

Tyne and Wear Pension Fund

Administered by South Tyneside Council



Members' Annual Report 2006/07

Dear Member

We are pleased to present the Members' Annual Report for 2006/07.

This is a summarised version of the Fund's formal Report and Accounts, which is available on our website at www.twpf.info.

This summary includes information on how the Fund is governed, and on its membership and funding strategy. It also sets out how the Fund is invested, and shows how its investments have performed.

Vision Statement

We have a Vision Statement to help us to improve the service we provide.

Our goal is to provide an attractive and affordable pension arrangement that is seen by employers and members as an important and valued part of the employment package.

We will:

- promote membership of the Fund
- keep employers' contributions as low and as stable as possible through effective management of the Fund
- work with our partners to provide high quality services to employers and members
- make pensions issues understandable to all.

We will know we are succeeding when:

- we are consistently achieving our investment objective
- there are sufficient assets to meet the liabilities
- we are consistently achieving our service standards
- we are recognised as being amongst the leading UK pension funds.

Governance

Our Pensions Committee is responsible for the control of the Fund and meets quarterly to consider all pension matters. The Committee has eighteen members. South Tyneside Council has legal responsibility for the Fund and nominates eight members, whilst the other four district councils within the County area each nominate one member. The trades unions and the employers nominate three members each, who sit on the Committee in an advisory capacity.

An Investment Panel undertakes an ongoing, detailed review of investment matters. This Panel consists of three members of the Pensions Committee, the Fund's external Investment Advisor and two Officers. The Panel reports to the Pensions Committee.

We hold annual meetings for the employers and trades unions. The issues discussed include investment performance, benefits and employers' contribution rates.

Membership

As at March 2007, there were 124 employing bodies and 101,019 members in the Fund. This is an increase of 3,583 over the membership of 97,436 as at 31st March 2006.

Membership of the Fund			
	31st March 2006	31st March 2007	Increase / (Decrease) over the year
Actives	48,986	48,647	(339)
Deferreds	18,887	21,151	2,264
Pensioners	29,563	31,221	1,658
Total Membership	97,436	101,019	3,583

Scheme Regulations and Pensions Administration

Our website provides information on the Scheme and links to other useful websites.

This has been a very busy year for the Pensions Service. There have been a number of regulatory changes to the Scheme and a new tax regime on pensions from April 2006.

We have responded to several consultation exercises on the proposals for a new scheme that will be introduced from April 2008. Details of the changes are included in newsletters and with your annual benefit statement.

During this busy period, we have continued to improve our services to members and employers. We have:

- Improved our processing times.
- Issued 6,191 welcome packs to new and rejoining members.
- Put 2,016 new pensions into payment.
- Welcomed 565 visitors to our offices and helped them with their pensions queries.
- Taken over 48,000 calls on the Helpline.

We regularly seek the views of members and employers on the services we offer. This year, surveys were issued to our active and retired members and to employers. We were pleased to see that 97% of active members and 98% of our retired members who responded stated they were satisfied with the service we provide, as did 91% of the employers who responded to their survey. Also, a number of helpful comments were received.

Funding Strategy

The Fund is valued every three years to ensure that there will be enough money to meet all promised benefits. This work is undertaken with our Actuary, Hewitt.

The latest valuation was undertaken as at March 2004. This valuation showed that the Fund had a funding shortfall, or deficit, with the assets being sufficient to meet only 64% of the pension liabilities. This figure is known as the funding level. Therefore, employers' contributions were raised from April 2005 in order to assist with closing this deficit.

The long term strategy for closing the deficit is set out in our Funding Strategy Statement, which is on our website. We consulted employers and considered their views when preparing the strategy. It includes a number of measures to assist employers to manage the increase in contributions, the most significant being an increase in the deficit recovery period for employers with a suitably strong financial position.

Preparations are in hand for the March 2007 valuation, which will include a review of strategy and will bring in revised employer contributions from April 2008.

