

TYNE AND WEAR COUNTY



Superannuation Fund

REPORT AND ACCOUNTS 1990/91



Administered by
SOUTH TYNESIDE
METROPOLITAN BOROUGH COUNCIL



REPORT and ACCOUNTS

For the year ended 31st March 1991

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TYNE AND WEAR COUNTY SUPERANNUATION FUND**ADMINISTERING AUTHORITY
SOUTH TYNESIDE METROPOLITAN BOROUGH COUNCIL
Members, Advisers and Officers 1990/91****Members**

Chairman _____ : Councillor S. Hepburn
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 R.C. Robson
: Councillor J.R. Tyzack, J.P.

Gateshead M.B.C. _____ : Councillor A.S. Brown
(substitute - Councillor H. Smiles)

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 R.D. Tate (until October 1990)
: Councillor Mrs. L.A.F. Bramfitt (from October 1990)
(substitute - Councillor Mrs. L.A.F. Bramfitt (until October 1990)
- Councillor P. Young (from October 1990))

Trade Union Representatives : D. Conway GMBATU
: J.E. Foster NALGO
: J.J. Wilson UCATT (from February 1991)

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
Manager - M. Ashall

Property Adviser :- : Scottish Amicable Investment Managers
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 DIRECTOR OF FINANCE

In my report for 1989/90 I commented that 1989/90 marked the end of a decade in which pension funds had achieved consistently high rates of return and hinted that increasing integration within the European Economic Community was likely to provide new challenges and opportunities for the Fund in the 1990s.

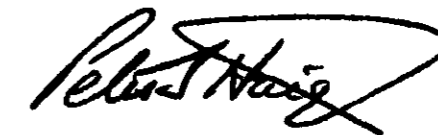
In the event, the major influence during the year on investment markets was the invasion of Kuwait by Iraq and the subsequent war. Combined with this was a realisation that the major Western economies of the U.S. and the U.K. were moving into recession and, in addition, the future direction of the eastern European countries became even more uncertain. Despite all of these gloomy factors the investment markets survived a roller-coaster ride and over the year the Fund achieved a positive return of 8.7% which matched the median pension fund return.

Sterling did join the European Monetary System in October 1990 to help in further strengthening the ties within Europe and the U.K. currency strengthened in the run-up to this event. This enabled U.K. investment markets to provide better returns than the other major world markets when expressed in terms of sterling.

Whilst the Fund's attention was preoccupied with the above events the Department of the Environment provided an unwanted distraction when the practice which is common to both public and private sectors of appointing external managers to undertake discretionary investment was questioned. Fortunately common sense prevailed and Regulations which permitted existing practices to be maintained were introduced with effect from 31st December, 1990.

During 1990/91 the level of benefit payments exceeded the level of contribution income by £23.7 million but investment income of £44.1 million meant that an additional £20.4 million was available for investment. This lower net cash flow into the Fund reflects the costs of the index-linked element of pensions which are now being met from the Fund. In addition the number of pensioners rose from 15,922 at 31st March, 1990 to 16,995 at 31st March, 1991 whilst over the same period the number of contributors fell from 34,173 to 33,039. Despite this lower cash inflow the Fund's actuaries, R. Watson and Sons, were able to recommend the continuation beyond 1st April, 1990 of the employers' zero rate contribution when valuing the Fund in accordance with the 75% funding rule.

As to the outlook, investment markets have in recent years become increasingly volatile and equities are currently reflecting hopes that it will not be too long before world economies embark on a renewed growth phase. Provided that these hopes are not dashed, the Fund's healthy financial condition should continue.



**PETER J. HAIGH
DIRECTOR OF FINANCE**

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 12.

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 thirteen members. Nine 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 three 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, 1991 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.

INVESTMENT REPORT

INVESTMENT STRATEGY

The managers of the three portions of the Fund each have an element of discretion in their asset allocation strategies subject to complying with the investment guidelines set down by the Committee. Nevertheless some general trends did emerge. There was a general move away from sterling based investments, particularly after entry into the E.M.S., on a realisation that it would take some time to adjust to the additional restraints that the E.M.S. imposes. Over £62 million was realised from U.K. investments of which almost 60% was from equities and the balance from Government stocks. Most of this money was invested in overseas fixed interest as bonds were expected to perform better in a climate where it was apparent that economic activity was slowing down. The proportion of the Fund invested in property was also increased whilst that sector remains out of favour.

