

# Tyne and Wear Pension Fund

Administered by South Tyneside Council



## Members' Annual Report 2014/15



# 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 2015, there were 223 employing bodies and 125,736 members in the Fund. The increases from the previous year are shown below:

	March 2014	March 2015
Active Members	44,077	46,900
Deferred Members	35,440	36,367
Pensioners	41,778	42,469
<b>Total Membership</b>	<b>121,295</b>	<b>125,736</b>
<b>Employers</b>	<b>210</b>	<b>223</b>

## 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 2013. The Pensions Committee considered the strategy against that adopted for the previous valuation in 2010 and concluded that it was reasonable to adopt lower assumptions for the long term impact of inflation and pay awards. These changes, alongside the introduction of the new Scheme from April 2014, were positive factors for the outcome. On the negative side, it was necessary to strengthen the assumptions for longevity and a lower discount rate was used to reflect lower assumptions for future investment returns.

The outcome was a funding deficit, with the assets being sufficient to meet only 81% of the benefits. However, this is a small improvement from the position at the 2010 valuation. The Pensions Committee has a long term strategy in place to clear the deficit over future valuations.

The next valuation is taking place as at March 2016, 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.

# Summary of Accounts for 2014/15

The statement below shows the Fund's Income and Expenditure for 2014/15:

## Income and Expenditure

<b>Income</b>	<b>£'m</b>
Employers' Contributions	222
Employees' Contributions	55
Refund of payroll costs	2
Transfer Values Received	3
Net Investment Income	97
<b>Total Income</b>	<b>379</b>

<b>Expenditure</b>	<b>£'m</b>
Pensions	206
Lump Sum Retiring Allowances	36
Death Grants	6
Transfer Values and Refunds	114
Management Expenses	58
<b>Total Expenditure</b>	<b>420</b>

<b>Net Income/(Expenditure)</b>	<b>(41)</b>
<b>Increase in the value of investments</b>	<b>683</b>
<b>Value of the Fund as at 31 March 2014</b>	<b>5,736</b>
<b>Value of the Fund as at 31 March 2015</b>	<b>6,378</b>

# Summary of Accounts for 2014/15 continued

The value of the Fund as at 31 March 2015 was £6,378 million. This is invested into a range of UK and overseas assets, as shown below:

<b>Investment</b>	<b>Value £'m</b>
UK Equities	1,622
Overseas Equities	2,051
Private Equity	576
Active Currency	70
UK Fixed Interest Bonds	992
Overseas Fixed Interest Bonds	37
Index-Linked Bonds	139
Infrastructure	140
UK Property	303
Global Property	311
Cash and other current assets	137
<b>Total</b>	<b>6,378</b>

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

<b>Holding</b>	<b>Value £'m</b>
Shire	56
HSBC	44
Reckitt Benckiser Group	44
Next	41
Novartis	39
Compass Group	37
Volkswagen	32
Rio Tinto	31
Roche	30
Astra Zeneca	30

# Additional Voluntary Contributions

The Fund has two Additional Voluntary Contribution (AVC) providers, Prudential and Equitable Life. The total value of AVC funds at the year-end was £10.3 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 to invest 66% of the Fund into equities, 19% into bonds, 12.5% into UK and global property and 2.5% into infrastructure. Within this structure, there is a 7.5% allocation to private equity and a 1% allocation to currency strategies.

The strategy was reviewed in 2014/15 and it was concluded that it remains appropriate for the Fund, with the only change being a 4% switch from UK equities to overseas equities. This switch has been completed in 2015/16. We continue to develop the private equity, global property and infrastructure programmes.

# Investment Management Structure

To deliver the investment strategy, the Fund has appointed eleven 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, infrastructure, global property and currencies.

