



Tyne and Wear Pension Fund
Members' Annual
Report 2011/12

Administered by South Tyneside Council

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 Tyne and Wear 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 a detailed, ongoing, 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 the investment strategy and performance, benefits and employers' contribution rates.

Membership

As at March 2012, there were 165 employing bodies and 113,616 members in the Fund. This is an increase of 1,382 over the membership of 112,234 as at March 2011.

	March 2011	March 2012
Active Members	46,671	43,822
Deferred Members	29,516	31,372
Pensioners	36,047	38,422
Total Membership	112,234	113,616
Employers	148	165

Funding Strategy

The Fund is valued every three years to ensure that there will be enough money to meet all the pension benefits.

The latest valuation was undertaken as at March 2010. This showed that there is a funding deficit, with the assets being sufficient to meet only 79% of the benefits.

For the 2010 valuation, an application of the strategy used for the 2007 valuation would have led to significant increases in most employers' contributions. The Pensions Committee recognised this situation and reviewed the strategy. This led to the adoption of a relaxed strategy for employers with a strong covenant through an increase to the interest rate that is used to calculate the benefits.

The next valuation will take place as at March 2013, when the Pensions Committee will review its strategy for clearing the deficit. We will be consulting employers and considering their views as part of this process.

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 dependent upon the funding level, but are defined in law.

Summary of Accounts for 2011/12

The statement below shows the Fund's Income and Expenditure for 2011/12:

Income and Expenditure

Income	£'m
Employers' Contributions	229
Employees' Contributions	58
Transfer Values	10
Investment Income	79
Total Income	376

Expenditure	£'m
Pensions	167
Lump Sum Retiring Allowances	78
Death Grants	6
Transfer Values and Refunds	11
Administration Costs	2
Total Expenditure	264

Net Income	112
Decrease in the value of Investments	-13
Total Increase in the value of the Fund	99
Value of the Fund as at 31 March 2011	4,742
Value of the Fund as at 31 March 2012	4,841

Summary of Accounts for 2011/12

The value of the Fund as at 31 March 2012 was £4,841 million. This is invested into a range of UK and overseas assets, as shown below:

Investment	Value £'m
UK Equities	1,284
Overseas Equities	1,473
Private Equity	488
Active Currency	102
UK Fixed Interest Bonds	753
Index-Linked Bonds	151
Infrastructure	82
Property	359
Global Property	87
Cash and other current assets	62
Total	4,841

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

	£'m
BG Group	36
Standard Chartered	32
HSBC	32
Rio Tinto	29
Compass Group	29
British American Tobacco	26
Royal Dutch Shell	24
Nestle	23
Vodafone	19
Diageo Corporation	19

Additional Voluntary Contributions

The Fund has two additional voluntary contribution (AVC) providers, The Prudential and Equitable Life. The total value of AVC funds at the year end was £9.0 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. This is available on our website at:

<http://www.twpf.info/CHttpHandler.ashx?id=12635&p=0>

The Statement shows our level of compliance with a Code of Investment Principles prepared by the Government. We are pleased to report that we are compliant with these Principles.

Investment Strategy

The investment strategy is comprised of 66% of the Fund in equities, 19% in bonds and cash, 12.5% in UK and global property and 2.5% in infrastructure. Within this structure, there is a 7.5% allocation to private equity and 3% in currency.

The strategy was reviewed in 2012 and it was concluded that it remains appropriate for the Fund. We have continued to develop the private equity, global property and infrastructure programmes whilst reducing exposure to active currency in the light of continued uncertainty in currency markets.

Investment Management Structure

To deliver the investment strategy, the Fund has appointed twelve investment managers to work on a range of investment mandates. Each manager is a specialist in the market in which they invest.

In addition, money has been allocated into funds that are invested into private equity, currencies, infrastructure and global property.

This broadly based management structure seeks to ensure that investment returns should not be overly influenced by the performance of any one strategy or manager.