The revenue account shows that an additional £20.4 million became available for investment. The net current assets were increased by £7.7 million (after allowing for currency translations) so that a net £12.7 million was invested. This was invested as follows :-

	Net Investment £'000	Net Disinvestment £'000
U.K. Fixed Interest		22,705
Overseas Fixed Interest	55,818	
U.K. Index-Linked		2,009
U.K. Equities *		37,702
Overseas Equities *	10,137	
Property *	9,117	
	<u>75,072</u>	<u>62,416</u>

*Includes unit trusts

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	%
U.K. Fixed Interest	34,355	4.0	15,529	1.8
Overseas Fixed Interest	41,449	4.9	100,663	11.4
Index-Linked	29,467	3.5	29,656	3.4
U.K. Equities *	472,757	55.7	460,221	52.1
Overseas Equities *	177,639	20.9	174,885	19.8
Property *	41,972	5.0	43,318	4.9
Net Current Assets	<u>51,017</u>	<u>6.0</u>	<u>58,942</u>	<u>6.6</u>
	<u>848,656</u>	<u>100.0</u>	<u>883,214</u>	<u>100.0</u>

* Includes unit trusts

FACTORS INFLUENCING MARKETS

The dominating influence for all investment markets during 1990/91 was the invasion of Kuwait by Iraq in early August 1990. The delay until hostilities commenced allowed investors to worry about the effects on the oil price of any major destruction of oil production facilities in Iraq and Saudi Arabia. These worries pushed up the price of oil to above \$40 for a short period of time. The implication of such a price on the level of economic activity, given that there were already signs that the world economy was beginning to slow down, resulted in sharp falls in all equity markets during August and September. Fighting actually commenced in January 1991 and when it became clear that Saudi Arabian oil production facilities would remain relatively unscathed equity markets recovered on the basis that worst fears would not be realised.

Other factors affecting individual equity markets were as follows :-

(a) U.K.

For much of 1990 sterling strengthened in anticipation of entry into the European Monetary System (E.M.S.) ahead of the next General Election as it was felt that the E.M.S. would provide a lower support level for sterling and the interest rate differential would consequently attract overseas investors. Company announcements in September 1990 highlighted that the economy had experienced a significant deterioration from June 1990 and this prompted additional weakness in the equity market.

TYNE AND WEAR COUNTY SUPERANNUATION FUND

The surprise announcement of entry into the E.M.S. on 5th October, 1990 with a coincident reduction of 1% in the base rate produced an immediate uplift of almost 10% in the index. On reflection it was thought that the base rate reduction had been made prematurely and this resulted in sterling falling towards the lower end of its E.M.S. range. It was not until February 1991 that sterling had strengthened sufficiently for further reductions to be possible. The expectation that these reductions would eventually trigger a recovery in the economy encouraged investors to move the stock market towards all-time high levels. The best returns tended to come from large companies whose profits had held up well.

(b) U.S.

The U.S. was the first of the major countries to exhibit a slowing down in the rate of growth. This, combined with the poor condition of the banking system, brought fears of a recession. However, a willingness by the Federal Reserve to reduce interest rates, commencing in the second half of 1990, reassured the equity market although it resulted in a weakening of the dollar. These cuts continued into 1991 and when signs began to emerge of an imminent economic recovery the market reached new highs and the dollar began to strengthen.

(c) Japan

With signs that the Japanese Government were determined to continue with a tight monetary policy there was no real prospect of any significant recovery in the equity market from the falls seen in the first quarter of 1990 and this proved to be the case. Indeed interest rates were raised further in September 1990 and maintained at this level to reinforce the view that land and property prices would have to fall substantially from their high levels. By the end of March 1991 there were some hopes that the economy had cooled down sufficiently to enable interest rate reductions to be considered by the Bank of Japan.

(d) Pacific Rim

The Pacific Rim countries such as Singapore, Malaysia, Korea, Thailand and Hong Kong have attracted investors over the last few years as some of these countries have become a manufacturing base for Japan and consequently their rates of economic growth have moved towards that of Japan whilst their equity markets are much more lowly rated.

