

**TYNE & WEAR COUNTY**

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***SUPERANNUATION  
FUND***

**REPORT & ACCOUNTS 1991/92**



Administered by  
**SOUTH TYNESIDE METROPOLITAN BOROUGH COUNCIL**



# **REPORT and ACCOUNTS**

**For the year ended 31st March, 1992**

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**ADMINISTERING AUTHORITY  
SOUTH TYNESIDE METROPOLITAN BOROUGH COUNCIL  
Members, Advisers and Officers 1991/92**

**Members**

Chairman _____	:	Councillor S. Hepburn
Vice Chairman _____	:	Councillor W. Pargeter
Other Members :-		
South Tyneside M.B.C. _____	:	Councillor Mrs. E. Battye
	:	Councillor C. Bonnar, J.P.
	:	Councillor S. Brown
	:	Councillor Mrs. M. Coyle
	:	Councillor F.E. Firth
	:	Councillor A. Frost
	:	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 Mrs. J. Seagroatt)
Sunderland City Council _____	:	Councillor Mrs. L.A.F. Bramfitt (substitute - Councillor P. Young)
<b>Trade Union Representatives :</b>	:	D. Conway GMBATU
	:	J.E. Foster NALGO
	:	J.J. Wilson UCATT

**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.:	:	Invesco M.I.M. Management
Germany	:	Capital Management International (Deutsche Bank)
Venture Capital	:	VenCap International Fund Managers
Indexation	:	Barclays de Zoete Wedd Investment Management (appointed on 23rd March, 1992)
	:	Director - J. Woodlock
	:	Fund Manager - K. Mason
Property Adviser :-	:	Scottish Amicable Investment Managers
	:	Director - D. Hunter
	:	Fund Manager - M. Dinsdale
<b>Actuary</b>	:	R. Watson and Sons
	:	Investment Services - R. Ashurst
	:	Actuarial Services - G. McD Bell
<b>Director of Finance _____</b>	:	P.J. Haigh

**REPORT OF THE DIRECTOR OF FINANCE**

*Pension funds made the headlines during 1991/92, but for the wrong reason when the extent to which Robert Maxwell had misused pension fund assets to try to support his personal and business interests, to the detriment of his companies' employees and pensioners, was revealed. This inevitably raised understandable worries as to the safety of all pension funds.*

*The Local Government Superannuation Scheme provides great comfort to employees and pensioners in that the scale of benefits provided are set out in Law and ultimately would be met by a charge on the employing authorities if the fund's assets were inadequate. To protect the assets on behalf of the employing authorities, the Superannuation Committee regularly monitors investment performance and reviews security arrangements. It has not been necessary to make changes in the light of the Maxwell affair, although at some stage it is anticipated that legislation will be introduced to set out tighter controls than are required at present.*

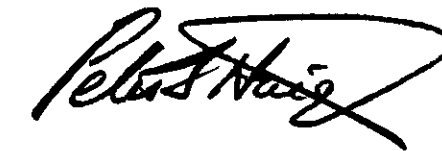
*In 1991/92 the Fund achieved a return of 3.3%. This was disappointing in that it is the only year in the last five in which there has been underperformance against the median fund. However it is the long-term performance that matters most to the Fund and it is reassuring to note that the annual return over the last five years averages 7.4% compared with a median of 6.9%.*

*During the year, the Committee reviewed its investment management arrangements for that part of the Fund previously substantially managed in-house. It was decided to introduce new asset allocation arrangements together with an element of indexation and specialist management. These arrangements were implemented in early 1992/93.*

*An actuarial review of the Fund, based on the valuation as at 31st March, 1992, is currently in progress. Any recommendations on employer contribution levels are likely to take effect from 1st April, 1993.*

*The level of benefit payments in 1991/92 exceeded the level of contribution income by £33.4 million, but investment income of £44.3 million meant that an additional £10.9 million was available for investment. This lower net cash flow into the Fund reflects the cut back in the number of local authority employees and the related increase in the number of early retirements. The number of pensioners rose from 16,995 at 31st March, 1991 to 18,481 at 31st March, 1992 whilst, over the same period, the number of contributors fell from 33,039 to 32,260.*

