

TYNE AND WEAR COUNTY



*Superannuation
Fund*

REPORT AND ACCOUNTS 1989/90



Administered by
SOUTH TYNESIDE
METROPOLITAN BOROUGH COUNCIL



REPORT and ACCOUNTS

For the year ended 31st March 1990

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TYNE AND WEAR COUNTY SUPERANNUATION FUND

ADMINISTERING AUTHORITY :

SOUTH TYNESIDE METROPOLITAN BOROUGH COUNCIL

Members, Advisers and Officers 1989-90

Members

Chairman _____ : Councillor S. Hepburn, J.P.

Vice Chairman _____ : Councillor R.S. Haws, J.P.

Other Members

Borough of South Tyneside _____ : Councillor Mrs. E. Battye
: Councillor C. Bonnar, J.P.
: Councillor Mrs. M. Coyle
: Councillor A. Frost
: Councillor I. Malcolm
: Councillor J.R. Tyzack, J.P.

Gateshead M.B.C. _____ : Councillor A.S. Brown
(substitute - Councillor T.E. Bennett)

Newcastle City Council _____ : Councillor Dr. H. Russell
(substitute - Councillor C. Gray)

North Tyneside M.B.C. _____ : Councillor J.L.L. Harrison
(substitute - Councillor J. Seagroatt)

Sunderland M.B.C. _____ : Councillor T.M. Finnigan
(substitute - Councillor R.D. Tate)

Trades Union Representatives _____ : D. Conway GMBATU
: J.E. Foster NALGO

External Investment Managers

General Managers: _____ : Mercury Asset Management
Director - S.A. Zimmerman
Fund Manager - P.W. Urquhart
: Phillips and Drew Fund Management
Director - P. Meredith
Fund Manager - M. Murray

Specialist Managers :-

Japan, Pacific Basin and U.S.A. : M.I.M.
Germany : Capital Management International (Deutsche Bank)
Venture Capital : VenCap International Fund Managers (from 1.1.90)
Manager - M. Ashall

Property Adviser :- : Church, Charities and Local Authorities Fund Managers
Property Surveyor - J. McAuslan (until 13.12.89)

: Scottish Amicable Investment Managers (from 13.12.89)
Director - D. Hunter
Fund Manager - M. Dinsdale

Actuary _____ : R. Watson and Sons
Investment Services - R. Ashurst
Actuarial Services - G. McD. Bell

Director of Finance _____ : P.J. Haigh

REPORT OF THE DIRECTOR OF FINANCE

1989-90 marks the end of a decade in which pension funds have achieved consistently high rates of returns. Over the period 1980-81 to 1989-90 the Tyne and Wear County Superannuation Fund achieved an average annual investment return of 18.8% which compares with an average increase of 6.6% in the Retail Price Index over the same period.

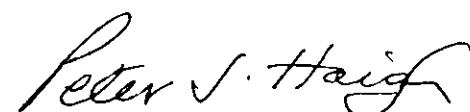
These high rates of return have enabled the employers primary rates of contribution to be reduced from 140% of the employees' rate in 1980-81 to zero with effect from 1st April 1988 following an interim actuarial review of the Fund. In the light of the introduction of the 75% funding rule and despite the Fund meeting the cost of the annual increases of pensions, with effect from 1st April 1990, the Fund's actuaries, R Watson & Sons, have been able to recommend the continuation of the zero rate of contribution following a full valuation of the Fund as at 31st March 1989.

For 1989-90 the fund achieved an investment return of 10.8% compared with a median pension fund return of 9.6%. This means the Fund has exceeded the median fund by more than 1% for the third year in succession.

During 1989-90 the level of benefit payments exceeded the level of contribution income by £10.7 million but investment income of £44.0 million meant that an additional £33.3 million was available for investment. Over the course of the year the value of the Fund increased from £781 million to £849 million.

The investment management arrangements are kept under regular review. During the year two new appointments were made. Scottish Amicable Investment Managers were appointed to replace C.C.L.A. Fund Managers following concern that the Fund was not acquiring a sufficient number of good quality property investments. VenCap International Fund Managers were chosen to create and manage a portfolio of venture capital funds. It is anticipated that up to £10 million will be invested in this area over a three year period.