Bonds

As growth in world economies has shown signs of turning down, bond markets have become more attractive as the mechanism which will eventually trigger the next phase of growth is a reduction in interest rates. Reductions in interest rates have already occurred in the U.S. and U.K. and this has reduced yields on bonds and as a consequence increased their capital values.

Property

U.K. property investments did not perform well during 1990/91. There were two major areas of difficulty. Firstly, retailers were finding trading conditions difficult and some closed a number of their outlets. This exerted a damping effect on rental levels which in turn raised the yields and reduced the value of shop investments. In the London office market an excess of available floor space had a similar effect which was compounded by an absence of overseas buyers compared with recent years.

INVESTMENT RETURNS

The investment returns in sterling terms obtained by the Fund in 1990/91, 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	+ 8.7	+ 8.7	
U.K. Equities	+14.8	+13.7	+12.8
Overseas Equities	- 6.2	- 4.4	- 1.1
U.S.	+ 2.9	+ 8.5	+ 7.8
Japan	- 1.1	- 4.2	- 6.2
Europe	-14.9	-14.1	-14.2
Pacific Rim	+ 7.0	- 4.5	+ 5.4
U.K. Fixed Interest	*	+25.0	+25.5
Overseas Fixed Interest	+ 9.7	+13.2	+ 7.0
U.K. Index-Linked	+11.1	+12.5	+13.4
Property	-2.5	- 8.7	-11.6

* It was not possible to provide an accurate return because of a major change in the amounts allocated to this sector.

TYNE AND WEAR COUNTY SUPERANNUATION FUND

This is the fifth 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
1990 / 91	+8.7	+8.7

These figures can be aggregated and expressed as annual compound returns obtained over multi-year periods, as follows :-

	Tyne and Wear Fund	Median Fund
	%	%
2 years to 31st March, 1991	+9.8	+9.2
3 years to 31st March, 1991	+13.8	+13.0
4 years to 31st March, 1991	+8.5	+7.7
5 years to 31st March, 1991	+10.8	+10.5

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 of the Fund, which is reflected in a consistent out-performance against the median over periods up to five 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

From 1st April, 1990 all new whole-time local government employees automatically become members of LGSS (unless they elect not to do so) 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, 1991 there were 33,039 current employees who were members of the scheme, and the year saw 2,517 new members joining the scheme and 3,652 leavers. Since 31st March, 1975 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 481 employees did so. However, there is provision for such employees to rejoin LGSS and an increasing number are doing so.

CONTRIBUTIONS

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

Admitted bodies (i.e. bodies which have applied to be subject to LGSS) are required to pay an individually assessed rate of employers contribution during the same period.

The differing rates applicable to scheduled and admitted bodies reflect the Government's decision to require scheduled body pension contributions to cover only 75% of their pension liabilities. This is a mechanism to avoid any increase in their contributions which may have arisen due to the transfer of pension increase liabilities to superannuation funds (instead of being a direct charge on the authority). Admitted body pension contributions must continue to cover 100% of their pension liabilities inclusive of pension increase.

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 linked preserved benefits for early leavers,
- A refund of contributions where no other benefit is due.
- Facilities for paying additional contributions to provide additional benefits.

PENSIONS

There were 16,995 pensioners receiving payment out of the Fund at 31st March 1991.

The increase in pensioners since 31st March 1975 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, which reflect increases in the Retail Prices Index, continue to be a valuable feature of the LGSS.

DEFERRED PENSIONS

The remaining major group of fund members, 7,012 on 31st March 1991, are former employees who left before retirement age (or opted out whilst continuing to be employed) and are entitled, as and when they reach retirement age, to the payment of superannuation benefits based on their accrued service.

ADMINISTRATIVE MATTERS

The Council's superannuation administration is in the process of being fully computerised with a view to increasing efficiency and the ability to provide an improved service to employing authorities scheme members and pensioners. The new system will be introduced in April 1992 but is not expected to be fully operational until 1994.

Much attention continues to be focused on equality between men and women in pension scheme provision. However, clarification of a recent European Court ruling is necessary before schemes can be amended and although LGSS does not offend the principle of equality to any substantial degree, changes in some areas are likely.