*The value of the Fund at 31st March, 1992 was £874 million.*



**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 rate of contribution for various types of employee and the 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 which are the responsibility of a specialist manager, is divided into three broadly equal portions. Two portions have been allocated to external managers with the remaining portion being substantially managed in-house by the Director of Finance. Part of the in-house portfolio has been given over to specialist managers. During the year the Committee agreed to restructure the in-house portfolio by introducing a consensus asset allocation, indexation of the main part of the U.K. equity content and a specialist brief for the remaining assets. The new arrangements were implemented in April and May 1992.

At its meetings, the Committee receives and considers comprehensive reports covering all aspects of investment activity. The investment performance of managers 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. These guidelines are reviewed at regular intervals in the light of prevailing economic and stockmarket conditions, after taking into account the views of the managers.

At 31st March, 1992 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. 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 reversal of the move that had taken place in 1990/91 when the fixed interest content had been increased by some £30 million as world economies were seen to be slowing down or moving into recession. Commencing in the second half of 1991, the fixed interest content was gradually reduced with a corresponding increase being made to equities in anticipation of an eventual resumption of economic growth in the not too distant future. A small increase was also made to the property portfolio. The Revenue Account shows that an additional £10.9 million became available for investment. The net current assets decreased by £8.8 million so that a net £19.7 million was invested as follows :-

	Net Investment £'000	Net Disinvestment £'000
U.K. Fixed Interest	4,993	-
U.K. Index-Linked	3,915	-
Overseas Fixed Interest	-	39,199
U.K. Equities *	26,006	-
Overseas Equities *	19,441	-
Property *	4,494	-
	<u>58,849</u>	<u>39,199</u>

\*Includes unit trusts.

COMPOSITION OF THE PORTFOLIO

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

	Start of Year		End of Year	
	£'000	%	£'000	%
U.K. Fixed Interest	15,529	1.8	20,675	2.4
U.K. Index-Linked	29,656	3.4	32,802	3.8
Overseas Fixed Interest	100,663	11.4	72,509	8.3
U.K. Equities *	460,221	52.1	454,570	52.0
Overseas Equities *	174,885	19.8	196,642	22.5
Property *	43,318	4.9	46,234	5.3
Net Current Assets	883,942	6.6	50,139	5.7
	<u>883,214</u>	<u>100.0</u>	<u>873,571</u>	<u>100.0</u>

\* Includes unit trusts.

FACTORS INFLUENCING MARKETS

Overview

The recovery hoped for in early 1991 in the immediate aftermath of the Middle East conflict did not materialise in the 1991/92 financial year. Whilst the economies of Japan and Germany were slowing down, the U.K. and U.S. economies had already been in recession for some time. Interest rates in these latter two countries were gradually lowered and it was anticipated by investors that this would eventually lead to a resumption of economic growth which would eventually spread to other countries. In practice, however, the long period of growth during the 1980s had produced a number of excesses with both companies and individuals taking on higher levels of debt than was prudent. This has resulted in the need to use cash received to reduce debt levels, rather than to finance further expenditure. This has prolonged the recessionary phase.

Normally attempts would be made to stimulate activity by reducing interest rates. However, the reunification of East and West Germany produced inflationary pressures within Europe which prompted the Bundesbank to actually increase rates. The inter-linking of currencies within the European Monetary System and the reluctance of countries to re-align currencies in the lead up to the Maastricht Conference prevented interest rates being reduced below German levels.

Fixed Interest

Apart from in Germany, the continuing slow down in world economies has greatly reduced inflationary pressures. Therefore, the real return available from fixed interest stocks (i.e. the difference between actual returns and the inflation level) has risen and become more attractive to certain types of investor. This increased demand has helped raise the capital value at which such stocks are bought and sold and has added to the level of returns.