Looking ahead, the increasing integration within the European Economic Community is likely to provide new challenges and new opportunities for the Fund. It remains to be seen whether this will prompt any major changes in asset allocation.



DIRECTOR OF FINANCE PETER J HAIGH

ADMINISTRATIVE ARRANGEMENTS

LEGAL BACKGROUND

On 1st April 1986 South Tyneside Metropolitan Borough Council became the administering authority for the Superannuation Fund set up for the Tyne and Wear County area .

The framework within which local authority superannuation funds operate is set out in the Local Government Superannuation Regulations 1986 and subsequent amendments. These regulations set out, on a national basis, the rates of contribution for various types of employee and method of calculation of benefits. As well as employees of the five district councils within the Tyne and Wear County area the Fund also includes employees of a number of other organisations which provide a public service within the County area. A full list of these organisations is given on page 10.

The Regulations also set out the areas in which investments can be made. These areas cover company and Government securities, property, and unit trusts but do not include commodities or works of art.

DELEGATION

The Borough has delegated to the Superannuation Committee, which meets quarterly, the task of controlling and resolving all matters relating to the Superannuation Fund and to the investment of the Superannuation Fund monies.

The Superannuation Committee consists of twelve members. Eight are nominated by South Tyneside Metropolitan Borough Council with the balance made up by one representative nominated by each of the other four district councils within the Tyne and Wear County area. In addition two representatives of the trades unions attend the Committee meetings.

INVESTMENT MANAGEMENT ARRANGEMENTS

For investment management purposes the Fund, after taking out property investments, is divided into three broadly equal portions. Two portions have been allocated to external managers with the remaining portion being managed in-house by the Director of Finance. Part of the in-house portfolio has been given over to specialist managers.

Property is considered separately by the Committee acting on the advice of the external property adviser and the Director of Finance.

At its meetings, the Committee receives and considers comprehensive reports covering all aspects of investment activity. Managers investment performance is reported on a quarterly basis with particular attention being paid to the annual performance analysis undertaken by the Combined Actuarial Performance Services (C.A.P.S.) whose analysis covers both public and private sector pension schemes.

The Committee sets down broad guidelines within which the managers must invest and reviews these guidelines at regular intervals in the light of prevailing economic and stockmarket conditions after taking into account the views of the investment managers.

At 31st March 1990 the investment ranges permitted by market value were :-

	Low %	High %
Fixed Interest and Index-Linked	10	35
U.K. Equities	45	70
Overseas Equities	10	30
Cash	0	10

PENSIONS ADMINISTRATION

The administration of matters relating to Scheme members' benefits is undertaken by the Director of Finance and matters of substance requiring either the Committee's awareness, or a formal administering authority decision, are reported to the Committee as and when they arise.

TYNE AND WEAR COUNTY SUPERANNUATION FUND

INVESTMENT REPORT

INVESTMENT STRATEGY

Although the managers of the three portions of the Fund have some freedom to pursue their own asset allocation strategies, some general trends did emerge. Almost half of the net investments were made overseas, both in bonds and equities, because of fears that the deteriorating inflationary and balance of trade situation in the U.K. might weaken the value of sterling. When analysed in a different way half of the net investments were in fixed interest, with the previously mentioned overseas bias. This was done because there were signs, on a world-wide basis, that the rate of economic growth was at last beginning to slow down following a prolonged expansionary phase.

The revenue account shows that an additional £33.3 million became available for investment. The net current assets (i.e. cash after allowing for debtors and creditors) were also reduced by £20.8 million so that a net £54.1 million was invested. This was invested as follows :-

	Net Investment £ million	Net Disinvestment £ million
UK Fixed Interest		8.5
Overseas Fixed Interest	27.2	
UK Index-Linked	6.1	
UK Equities	9.7	
Overseas Equities	20.2	
Property		0.6
	63.2	9.1

COMPOSITION OF PORTFOLIO

The combined effect of the investment transactions of the Fund and changes in the market value of the Fund has had the following effect on the composition of the portfolio :-

	Start of Year		End of Year	
	£'000	%	£'000	%
UK Fixed Interest	47,405	6.1	34,355	4.0
Overseas Fixed Interest	12,009	1.5	42,448	5.0
Index-Linked	24,170	3.1	28,468	3.4
U.K. Equities *	455,401	58.3	472,757	55.7
Overseas Equities *	129,304	16.6	177,639	20.9
Property *	40,441	5.2	41,972	5.0
Net Current Assets	71,797	9.2	51,017	6.0
	780,527	100.0	848,656	100.0

