¹ £000s	External			Total		Trans. costs ³ £000s
		Passive fees £000s	Active base fees ² £000s	Active perf. fees ² £000s	£000s	bps	
Pooled assets							
Equities	999		3,523		4,522	29.3	7,710
Bonds			1,470		1,470	26.7	1,431
Real assets	212		5,132	1,284	6,628	487.8	
Private equity	73		3,068	424	3,566	530.8	
Private credit	107		2,532	652	3,292	446.6	
Total pooled assets	1,392		15,725	2,360	19,477	82.1	9,142
Non-pooled assets							
Equities		740	884	208	1,832	10.2	2,002
Bonds			111		111	5.3	(24)
Real assets			5,095	3,205	8,300	157.1	1,036
Private equity			2,389	2,703	5,092	344.1	
Derivatives/Overlays		275			275	--	18
Total non-pooled assets		1,015	8,479	6,116	15,611	58.7	3,033
Oversight, custodial and other costs					1,204	2.4	
LGPS pool fees					1,521	3.0	
Total oversight, custodial, pool and other costs⁵					2,725	5.4	
Total benchmarked costs⁶					37,813	75.1	

Please see appendix 2 for the full breakdown of all your mandates. See appendix 3 for the defaults that CEM applied for missing fees.

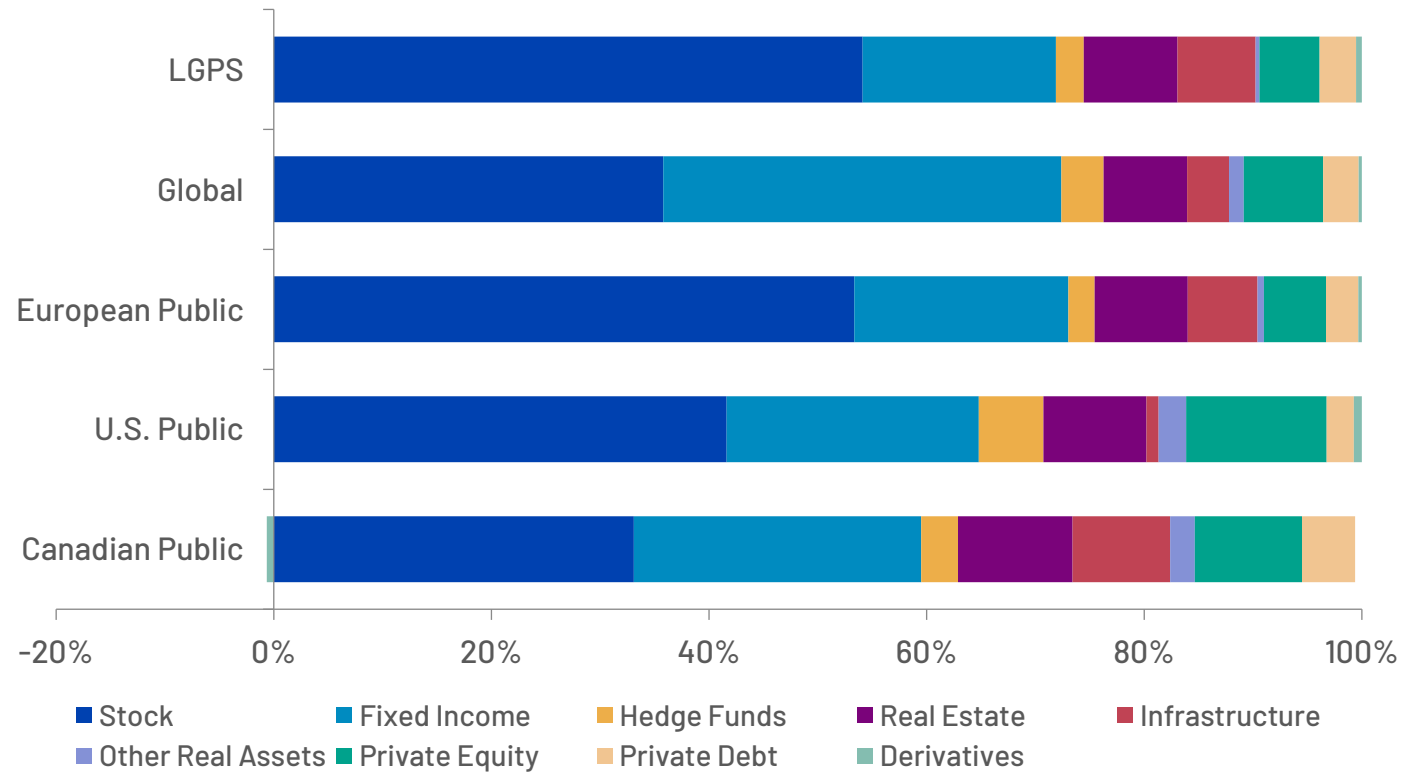
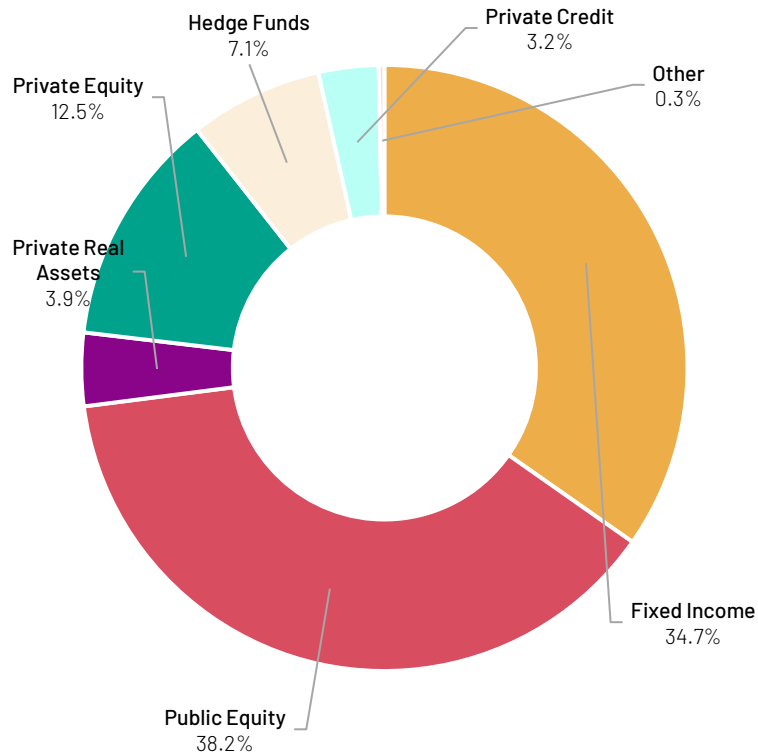
--Total bps for the new funds are not meaningful as the NAVs are low.