**Equities**

Factors affecting individual equity markets have been :-

(i) **U.K.**

The U.K. equity market provided a roller coaster ride ending the year with a small positive return. Initially the market was fuelled by further interest rate reductions, amounting to 2%, by the end of September 1991. However, these did not produce the hoped for recovery and with inflation also falling the real rate of interest was actually increasing. After this the E.M.S. constraint became very real in that U.K. interest rates had moved close to German levels and this, coupled with an increase in the Government borrowing requirement, caused the market to retreat. As the April 1992 General Election approached the market was very much influenced by trends in opinion polls.

(ii) **Europe**

Markets in Europe reflected developments in Germany. Initially there were hopes that Germany had integrated its East without too many problems. However this came to be questioned as relatively large wage claims were made and the Bundesbank took as its priority the need to prevent inflationary pressures emerging, rather than the need to avoid recession. France provided better returns than Germany but did have a period of market uncertainty leading up to a change in Prime Minister.

(iii) **U.S.**

The U.S. is the one major country where a prolonged policy of gradual interest rate reductions has been pursued. Although economic data has, for most of the year, indicated an imminent economic recovery, any improvement has so far been muted. However, the recession did prove to be fairly shallow. The upward movement in the equity market, initially on expectations of a profits recovery, has been maintained partially because the low rates available on dollar cash balances are a disincentive to retain cash.

(iv) **Japan**

The Japanese market has always displayed unique characteristics with companies investing surplus cash in equities rather than in temporary loans because of the low rates available on the latter. It has therefore been a country where the financial structure has been geared towards rising markets. In recent years, when the Government has sought to quell inflationary pressures, company profits have fallen and this has produced strains on the financial system which have been exacerbated by the emergence of share dealing scandals. These strains still persist and Japan was the only major market to provide negative returns last year.

(v) **Pacific Rim**

The Pacific Rim was one of the best performing areas last year with the outstanding performance coming from Hong Kong. This was in the wake of a more conciliatory approach from the Chinese authorities in the run up to the hand over of power which is scheduled for 1997. Other countries such as Singapore are benefiting from becoming a lower cost manufacturing base for Japanese companies.

**Property**

Rent levels have fallen in all sectors of the property market. However, comparison with the level of fixed interest yields available has meant that, in general, investors are prepared to accept a slightly lower initial income return than a year ago. This has provided some support for property prices. Prices have fallen slightly, but when income is taken into account a small positive return has been obtained. A noticeable exception to this has been the London office market where there is a considerable surplus of office space and this has had a substantial adverse effect on valuation levels.

**INVESTMENT RETURNS**

The investment returns in sterling terms obtained by the Fund in 1991/92 both in aggregate and analysed over the major investment markets are set out below.

Comparison is made with median and/or index returns as appropriate.

	<b>Tyne and Wear Fund</b>	<b>Median Fund</b>	<b>Index</b>
	%	%	%
Aggregate	+ 3.3	+ 4.3	-
U.K. Fixed Interest	+12.4	+ 12.1	+11.4
U.K. Index-Linked	+ 1.2	+ 2.2	+ 3.3
Overseas Fixed Interest	+17.9	+ 15.7	+13.7
U.K. Equities	- 0.2	+ 3.1	+ 3.1
Overseas Equities	+ 4.5	+ 3.9	- 0.9
U.S.	+ 8.4	+10.8	+10.7
Japan	-19.2	- 18.7	-22.8
Europe	+ 8.8	+10.6	+ 8.4
Pacific Rim	+17.3	+16.8	+19.2
Property	+ 2.7	+ 3.4	+ 3.5

Over the last five years the Fund has obtained the following investment returns :-

	<b>Tyne and Wear Fund</b>	<b>Median Fund</b>
	%	%
1987 / 88	- 6.0	- 7.1
1988 / 89	+22.2	+21.0
1989 / 90	+10.8	+ 9.6
1990 / 91	+ 8.7	+ 8.7
1991 / 92	+ 3.3	+ 4.3

These figures can be aggregated and expressed as annual compound returns obtained over multi-year periods. Periods of three and five years have been chosen, the former because this coincides with the period since the last actuarial review and the latter because this is the normal period for assessing long-term performance.