* Includes unit trusts

FACTORS INFLUENCING MARKETS

The main influences on the performances of the major investment markets have been as follows :-

U.K. Equities

U.K. Equities behaved in a volatile manner over the course of the year. The announcement of a consortium take over bid in July for B.A.T. which valued the company at £13 billion stimulated a sharp upward movement in the market. This led to increasing political worries which, following an open disagreement between the Prime Minister and the Chancellor of the Exchequer over the conduct of monetary policy, resulted in the resignation of the latter in October. During this period the market fell sharply. In the ensuing currency weakness it became clear, by the Government's inaction on interest rates, that there had been a change in policy away from maintaining a strong currency at all costs. This was seen as helping to improve the competitiveness of UK companies and prompted a rally in the markets which reached an all-time high in the first days of 1990. In the early months of 1990, rising interest rates on a world-wide basis resulted in another set-back.

Overseas Equities

(a) U.S. Equities

U.S. Equities rose continuously during the first-half of the year despite a low level of company profits growth. The main reason for this apparent anomaly was a high-level of take-over activity in the form of leveraged buy-outs. However the failure to find finance at a late stage for a buy-out of United Airlines in October led to a one-day fall in the market of almost 200 points. A gradual improvement in the level of the trade deficit, combined with an accommodative Federal policy in reducing interest rates, gave rise to expectations that a recession could be avoided and this produced some recovery in the market.

(b) Japan

Japanese equities continued their seemingly inexorable rise through the year until December despite some worries of inflationary pressures, some currency weakness during the year and political concerns. However the bubble burst in the first three months of 1990 due to a combination of factors. An unprecedented public disagreement between the Ministry of Finance and the institutions which showed that the Government was prepared to do something about sharply rising property prices, particularly in Tokyo, created some worries. The subsequent sharp fall in the market was accentuated by rising interest rates in a world-wide context and strains within the Japanese financial markets caused by an investment approach which had been built on the basis of constantly rising markets.

(c) Europe

European equity markets provided the best returns for 1989-90. The initial stimulus had been provided by the perceived benefits which would come from the removal of trade barriers from the countries within the European Economic Community in 1992. A subsequent stimulus was provided by developments within Eastern Europe which culminated in November 1989 with the opening of the Berlin Wall. It was hoped that the modernising of these countries would provide opportunities for the developed world.

Fixed Interest

U.K. bond prices drifted for most of 1989 as inflationary expectations gradually deteriorated, the Government's standing worsened sharply and the Government's Budget surplus of recent years looked like turning into a Budget deficit in the near future. Overseas bonds have benefited for much of 1989 from currency translation because of a weakening of sterling but, on a world-wide basis, bond prices fell sharply in the first quarter of 1990 on the realisation that the condition of the East German economy would necessitate the West German Government requiring to borrow at a much higher level than had initially been envisaged when reunification eventually takes place. Index-linked bonds benefited relative to UK bonds from the deteriorating inflationary background.

Property

In the property market, after two very strong years, there were signs of an increasing imbalance between an increased supply of new properties and a reduced demand for floor-space. This was particularly acute in London where the financial viability of some of the projects in the Docklands area has been called into question.

INVESTMENT RETURNS

The investment returns in sterling terms obtained by the Fund in 1989-90 both in aggregate and analysed over the major investment markets were as follows. Comparison is made with median and/or index returns as appropriate.

	Tyne and Wear Fund %	Median %	Index %
Aggregate	+ 10.8	+ 9.6	
U.K. Equities	+ 8.9	+ 7.4	+ 8.5
Overseas Equities	+ 21.6	+ 21.1	- 0.4
U.S.	+ 17.1	+ 22.7	+ 21.5
Japan	- 16.1	- 14.1	- 21.9
Europe	+ 44.0	+ 46.5	+ 40.2
U.K. Fixed Interest	- 2.9	- 3.5	- 8.9
Overseas Fixed Interest	+ 19.4	+ 12.9	
U.K. Index-Linked	+ 1.2	+ 1.2	+ 2.5
Property	+ 10.9	+ 9.8	