We have been monitoring the estimated movements in the funding level since the 2004 valuation. As at May 2007, this monitoring was showing an improvement in the funding level to about 77%, but with the possibility that employer contribution rates may need to rise from April 2008, largely due to people living longer.

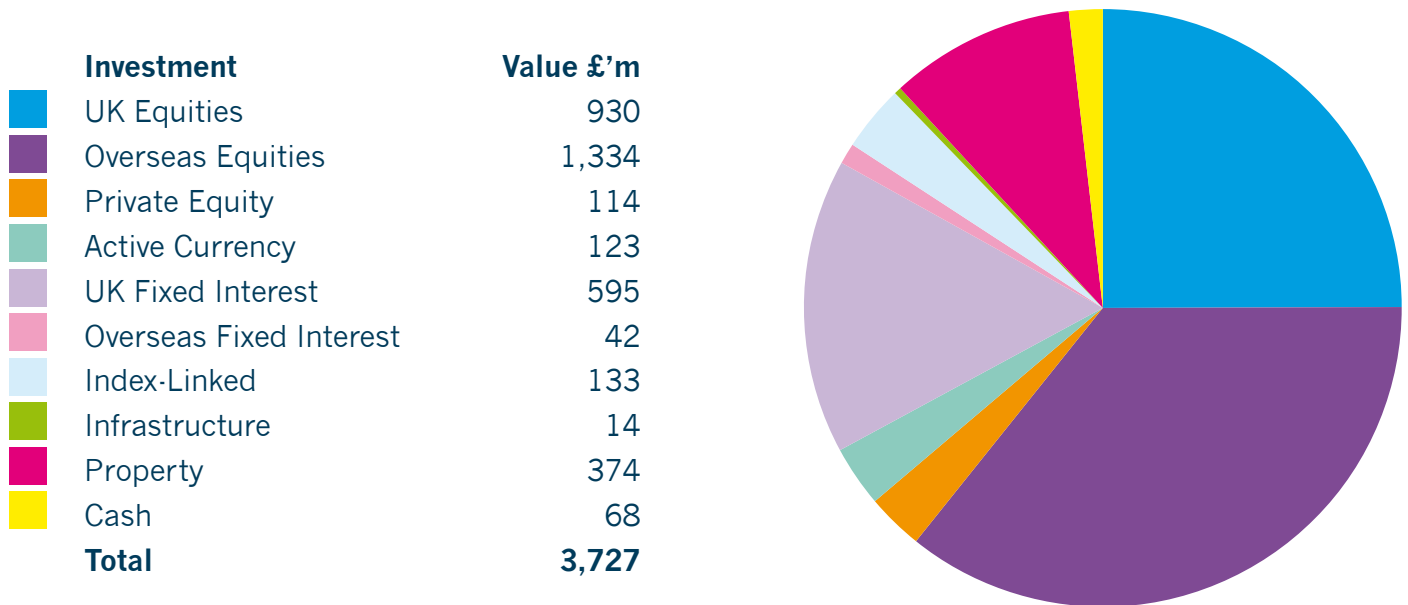
Please note that the Tyne and Wear Pension Fund is part of the Local Government Pension Scheme. Under the present legislation the benefits of the Scheme are not dependant upon the funding level, but are defined in law.