Lower costs are primarily owed to asset mix differences

CEM IBS Database Average Asset Mix (2022/23)

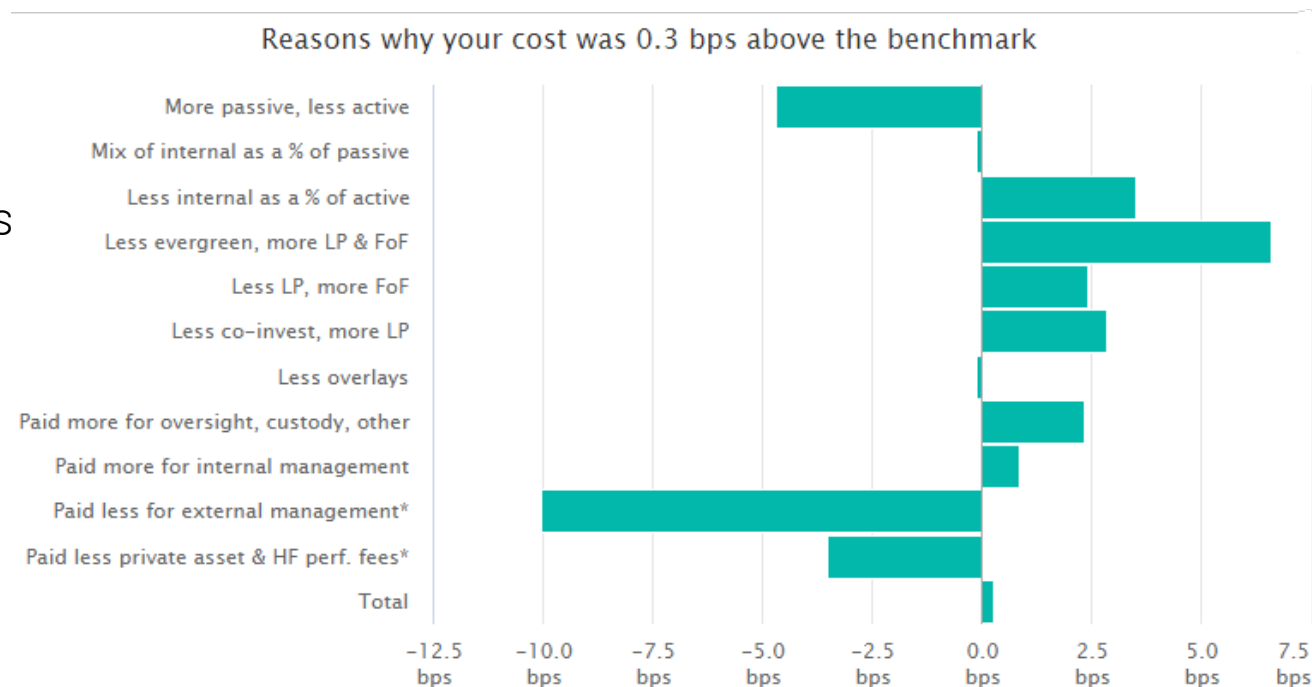
CEM IBS LGPS Average Asset Mix (2022/23)