The structure in place at the end of the year was:

Manager	Value £m	% of Assets
Legal and General (tracker funds for UK Equities, US Equities, European Equities, Index-Linked Gilts)	818	16.9
JP Morgan (Global Equities)	485	10.0
Sarasin (Global Equities)	480	9.9
UBS Global Asset Management (Pan European Equities)	428	8.8
M&G (Corporate Bonds)	396	8.2
Henderson (Bonds)	393	8.1
Aberdeen Property Investors (Property)	359	7.4
Mirabaud (UK Equities)	206	4.3
BlackRock (UK Equities)	206	4.3
Capital International (Emerging Markets Equities)	124	2.6
Lazard (Japanese Equities)	117	2.4
TT International (Asia Pacific ex Japan Equities)	50	1.0
Private Equity	468	9.7
Active Currency	102	2.1
Global Property	87	1.8
Infrastructure	82	1.7
In House (cash) and other current assets	40	0.8
Total	4,841	100.0

Market Environment

The year saw mixed fortunes in investment markets. There was a mid-year collapse in equity markets and an associated flight to safety due to economic concerns in the Eurozone and in the US. Accordingly, Index-Linked Gilts was the best performing asset class with a return of 21%, followed by Gilts at over 14%. Equity returns ranged from 7% in the US to -11% in Europe ex UK.

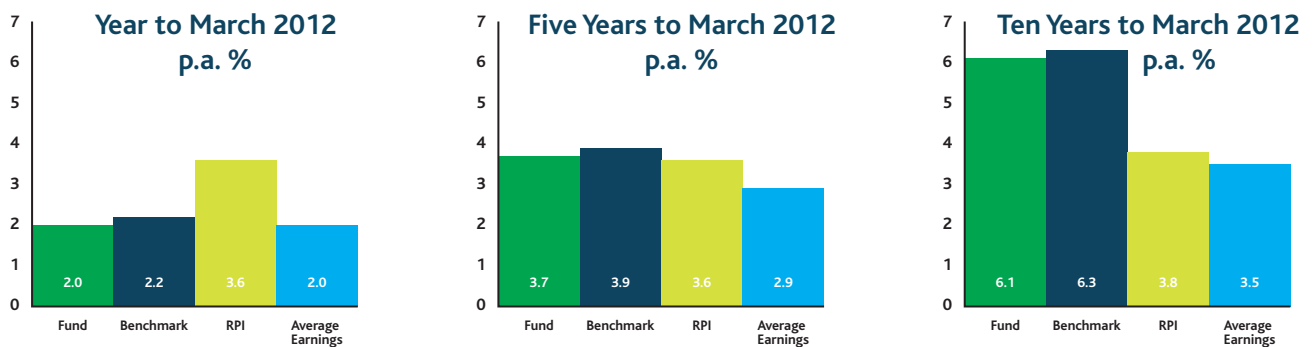
The return from UK equities is of particular importance to UK pension funds as a large proportion of their assets tends to be invested there. This market returned just over 1%.

Investment Performance

Our investment return for the year was 2.0%, which was 0.2% below the benchmark return of 2.2%.

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 3.7% per annum, which is 0.2% below the benchmark return of 3.9% per annum. The ten year return is 6.1% per annum, which is 0.2% below the benchmark return of 6.3% per annum.

The below benchmark returns are attributable in part to the volatile market conditions that have made it difficult for investment managers to apply a consistent strategy.

Corporate Governance

This is an important issue and the Pensions Committee takes its responsibilities in this area very seriously. The policy, which was last reviewed in June 2012, sets out how environmental, social and governance 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.

The policy is available on our website at:

<http://www.twpf.info/CHttpHandler.ashx?id=12636&p=0>

Councillor Jim Perry
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:



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



Pensions Helpline: Tel: 0191 424 4141 or 0845 625 4141
If you live outside the Tyne and Wear area, it may be cheaper to call our 0845 number - please check with your telephone service provider.



Fax: 0191 424 4171



Email: pensions@twpf.info



Web: www.twpf.info



Postcode for 'sat nav' systems NE31 2SW



Walk in Service

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.