Summary of Accounts for 2006/07

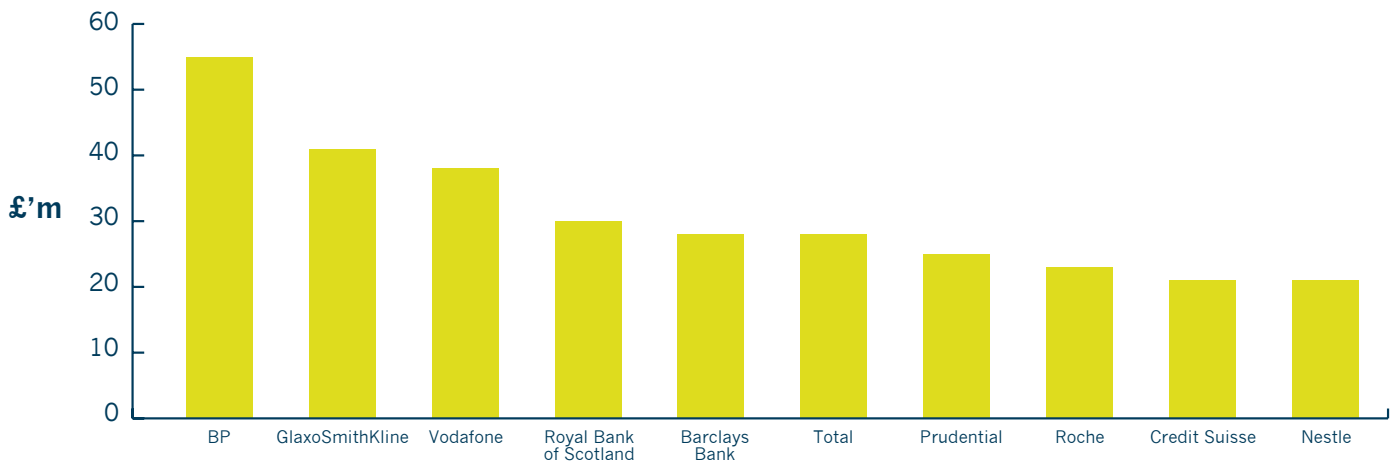
The statement below shows the Fund's Income and Expenditure for 2006/07.

Income	£'m	Expenditure	£'m
Employers' Contributions	180	Pensions	114
Employees' Contributions	51	Lump Sum Retiring Allowances	27
Transfer Values	11	Death Grants	2
Investment Income	71	Transfer Values and Refunds	12
		Administration Costs	2
Total Income	313	Total Expenditure	157
Net Income			156
Increase in the value of Investments			151
Total Increase in the value of the Fund			307
Value of the Fund as at 31st March 2006			3,420
Value of the Fund as at 31st March 2007			3,727

The value of the Fund as at 31st March 2007 was £3,727 million. This is invested into a range of UK and overseas assets, as shown below:



Our ten largest holdings (excluding managed and unitised funds) at the year end were:



Additional Voluntary Contributions

Income was received from Fund members who have taken out additional voluntary contributions with our two providers, The Prudential and Equitable Life. The total value of AVC funds at the year end was £7.5 million. These monies are invested separately and are not included in the figures above.

Investment Framework and the Statement of Investment Principles

Our approach to investing the Fund is set out in a document called the Statement of Investment Principles.

The Pensions Committee approved the latest version of the Statement in June 2007. A copy is available on our website.