The Government have appointed a Pensions Ombudsman to deal with complaints from occupational and personal pension scheme members. So far as LGSS is concerned the Ombudsman will only deal with maladministration cases and the existing appeals mechanism operated by the Secretary of State for the Environment will continue to apply in cases involving matters of fact and law.

ORGANISATIONS PARTICIPATING IN THE FUND

	Members as at 31st March 1991	
	Contributors	Pensioners
METROPOLITAN DISTRICT COUNCILS		
Gateshead	5,642	2,562
Newcastle upon Tyne	7,491	3,838
North Tyneside	3,994	2,086
South Tyneside	3,759	2,039
Sunderland	6,297	3,430
Sub Totals	27,183	13,955
OTHER SCHEDULED BODIES		
Newcastle Upon Tyne Polytechnic	765	19
Sunderland Polytechnic	477	19
Tyne and Wear Passenger Transport Executive	847	1,628
Northumbria Police Authority (Civilian Employees)	1,334	428
Northumbria Probation and After-Care Committee	422	95
Tyne and Wear Fire and Civil Defence Authority	188	95
Tyne and Wear Passenger Transport Authority	116	26
Birtley Town Council	3	1
Former Tyne and Wear County Council	-	394
Former Tyne and Wear Residuary Body	-	29
Former North East Regional Airport	-	57
Sub Totals	4,152	2,791
ADMITTED BODIES		
Busways Travel Services Ltd.	921	37
Newcastle International Airport Company Ltd.	408	36
Port of Tyne Authority	2	18
Ozanam House	3	1
St. Mary's Training College	-	10
North Regional Library System	4	-
Northern Council for Further Education	15	7
North East Innovation and Development Company	9	2
North of England Development Council	-	8
Northern Arts Association	18	2
North Regional Examination Board	33	9
Benton Grange School	-	9
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	19	14
Workshops for the Adult Blind Joint Management Committee	100	58
Northumbria Tourist Board	22	7
Newcastle Theatre Royal Trust	13	9
Sunderland Empire Trust Ltd.	3	3
Borough of Sunderland Outdoor Activities Association	1	-
Newcastle upon Tyne Family Service Unit	6	-
Age Concern	20	4
Newcastle Community Law Centre	2	-
Newcastle Council for the Disabled	8	1
Praxis Service	1	-
Tyne and Wear Enterprise Trust Ltd.	10	-
Tyne and Wear Development Company	2	-
Northern Regional Council's Association	6	2
Park View Sports Complex	4	-
Tyne and Wear Development Corporation	47	1
Search Project	3	-
Wallsend Citizens Advice Bureau	2	-
Shiremoor Advice Centre	2	-
Tyneside Training and Enterprise Council	4	-
Sunderland Enterprise Agency	1	-
Tyne Theatre Trust Ltd.	-	-
South Tyneside Groundwork Trust	1	-
Sub Totals	1,704	249
GRAND TOTALS	33,039	16,995