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, Emerging Market Equities, Index-Linked Gilts, Emerging Market Local Currency Government Bonds)	1,028	16.0
JP Morgan (Global and Emerging Market Equities)	789	12.3
Sarasin (Global Equities)	669	10.5
UBS Global Asset Management (Pan European Equities)	592	9.3
M&G (Corporate Bonds)	567	8.9
Henderson (Bonds)	483	7.6
Aberdeen Property Investors (Property)	303	4.8
Mirabaud (UK Equities)	275	4.3
BlackRock (UK Equities)	288	4.5
Lazard (Japanese Equities)	155	2.4
TT International (Asia Pacific ex Japan Equities)	61	1.0
Private Equity	572	9.0
Active Currency	70	1.1
Global Property	311	4.9
Infrastructure	140	2.2
In House (cash) and other current assets	75	1.2
<b>Total</b>	<b>6,378</b>	<b>100.0</b>

# Market Environment

There was a wide range of returns from the main asset classes during the year.

The strongest performing markets were Japanese equities with a return of 27.1%, followed by US equities at 26.5%.

The poorest performer was Cash with a return of 0.4%.

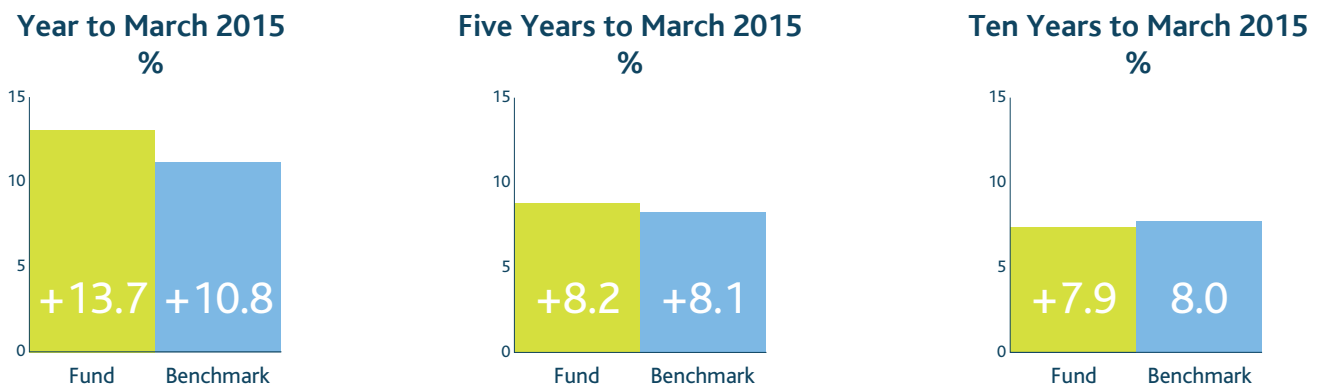
The return from UK equities is of particular importance to UK pension funds as a large proportion of their assets tend to be invested there. This market returned 6.6%.

## Investment Performance

Our investment return for the year was 13.7%, which was 2.9% above the benchmark return of 10.8%.

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 8.2% per annum, which is 0.1% above the benchmark return of 8.1% per annum. The ten year return is 7.9% per annum, which is 0.1% below the benchmark return of 8.0% per annum.

The below benchmark return over ten years is attributable in part to the volatile market conditions that have made it difficult for investment managers to apply a consistent strategy. Poor performance from the UK property portfolio has also detracted from returns.

## 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 2015, 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 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:



**Tyne and Wear Pension Fund, PO Box 212,  
South Shields, NE33 9ER**



**Pensions Helpline: Tel: 0191 424 4141**

If you want to talk to us, please call the Pensions Helpline,  
Monday to Thursday 8.30am to 5.00pm, and on Friday 8.30am  
to 4.30pm.

Outside of office hours and during busy times, you can leave us  
a message and a convenient day time telephone number and  
we will contact you. We aim to call you back within 5 working  
hours.

You will need to provide three forms of identification before we  
can provide any personal details.

We will not be able to provide information to anyone else on  
your behalf unless you are present during the call and authorise  
us to do so.



**Email: [pensions@twpf.info](mailto:pensions@twpf.info)**



**Web: [www.twpf.info](http://www.twpf.info)**



**Postcode for 'sat nav' systems NE33 2RL**

## Walk in Service

You can visit us at our offices from Monday to Thursday from  
8.30am to 4.30pm, and on Friday from 8.30am to 4.00pm, at the  
Town Hall and Civic Offices, Westoe Road, South Shields, Tyne  
and Wear, NE33 2RL.

You do not need to make an appointment, but we ask that you  
allow sufficient time to visit us before we close.