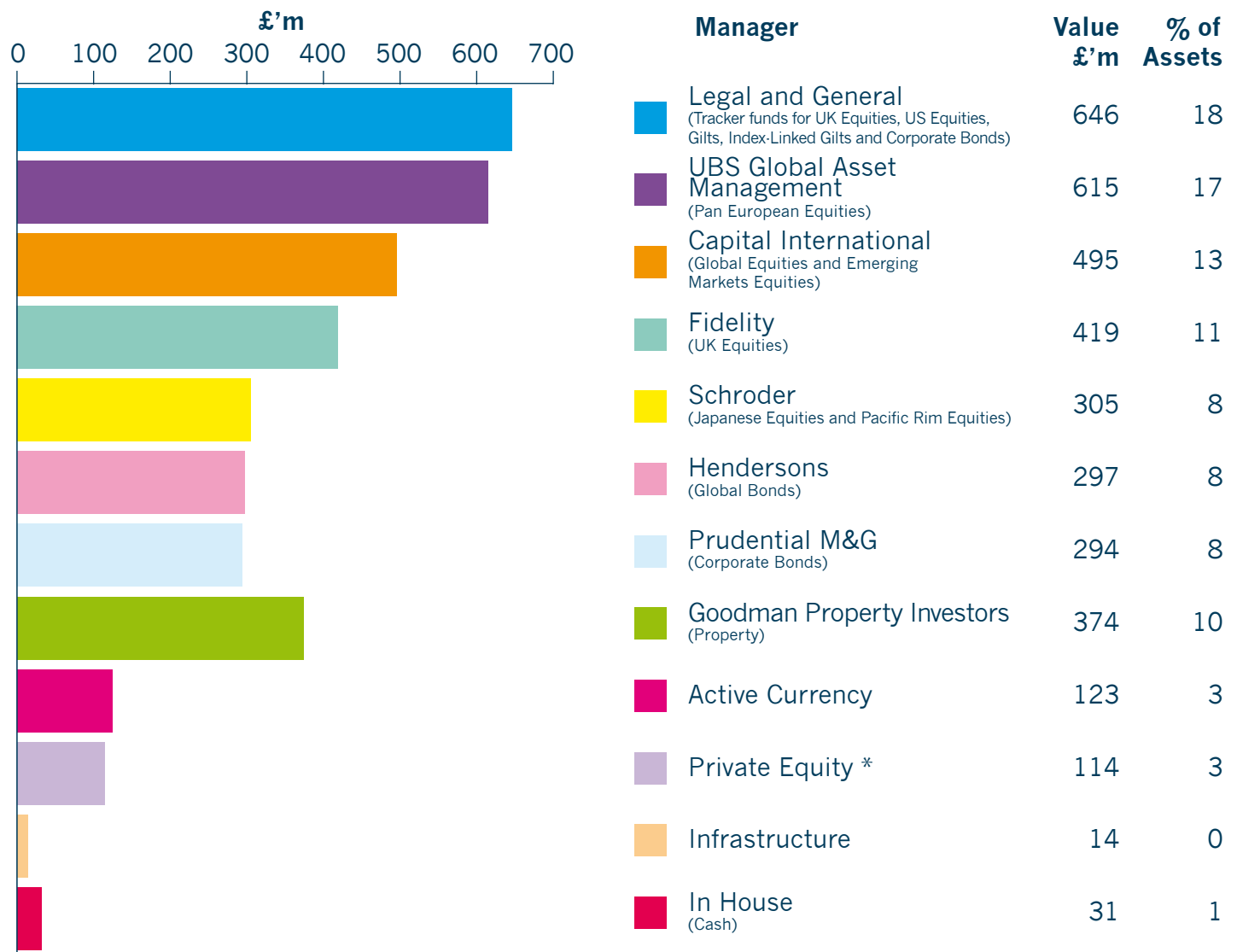
In the Statement we have set out our level of compliance with a Code of Investment Principles prepared by the Government. We are pleased to report that we are compliant with all ten of the Principles.

Investment Strategy and Management Structure

Our strategy is to invest 67.5% of the assets into equities, 22.5% into bonds and 10.0% into property. Within these figures, we have allocated 5% to private equity and 3% to active currency. To deliver this strategy, we employ eight investment managers who work on fourteen investment mandates. Each manager is a specialist in the market in which they invest.

In addition, a number of investments have been made into private equity funds offered by a range of providers. Two investments have been made in currency funds and one investment in an infrastructure fund. This broadly based management structure seeks to ensure that investment returns should not be overly influenced by the performance of any one manager.

The structure is:



* The allocation to private equity will be built up to 5%.

Market Environment

Returns from the global equity markets have been mixed. Pacific Rim ex Japan equities, Europe ex UK equities and UK equities all produced strong returns of between 11% and 13%, whilst returns from US equities were marginally negative. Japanese equities fell by about 10%.

Property continued to perform strongly and was the best performing asset class with a return of nearly 16%. Bond markets generally struggled in an environment where interest rates were rising.