TYNE AND WEAR COUNTY SUPERANNUATION FUND

REPORT OF THE ACTUARY FOR THE YEAR ENDED 31st MARCH, 1991

- (1) Up to 31st March, 1989 the benefits payable to members of the Fund fell into two parts :-
 - (a) The basic benefits arising under the Local Government Superannuation Regulations 1986. These benefits were funded, i.e. assets were built up over the 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;
 - (b) The additional benefits which were mainly the pension 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.
- (2) During 1989, the Secretary of State for the Environment announced that, as from 1st April, 1990, pension increases were to be funded in the same way as the basic benefits and that the pay-as-you-go provision for these increases would cease, apart from cases where the former employer is no longer obliged to contribute to the Fund. 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 as to ensure that the Fund is able to meet 75% of its liabilities. Exceptions were made for admitted bodies, and groups of employees 'deemed' to be employees of Local Authorities, to have contributions set so as to ensure that the Fund is able to meet 100% of these liabilities. Regulations which put these proposals into effect were made in March, 1990. It is the stated intention of the Government to review the 75% funding level from time to time with a view to increasing it towards the 100% funding level, but no timetable for this has been announced.
- (3) We carried out a full actuarial investigation into the financial position of the Fund as at 31st March, 1989 taking into account the new funding Regulations. The 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.
- (4) We recommended revised rates of contribution to be paid by the participating employers with effect from 1st April, 1990 taking into account the appropriate funding level requirement (75% or 100%) for each employer. A formal Certificate of these contribution rates to be paid from 1st April, 1990 was issued to the Director of Finance of the South Tyneside Metropolitan Borough Council as part of our formal report on the valuation of the Fund as at 31st March, 1989.
- (5) Having regard to the results of the valuation as at 31st March, 1989 and to the further information with which we have been provided regarding the period up to 31st March, 1991 we are of the opinion that :-
 - (a) The assets of the Fund as at 31st March, 1991 were more than sufficient to cover the total accrued liabilities of the Fund under the Regulations based upon reckonable service completed up to that date and the then current levels of pensionable remuneration and pensions in payment.
 - (b) The rates of contribution in payment at 31st March, 1991 were sufficient to meet the requirements of the Regulations as to how the further liabilities under the Regulations associated with currently accruing service, increasing levels of pensionable remuneration and increases to pensions in payment should be funded, taking into account the gradual amortisation of the surplus disclosed by the valuation as at 31st March, 1989.
- (6) The next actuarial valuation of the Superannuation Fund will be carried out as at 31st March, 1992.

E.A. Drake

Fellow of the Institute of Actuaries
Partner in the Firm of R. Watson & Sons

TYNE AND WEAR COUNTY SUPERANNUATION FUND

REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH 1991

1989/90 £		1990/91 £	£
CONTRIBUTIONS AND PENSIONS			
INCOME			
719,549	Employers' Contribution	624,054	
18,628,738	Employees' Contribution	20,579,914	
3,606,467	Transfer Values	6,058,462	
<u>22,954,754</u>			27,262,430
EXPENDITURE			
32,438,640	Retirement Pensions	37,381,948	
12,949,937	Less Recharges to Employing Authorities	6,100,855	
19,488,703		31,281,093	
6,495,785	Retirement Grants and Gratuity Payments	9,636,171	
896,330	Death Grants	808,160	
217,912	Return of Contributions	338,197	
5,681,942	Transfer Values	7,968,601	
154,146	Contributions Equivalent Premium	100,091	
710,437	Contributions and Benefits Administration	790,246	
<u>33,645,255</u>			50,922,559
(10,690,501)	Shortfall of Contributions over Benefits and Payments		(23,660,129)
INVESTMENT INCOME AND MANAGEMENT			
INCOME			
45,615,515	Investment Income	46,094,451	
152,676	Commissions	173,152	
<u>45,768,191</u>			46,267,603
EXPENDITURE			
1,476,386	Investments Administration and Fees	1,778,690	
299,107	Other Expenses	414,510	
<u>1,775,493</u>			2,193,200
43,992,698	Net Income from Investments		44,074,403
<u>33,302,197</u>	NET INCOME AVAILABLE FOR INVESTMENT		<u>20,414,274</u>

TYNE AND WEAR COUNTY SUPERANNUATION FUND

NET ASSETS STATEMENT AS AT 31st MARCH 1991

1989/90 £		1990/91 £	£
INVESTMENTS			
QUOTED INVESTMENTS			
Fixed Interest			
32,974,729	U.K. Government Conventional Stocks	15,246,277	
28,468,488	U.K. Government Index-Linked Stocks	28,600,589	
41,448,852	Overseas Bonds	100,663,146	
999,164	Building Society Index-Linked Stocks	1,055,000	
1,093,611	Company Debentures	-	
<u>104,984,844</u>			145,565,012
Equities			
459,495,229	U.K.	446,098,777	
168,804,229	Overseas	166,761,988	
<u>628,299,458</u>			612,860,765
733,284,302	Total - Quoted Investments		758,425,777
UNQUOTED INVESTMENTS			
2,106,350	U.K. Equities	1,309,375	
-	Overseas Equities	214,925	
11,155,183	U.K. Unit Trusts	12,813,224	
8,834,613	Overseas Unit Trusts	7,908,489	
4,551,559	U.K. Property Unit Trusts	2,859,046	
7,715,124	Overseas Property Unit Trusts	7,498,892	
25,015,000	Freehold Property	23,950,000	
4,690,000	Leasehold Property	9,010,000	
286,966	Long Term Mortgage Loans	282,494	
64,354,795	Total - Unquoted Investments		65,846,445
797,639,097	Total - All Investments		824,272,222
CURRENT ASSETS			
13,915,829	Debtors	25,919,603	
40,160,834	Cash and Short Term Deposits	44,125,299	
1,359,104	Overseas Currency Balances	2,389,643	
<u>55,435,767</u>			72,434,545
LESS : CURRENT LIABILITIES			
4,418,445	Creditors		13,492,604
<u>51,017,322</u>	Net Current Assets		58,941,941
<u>848,656,419</u>	TOTAL NET ASSETS		<u>883,214,163</u>