This is the fourth year for which South Tyneside Metropolitan Borough Council has been responsible for the stewardship of the Fund and the returns obtained over this period have been :-

	Tyne and Wear Fund %	Median Fund %
1986-87	+ 20.9	+ 22.3
1987-88	- 6.0	- 7.1
1988-89	+ 22.2	+ 21.0
1989-90	+ 10.8	+ 9.6

1986-87 represented a year of change so far as the Fund was concerned in that some weaknesses were apparent in the management arrangements that were inherited and which had been in existence since 1980. Management changes were made in both 1986 and 1987 and these resulted in an immediate improvement in the investment performance with the Fund out-performing the median Fund by just over 1% in each of the last three years.

SCHEME BENEFITS

LEGAL FRAMEWORK

The provisions of the Local Government Superannuation Scheme (LGSS) are contained in complex statutory regulations made, and amended when necessary, by the Secretary of State for the Environment and are ultimately approved by Parliament. The regulations apply nationally to all local authorities in England and Wales.

CURRENT EMPLOYEE MEMBERSHIP

Although from 6th April 1988 membership was by positive option only, from 1st April 1990 all new whole-time local government employees automatically become members of LGSS and part-time employees working at least 15 hours a week for at least 35 weeks a year may join if they wish.

At 31st March 1990 there were 34,173 current employees who were members of the scheme, (slightly more than the previous year's figure of 34,018) and the year saw 2,745 new members joining the scheme and 2,590 leavers. Over the last fifteen years membership has risen as follows :-

Year Ended	Contributors
31st March 1975	24,802
31st March 1980	31,987
31st March 1985	34,087
31st March 1990	34,173

Legislation allows all existing scheme members to terminate their membership at any time during their continuing employment in order to make alternative pension arrangements and during the year 397 employees did so (slightly more than 1% of membership).

CONTRIBUTIONS

An actuarial valuation was carried out on the Fund as at 31st March 1989 and the Actuary's formal report has confirmed that scheduled bodies (i.e., bodies which are compulsorily subject to LGSS) will not be required to pay employers' superannuation contributions for the period 1.4.90 to 31.3.93, when the next valuation will take effect.

This mirrors the position which has applied since 1.4.88 and whilst good investment performance has clearly been an important factor, two further factors are relevant. Firstly is the Government's decision to abandon, from 1.4.90, the pay as you go arrangements under which employers paid for pension increase costs, and to charge these costs directly to local authority superannuation funds. Secondly, as a mechanism to avoid any consequential increase in employers' contributions, the Government now require scheduled bodies' contributions to cover only 75% of their pension liabilities instead of the previous 100%.

However, it is likely that in the longer term employers' contributions will rise in order to cover the accumulated shortfall caused by the reduced funding level.

Admitted bodies (i.e., bodies which have applied to be subject to LGSS), whilst subject to the new pension increase arrangements, are not subject to the reduced funding level. From 1.4.90 these bodies will pay individually assessed employers' contributions at varying rates.

All bodies, whether scheduled or admitted, will continue to be separately invoiced for any discretionary added years costs (e.g. awarded on early retirement or redundancy) and pension increase payments thereon.

Employees' contributions are fixed by statute at 5% and 6% of pensionable pay for manual workers and officers respectively and are not variable.

BENEFITS

The LGSS provides an extensive range of guaranteed benefits for both employees and their dependants, including :-

- A pension and tax free lump sum on age or earlier ill health retirement (normally after at least 2 years' service)
- A pension and tax free lump sum on enforced early retirement or redundancy (for employees aged 50 or more with at least 2 years' service)
- Widows' and widowers' pensions,
- Children's pensions,
- Index linking of all pensions,
- Lump sum on death in service (and sometimes on death after retirement),
- Transfer values to other pension arrangements or index preserved benefits for early leavers,
- A refund of contributions where no other benefit is due.

Employees can normally increase their LGSS benefits by paying additional voluntary contributions.

PENSIONS

There were 15,922 pensioners receiving payment out of the Fund at 31st March 1990.

The increase in pensioners in the last fifteen years is illustrated by the following figures and is largely due to the increased number of employees retiring on grounds of ill health, redundancy, etc..