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Surrey's costs are broadly in line with peers

- Your investment costs of 75.1 bps comparable with a peer benchmark of 74.8 bps
- You were 0.3bps above peer benchmark costs (vs 1.3 above in 2022)
- Higher use of passive management saved you 4.7 bps
- Pooled assets saved you 1.8 bps where there was a cost drag of 4.4 bps from the non-pooled assets.
 - Note: there was a combined cost drag of 2.3 bps allowing to oversight, custody and pool fees.
- More passive investment than peers, which is offset by higher use of Fund of Funds ("FoF") for implementation of your private assets programme
- Your total fund cost including private assets performance fees have decreased over time.

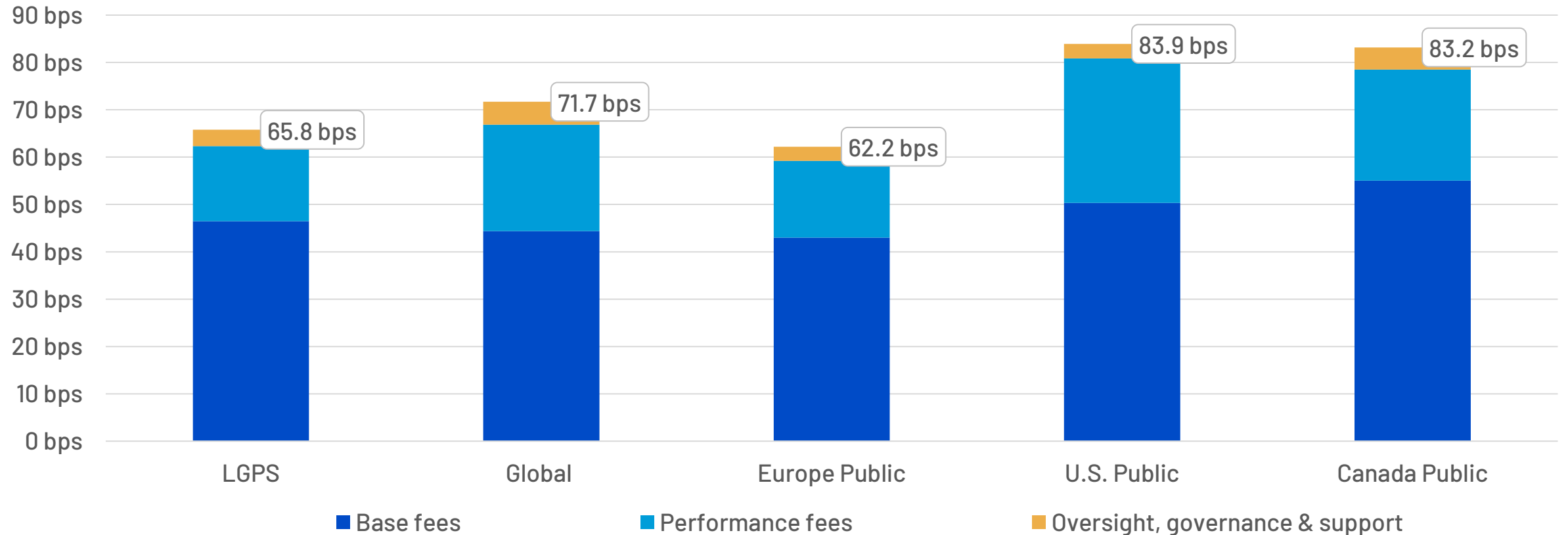




How does this compare with the wider CEM data base?

LGPS are lower cost compared to the global average on an absolute basis.

2022/23 investment costs in basis points (bps)



Measures of success and position relative to peers

- Net Value Added equals total net return minus the return that would have been achieved if investments had been made passively in line with strategic asset mix.
- Your Net Value Added over the 3-years to 31 March 2023 was 0.3%.
- This was below the median of 0.8% for the LGPS universe.
- Your cumulative 3-year positive net value added has added approximately £53 million to the funding of your plan.

(Your 3-year: net value added 33.3 bps, cost 4.8 bps)