**RECONCILIATION OF THE MOVEMENT OF THE NET ASSETS OF THE FUND
1.04.90 TO 31.03.91**

	£	£
Net Assets as at 1.04.90		848,656,419
Net new money available for investment per Revenue Account		20,414,274
Change in market value of investments :-		869,070,693
Realised gains on investments sold during year	25,994,753	
Other variations in market value of investments	(11,851,283)	14,143,470
NET ASSETS AS AT 31.03.91		<u>883,214,163</u>

TYNE AND WEAR COUNTY SUPERANNUATION FUND

SUMMARY OF INVESTMENTS 1990/91

Category	Market Value 31.03.90 £	Book Value 1.04.90 £	Purchases 1990/91 £	Profit on Sales 1990/91 £
QUOTED INVESTMENTS				
Fixed Interest :-				
U.K. Government				
Conventional Stocks _____	32,974,729	36,925,808	41,917,543	1,881,017
U.K. Government				
Index-Linked Stocks _____	28,468,488	27,772,701	-	-
Overseas Bonds _____	41,448,852	41,331,083	141,803,101	3,223,981
Building Society				
Index-Linked Stocks _____	999,164	980,001	131,573	13,738
Company Debentures _____	1,093,611	1,252,650	505,169	18,360
Equities :-				
U.K. _____	459,495,229	341,466,905	59,632,554	35,027,264
Overseas _____	168,804,229	155,727,090	88,237,777	11,409,074
Total - Quoted	733,284,302	605,456,238	332,227,717	51,573,434
UNQUOTED INVESTMENTS				
Equities :-				
U.K. _____	2,106,350	2,109,444	-	-
Overseas _____	-	-	214,925	-
Unit Trusts :-				
U.K. _____	11,155,183	12,157,966	550,419	-
Overseas _____	8,834,613	7,750,391	-	-
Property Unit Trusts :-				
U.K. _____	4,551,559	1,519,782	-	-
Overseas _____	7,715,124	5,546,012	327,944	-
Property :-				
Freehold _____	25,015,000	20,584,172	3,672,751	-
Leasehold _____	4,690,000	4,065,203	5,178,942	-
Long Term				
Mortgage Loans _____	286,966	286,966	-	-
Total - Unquoted	64,354,795	54,019,936	9,944,981	-
Total - All Investments	797,639,097	659,476,174	342,172,698	51,573,434
CASH BALANCES				
Sterling _____	40,160,834	40,160,834		
Foreign :-				
U.S. Dollars _____	1,061,060	1,096,163		
Yen _____	226,469	238,497		
Australian Dollars _____	2,484	2,458		
Deutschemarks _____	69,091	61,498		
Total - Foreign Currency	1,359,104	1,398,616		
Total - Cash Balances	41,519,938	41,559,450		
GRAND TOTAL	839,159,035	701,035,624	342,172,698	51,573,434