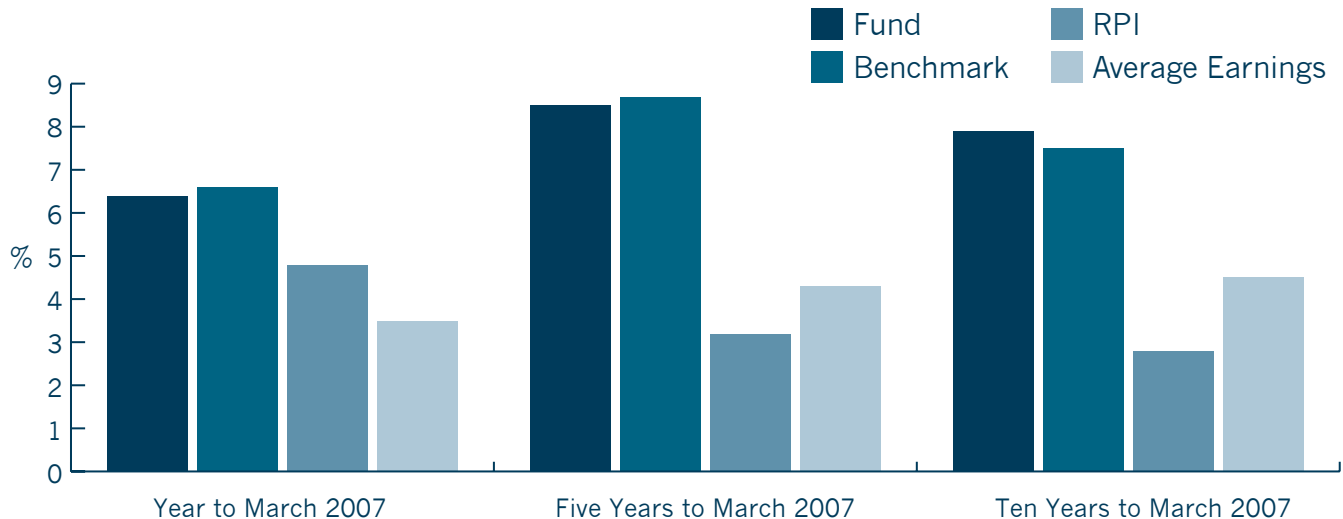
Investment Performance

Pension funds have been able to post positive returns for the fourth year in succession.

Our investment return for the year was 6.4%, which was 0.2% below the benchmark return of 6.6%.

Pension fund returns are generally assessed over at least five year periods in order to avoid taking too short term a view of investment performance.

The chart below shows the Fund's annual return over one year, five year and ten year periods.



The five year return is 8.5% per annum, which is 0.2% below the benchmark return of 8.7% per annum. This weaker return against the benchmark is due to poor performance from some of our equity managers. The Investment Panel and the Pensions Committee have been closely monitoring this position.

The ten year return is 7.9% per annum, which is 0.4% above the benchmark return of 7.5% per annum. The returns for all three periods are above both inflation and the increase in average earnings.

Corporate Governance, Voting and Socially Responsible Investment (SRI)

This is an important issue and the Pensions Committee takes its responsibilities in this area very seriously.

We last reviewed our approach in June 2007. We have a policy that sets out how social, environmental and ethical considerations are taken into account in the buying, holding and selling of investments and in the use of rights, such as votes, that attach to investments.

Our investment managers have to report on their implementation of this policy in their quarterly performance report and the subject is discussed regularly at meetings with them.

The policy is available on our website.

Councillor Eileen Leask
Chair of Pensions Committee

Stephen Moore
Head of Pensions

How to contact us

Our information is available in other ways on request.
We can provide information in other languages, Braille or large print.
We also have access to audio aids and BSL (British Sign Language) interpreters.

There are a number of ways you can get in touch with us.
If you need further information on the LGPS, please contact us at:



Postal Address
Tyne and Wear Pension Fund
PO Box 143
HEBBURN NE31 2WT



Pensions Helpline
Tel 0191 424 4141



Fax 0191 424 4171



Email pensions@twpf.info



Web www.twpf.info

Personal callers

You can visit us during office hours at the Civic Centre, Campbell Park Road, Hebburn, Tyne and Wear NE31 2SW. You don't need to make an appointment

Office hours

Monday to Thursday 8.30am to 5.00pm Friday 8.30am to 4.30pm.

Please quote your National Insurance Number and your Membership ID Number so we can quickly trace your records.