Year Ended	Pensioners
31st March 1975	3,767
31st March 1980	6,586
31st March 1985	11,057
31st March 1990	15,922

Pension increases based on increases in the Retail Prices Index continue to be a valuable feature of public service superannuation schemes and in particular the LGSS.

DEFERRED PENSIONS

The remaining major group of fund members, 5,999 on 31st March 1990, are former employees who left before retirement age and are entitled, as and when they reach retirement age, to the payment of superannuation benefits based on their accrued service.

ADMINISTRATIVE MATTERS

The voluntary membership provisions which were introduced in April 1988 have resulted in an increased emphasis on communication in pension matters and the Council distributes biannual pension newsletters and an annual report to all contributors and prospective contributors of all authorities which participate in the Fund.

In addition the members annual report is also distributed to all pensioners.

Pension awareness amongst employees is generally high and results in many pension enquiries being dealt with by the Council's Superannuation Section. Various information leaflets are available on request.



ORGANISATIONS PARTICIPATING IN THE FUND

	Members as at 31st March 1990	
	Contributors	Pensioners
METROPOLITAN DISTRICT COUNCILS		
Gateshead	5,689	2,368
Newcastle upon Tyne	7,723	3,603
North Tyneside	4,752	1,818
South Tyneside	3,727	1,919
Sunderland	6,525	3,265
Sub Totals	28,416	12,973
OTHER SCHEDULED BODIES		
Newcastle Upon Tyne Polytechnic	730	7
Sunderland Polytechnic	468	7
Tyne and Wear Passenger Transport Executive	846	1,639
Northumbria Police Authority (Civilian Employees)	1,282	400
Northumbria Probation and After-Care Committee	401	88
Tyne and Wear Fire and Civil Defence Authority	187	88
Tyne and Wear Passenger Transport Authority	119	17
Birtley Town Council	2	1
Former Tyne and Wear County Council	-	402
Former Tyne and Wear Residuary Body	-	29
Former North East Regional Airport	-	60
Sub Totals	4,035	2,738
ADMITTED BODIES		
Busways Travel Services Ltd.	978	16
Newcastle International Airport Company Ltd.	399	28
Port of Tyne Authority	2	18
Ozanam House	5	1
St. Mary's Training College	-	10
North Regional Library System	3	-
Northern Council for Further Education	14	7
North East Innovation and Development Company	10	1
North of England Development Council	-	8
Northern Arts Association	19	2
North Regional Examination Board	19	9
Benton Grange School	-	8
Northern Counties School for the Deaf	6	8
St. Mary Magdalene and Holy Jesus Charity	2	3
North and North Eastern Provincial Councils	6	-
Catholic Care North East	9	15
Workshops for the Adult Blind Joint Management Committee	100	55
Northumbria Tourist Board	21	6
Newcastle Theatre Royal Trust	13	6
Sunderland Empire Trust Ltd.	3	3
Borough of Sunderland Outdoor Activities Association	1	1
Newcastle upon Tyne Family Service Unit	8	-
Age Concern	17	3
Newcastle Community Law Centre	2	-
Newcastle Council for the Disabled	5	1
Praxis Service	1	-
Tyne and Wear Enterprise Trust Limited	10	-
Tyne and Wear Development Company	4	-
Northern Regional Council's Association	5	2
Park View Sports Complex	5	-
Tyne and Wear Development Corporation	43	-
Search Project	3	-
Wallsend Citizens Advice Bureau	2	-
Shiremoor Advice Centre	2	-
Tyneside Training and Enterprise Council	1	-
Sunderland Enterprise Agency	1	-
Tyne Theatre Trust Ltd.	3	-
Sub Totals	1,722	211
GRAND TOTALS	34,173	15,922