TYNE AND WEAR COUNTY SUPERANNUATION FUND

SUMMARY OF INVESTMENTS 1990/91

Loss on Sales 1990/91 £	Sale Proceeds 1990/91 £	Book Value 31.03.91 £	Market Value 31.03.91 £
2,886,518	63,405,317	14,432,533	15,246,277
52,619	1,995,333	25,724,749	28,600,589
747,433	85,984,699	99,626,033	100,663,146
-	145,310	980,002	1,055,000
57,921	1,718,258	-	-
9,876,552	97,398,006	328,852,165	446,098,777
11,956,170	78,315,947	165,101,824	166,761,988
25,577,213	328,962,870	634,717,306	758,425,777
-	487,600	1,621,844	1,309,375
-	-	214,925	214,925
-	-	12,708,385	12,813,224
-	-	7,750,391	7,908,489
1,468	61,800	1,456,514	2,859,046
-	-	5,873,956	7,498,892
-	-	24,256,923	23,950,000
-	-	9,244,145	9,010,000
-	4,472	282,494	282,494
1,468	553,872	63,409,577	65,846,445
25,578,681	329,516,742	698,126,883	824,272,222
		44,125,299	44,125,299
		1,376,987	1,472,617
		373,551	379,907
		2,734	2,693
		537,007	534,426
		2,290,279	2,389,643
		46,415,578	46,514,942
25,578,681	329,516,742	744,542,461	870,787,164

NOTES ON COMPILATION OF THE ACCOUNTS

1. General

1.1. The Fund Accounts are prepared to accord with the recommendations of "SORP 1 - Pension Scheme Accounts".

2. Employers' Contributions

2.1. As at 31st March, 1989 a statutory actuarial valuation of the Fund was undertaken by the Fund's Actuary who certified a NIL rate of employers' contributions for scheduled bodies (taking into account the Government's 75% funding requirement) and varying rates of contribution for admitted bodies (where 100% funding continues to apply).

2.2. Discretionary benefits and pension increase payments thereon are recovered by making a direct recharge on the employing authorities which made the award.

3. Administration Expenses

3.1. 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.

3.2. 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

4.1. The valuation of quoted investments and unit trusts is based on either the mid-market closing price on 31st March, 1991 or the last such quoted price before that date.

4.2. Unquoted investments have been valued internally.

4.3. Overseas investments have been converted at the exchange rates quoted at close of business on 31st March, 1991, or the last such quoted rate before that date, to arrive at the sterling values in the net assets statement. The exchange rates used were as follows :-

U.S. Dollar	1.7415
Japanese Yen	245.3200
German Mark	2.9634
Dutch Guilder	3.3382
Swiss Franc	2.5300
Italian Lira	2204.1000
Spanish Peseta	183.9600
Norwegian Kroner	11.5325
Danish Kroner	11.3760
Hong Kong Dollar	13.5270
French Franc	10.0390
Canadian Dollar	2.0178
Australian Dollar	2.2392
Swedish Kroner	10.6995
Irish Punt	1.1070
Austrian Schilling	20.8600
Belgian Franc	61.0400
Singapore Dollar	3.1126
Malayan Ringit	4.8117
ECU	1.4415
Thai Baht	44.0500

4.4. Properties are shown as valued at 31st December, 1990 by Drivers Jonas, with the exception of Unit 'A', Crown Road, Enfield which was purchased in March 1991 and has been valued at its purchase price.

5. Gains and Losses

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

6. Debtors and Creditors

6.1. 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.

6.2. In all other cases debtors and creditors are raised for amounts outstanding at 31st March, 1991.

7. Taxation

7.1. 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.

7.2. 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.

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

8. Investment Transactions

8.1. Investment transactions during the year consisted of sales of £329,516,742 and purchases of £342,172,698 (1989/90 - £340,313,027 and £394,317,034 respectively).

9. Underwriting

9.1. The Fund accepts a number of underwriting propositions throughout the course of the year. At 31st March, 1991 commitments involving a potential outlay of £765,770 were unexpired (31st March, 1990 - £699,000).

10. Loans in Administration

10.1. Included within the balance of £44,125,299 shown as "Cash and Short Term Deposits" are loans to two banks which are currently in administration.

10.2. A loan of £472,800 was made to British and Commonwealth Merchant Bank. At a meeting of creditors held on 30th August, 1991 a proposal for an orderly realisation of assets was approved. This will lead to the loan being repaid in full, with interest, by December 1993.

10.3. A loan of £236,000 was made to Chancery Bank. A provision of £47,200 (20%) has been made against this loan in accordance with latest estimates of loss.

11. Audit

The accounts are presented subject to audit.



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