TYNE AND WEAR COUNTY SUPERANNUATION FUND

REPORT OF THE CONSULTING ACTUARIES

- Up to 31 March 1989, the benefits payable to members of the Fund fell into two parts :
 - the basic benefits arising under the Local Government Superannuation Regulations 1986 were funded, i.e. assets were built up over members' working lifetimes in order to cover the anticipated future payments so that provision of these benefits was backed by the assets held by the Fund;
 - the additional benefits which were mainly the pensions increases arising under the Pension (Increase) Acts; these additional benefits were not funded but were met on a pay-as-you-go basis when the increases fell due to be paid.
- During 1989, the Secretary of State for the Environment announced that, as from 1 April 1990, pension increases were to be funded in the same way as the basic benefits and that the pay-as-you-go treatment for these increases would be dropped, apart from a few cases where the former employer is no longer obliged to contribute to the Fund (e.g. where pensions increases were recharged to bodies such as Health and Water Authorities as a result of the 1974 reorganisations). At the same time, in order to avoid increases in contribution levels and to secure contribution reductions wherever possible, the Secretary of State announced that contribution levels should be set so that the assets held by the Fund would cover just 75% of the Fund's liabilities. Exceptions were made for admitted bodies and groups of employees "deemed" to be employees of Local Authorities (normally employees of Transport or Airport Companies) to have contributions set to maintain funds covering 100% of the liabilities. Regulations enshrining these proposals were made in March 1990. It is the stated intention of the Government to review the 75% level from time to time with a view to increasing it towards the 100% level, but no timetable for this has been announced.
- We have carried out a full actuarial investigation into the financial position of the Fund as at 31 March 1989. This investigation was primarily concerned with the new position where pensions increases are to be funded but where the funding "target" for Local Authority employers was to be able to meet 75% of the liabilities. The preliminary results of our investigation showed that the financial position of the Fund was highly satisfactory, with assets more than sufficient to cover 100% of the liabilities, even as increased by the imposition of liabilities for pension increases onto the Fund.
- Where the funding "target" for a body is 100% of the liabilities, contribution rates to apply from 1 April 1990 will generally show an increase from pensions costs (contributions to the Fund and pensions increase costs) charged in 1988/89. Where the funding "target" is 75% of liabilities, contribution rates will generally show a reduction from 1989/90 levels. A formal Certificate of contribution rates to be paid from 1 April 1990 will be issued when the formal valuation report is presented. The formal Statement required under the Disclosure of Information Regulations will be appended to the Report and Accounts for the year ended 31 March 1991.
- The next actuarial valuation of the Superannuation Fund will be carried out as at 31 March 1992.

R. Watson and Sons
Consulting Actuaries

TYNE AND WEAR COUNTY SUPERANNUATION FUND

REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH 1990

1988/89		1989/90
£		£
	CONTRIBUTIONS AND PENSIONS	
	INCOME	
106,075	Employers' Contribution	719,549
17,436,080	Employees' Contribution	18,628,738
2,732,040	Transfer Values	3,606,467
<u>20,274,195</u>		<u>22,954,754</u>
	EXPENDITURE	
28,684,384	Retirement Pensions	32,438,640
11,449,524	Less Recharges to Employing Authorities	12,949,937
<u>17,234,860</u>		<u>19,488,703</u>
7,163,140	Retirement Grants and Gratuity Payments	6,495,785
848,527	Death Grants	896,330
483,865	Return of Contributions	217,912
3,926,112	Transfer Values	5,681,942
510,725	Contributions Equivalent Premium	154,146
1,861,584	Contributions and Benefits Administration	710,437
<u>32,028,813</u>		<u>33,645,255</u>
(11,754,618)	Shortfall of Contributions over Benefits and Payments	(10,690,501)
	INVESTMENT INCOME & MANAGEMENT	
	INCOME	
39,383,349	Investment Income	45,615,515
213,717	Commissions and Other Income	152,676
<u>39,597,066</u>		<u>45,768,191</u>
	EXPENDITURE	
1,449,725	Investments Administration and Fees	1,476,386
579,273	Other Expenses	299,107
<u>2,028,998</u>		<u>1,775,493</u>
<u>37,568,068</u>	Net Income from Investments	<u>43,992,698</u>
<u>25,813,450</u>	NET INCOME AVAILABLE FOR INVESTMENT	<u>33,302,197</u>

TYNE AND WEAR COUNTY SUPERANNUATION FUND

NET ASSETS STATEMENT AS AT 31st MARCH 1990

1988/89		1989/90
£		£
	INVESTMENTS	
	QUOTED INVESTMENTS	
	Fixed Interest	
46,339,593	U.K. Government Conventional Stocks	32,974,729
23,192,719	U.K. Government Index-Linked Stocks	28,468,488
12,008,759	Overseas Bonds	41,448,852
977,305	Building Society Index-Linked Stock	999,164
724,090	Company Debentures	1,093,611
<u>83,242,466</u>		<u>104,984,844</u>
	Equities	
451,785,279	U.K.	459,495,229
105,686,501	Overseas	168,804,229
<u>557,471,780</u>		<u>628,299,458</u>
640,714,246	Total - Quoted Investments	733,284,302
	UNQUOTED INVESTMENTS	
2,206,985	U.K. Equities	2,106,350
1,408,984	U.K. Unit Trusts	11,155,183
23,617,539	Overseas Unit Trusts	8,834,613
3,210,607	U.K. Property Unit Trusts	4,551,559
7,035,284	Overseas Property Unit Trusts	7,715,124
25,340,000	Freehold Property	25,015,000
4,855,000	Leasehold Property	4,690,000
341,607	Long Term Mortgage Loans	286,966
<u>68,016,006</u>	Total - Unquoted Investments	<u>64,354,795</u>
708,730,252	Total - All Investments	797,639,097
	CURRENT ASSETS	
16,831,388	Debtors	13,915,829
62,247,219	Cash and Short Term Deposits	40,160,834 *
2,323,750	Overseas Currency Balances	1,359,104
<u>81,402,357</u>		<u>55,435,767</u>
	LESS: CURRENT LIABILITIES	
9,605,248	Creditors	4,418,445
<u>71,797,109</u>	Net Current Assets	<u>51,017,322</u>
<u>780,527,361</u>	TOTAL NET ASSETS	<u>848,656,419</u>

* Included in the balance of £40,160,834 shown as "Cash and Short Term Deposits" is £480,000 representing a loan to British and Commonwealth Merchant Bank plc which is currently in administration.

RECONCILIATION OF THE MOVEMENT OF THE NET ASSETS OF THE FUND 1.4.89 TO 31.3.90

	£	£
Net Assets as at 1.4.89		780,527,361
Net new money available for investment per Revenue Account		33,302,197
		<u>813,829,558</u>
Change in market value of investments :-		
Realised gains on investments sold during year	58,859,817	
Other variations in market value of investments	(24,032,956)	34,826,861
NET ASSETS AS AT 31.3.90		<u>848,656,419</u>

TYNE AND WEAR COUNTY SUPERANNUATION FUND

SUMMARY OF INVESTMENTS 1989/90

Category	Market Value 31/3/89 £	Book Value 1/4/89 £	Purchases 1989/90 £	Profit on Sales 1989/90 £
QUOTED INVESTMENTS				
Fixed Interest :-				
U.K. Government Conventional Stocks _____	46,339,593	47,699,509	77,712,688	394,154
U.K. Government Index-Linked Stocks _____	23,192,719	21,721,934	6,050,767	-
Overseas Bonds _____	12,008,759	12,141,569	64,020,992	2,080,475
Building Society Index-Linked Stock _____	977,305	980,001	-	-
Company Debentures _____	724,090	735,723	1,582,741	1,014,922
Equities :-				
U.K. _____	451,785,279	307,343,225	108,764,905	40,369,842
Overseas _____	105,686,501	96,992,244	119,513,862	18,443,080
Total - Quoted _____	640,714,246	487,614,205	377,645,955	62,302,473
UNQUOTED INVESTMENTS				
U.K. Equities _____	2,206,985	2,210,079	-	18,908
Unit Trusts :-				
U.K. _____	1,408,984	913,750	11,244,216	-
Overseas _____	23,617,539	23,418,344	5,351,863	6,626,548
Property Unit Trusts :-				
U.K. _____	3,210,607	1,519,782	-	-
Overseas _____	7,035,284	5,546,012	-	-
Property :-				
Freehold _____	25,340,000	20,653,437	75,000	-
Leasehold _____	4,855,000	4,395,134	-	228,812
Long Term				
Mortgage Loans _____	341,607	341,607	-	-
Total - Unquoted _____	68,016,006	58,998,145	16,671,079	6,874,268
Total - All Investments _____	708,730,252	546,612,350	394,317,034	69,176,741
CASH BALANCES				
Sterling _____	62,247,219	62,247,219	-	-
Foreign :-				
U.S. Dollars _____	937,384	915,201	-	-
Yen _____	1,031,492	1,025,776	-	-
Australian Dollars _____	25,357	26,191	-	-
Deutschemarks _____	329,517	326,910	-	-
Total - Foreign Currency _____	2,323,750	2,294,078	-	-
Total - Cash Balances _____	64,570,969	64,541,297	-	-
GRAND TOTAL _____	773,301,221	611,153,647	394,317,034	69,176,741

TYNE AND WEAR COUNTY SUPERANNUATION FUND

SUMMARY OF INVESTMENTS 1989/90

Losses on Sales 1989/90 £	Sale Proceeds 1989/90 £	Book Value 31/3/90 £	Market Value 31/3/90 £
3,079,599	85,800,944	36,925,808	32,974,729
-	-	27,772,701	28,468,488
103,472	36,808,481	41,331,083	41,448,852
-	-	980,001	999,164
58,872	2,021,864	1,252,650	1,093,611
4,848,767	110,162,300	341,466,905	459,495,229
2,216,900	77,005,196	155,727,090	168,804,229
10,307,610	311,798,785	605,456,238	733,284,302
-	119,543	2,109,444	2,106,350
-	-	12,157,966	11,155,183
-	27,646,364	7,750,391	8,834,613
-	-	1,519,782	4,551,559
-	-	5,546,012	7,715,124
9,314	134,951	20,584,172	25,015,000
-	558,743	4,065,203	4,690,000
-	54,641	286,966	286,966
9,314	28,514,242	54,019,936	64,354,795
10,316,924	340,313,027	659,476,174	797,639,097
-	-	40,160,834	40,160,834
-	-	1,096,163	1,061,060
-	-	238,497	226,469
-	-	2,458	2,484
-	-	61,498	69,091
-	-	1,398,616	1,359,104
-	-	41,559,450	41,519,938
10,316,924	340,313,027	701,035,624	839,159,035

TYNE AND WEAR COUNTY SUPERANNUATION FUND

NOTES ON COMPILATION OF THE ACCOUNTS

1. General

The Fund Accounts are prepared to accord with requirements in the Local Government Superannuation Regulations 1986 and "SORP 1 - Pension Scheme Accounts".

2. Employers' Contributions

As at 31st March 1987 an interim actuarial review of the Fund was undertaken by the Fund's Actuary and, due largely to high investment returns, the majority of employing authorities had their rate of pension contributions reduced to zero with effect from 1st April 1988.

Increases in benefits payable under Pensions (Increase) Acts are recovered by direct recharge to the last employing authority of the beneficiary.

3. Administration Expenses

The Local Government Superannuation Regulations 1986 permit costs incurred in connection with the administration of the Fund's investments to be charged against the Fund.

The Local Government Superannuation (Amendment) Regulations 1989 permit costs incurred in connection with pensions (benefits) administration to be charged against the Fund.

4. Valuation of Investments

The valuation of quoted investments and unit trusts is based on either the mid-market closing price on 31st March 1990 or the last such quoted price before that date.

Properties are shown as valued at 31st March 1990 by Drivers Jonas.

Unquoted investments have been valued internally.

5. Gains and Losses

Gains and losses on investments sold during the year have been calculated by reference to historic cost (including associated purchase costs such as stamp duty, commission). The profit or loss is then calculated by reference to the average historic cost of the investment in the books of the relevant investment manager at the date of sale.

6. Debtors and Creditors

Investment Income has been credited to the Fund on the date from which the stocks are quoted excluding the entitlement to the next dividend payment and is grossed up to allow for U.K. income tax and overseas withholding tax.

In all other cases debtors and creditors are raised for amounts outstanding at 31st March 1990.

7. Taxation

The Fund is a wholly exempt fund and is consequently subject to neither capital gains tax nor U.K. income tax. All investment income in the accounts is therefore shown gross of U.K. tax.

The Fund is, however, currently subject to withholding tax, usually at the rate of 15%, in some overseas countries where it has investments. In all cases the investment income has been grossed up but where tax is not recoverable the tax incurred has been shown as an expense.

The Fund is able to recover V.A.T. and the accounts are shown exclusive of this tax.

8. Investment Transactions

Investment transactions during the year consisted of sales of £340,313,027 and purchases of £394,317,034.

9. Underwriting

The Fund accepts a number of underwriting propositions throughout the course of the year. At 31st March 1990 commitments involving a potential outlay of £699,000 were unexpired.

10. Audit

The accounts are presented subject to audit.