The results of this are :-

	<b>Tyne and Wear Fund</b>	<b>Median Fund</b>
	%	%
3 years to 31st March, 1992	+ 7.6	+ 7.5
5 years to 31st March, 1992	+ 7.4	+ 6.9

The disappointing performance over the last year can be entirely attributed to the below average returns on U.K. equities. This partially reverses the above average returns obtained from this category in earlier years. Over the full five year period, overall performance has been satisfactory with an average out-performance of 0.5% per annum. This represents a level approaching the upper quartile position.

**THE SCHEME**

**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**

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, 1992 there were 32,260 current employees who were members of the Fund. The year saw 2,653 new members joining and 3,432 leavers.

Although membership grew steadily from 24,802 in 1975 to 34,173 in 1990, over the last two years this has inevitably declined as a result of reductions in local authority employment and the fact that LGSS membership is now voluntary.

During 1991/92 around a third of new whole-time employees chose not to become LGSS members whilst 342 existing members opted out of the scheme although continuing with their public sector employment.

**CONTRIBUTIONS**

The last completed 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 1st April, 1990 to 31st March, 1993, when the valuation based on the position of the Fund as at 31st March, 1992 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 (which can, for example, be 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.

The Fund is currently undergoing an actuarial valuation based on the position at 31st March, 1992, with recommendations on revised employer contribution levels to take effect from 1st April, 1993. All indications point to a reinstatement of employers contributions from this date due to lower investment returns in recent years and increases in both life expectancy and ill health retirements. The probability of an early return to full funding at 100% for the scheduled and admitted bodies could lead to a substantial level of employers contributions.

**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.

During the year regulations were introduced to protect the pension rights of LGSS members who were in the Reserve Forces and were required to serve in the Gulf, and to allow female LGSS members to purchase increased widowers' pension rights.

**PENSIONS**

There were 18,481 pensioners receiving payment out of the Fund at 31st March, 1992, an increase of 1,486 over the previous year.

Annual 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, 8,300 as at 31st March, 1992, 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**

Following the publicity given to the Maxwell affair, reassurance about the security of benefits in the LGSS was given in a pensions newsletter circulated to all Fund members.

A computerised superannuation system (CLASS/CPX) became operational on 1st April, 1992 but until all of the information in respect of the Fund's 60,000 members is fed into the database, the system will not be fully effective. This data entry is expected to be completed by 31st March 1994. The end result will be a far more efficient pensions administration system allowing a higher level of service to be provided to scheme members, pensioners and employing authorities. It will also enable an annual statement to be sent to each pensionable employee giving details of their accrued LGSS benefits.

## ORGANISATIONS PARTICIPATING IN THE FUND

	Members as at 31st March, 1992	
	Contributors	Pensioners
<b>METROPOLITAN DISTRICT COUNCILS</b>		
Gateshead	5,552	2,797
Newcastle upon Tyne	6,859	4,286
North Tyneside	4,159	2,209
South Tyneside	3,799	2,339
Sunderland	6,124	3,653
<b>Sub Totals</b>	<b>26,493</b>	<b>15,284</b>
<b>OTHER SCHEDULED BODIES</b>		
Newcastle Upon Tyne Polytechnic	745	39
Sunderland Polytechnic	470	49
Tyne and Wear Passenger Transport Executive	854	1,620
Northumbria Police Authority (Civilian Employees)	1,258	475
Northumbria Probation and After-Care Committee	440	110
Tyne and Wear Fire and Civil Defence Authority	178	106
Tyne and Wear Passenger Transport Authority	114	32
Birtley Town Council	3	1
Former Tyne and Wear County Council	-	372
Former Tyne and Wear Residuary Body	-	29
Former North East Regional Airport	-	59
<b>Sub Totals</b>	<b>4,062</b>	<b>2,892</b>
<b>ADMITTED BODIES</b>		
Busways Travel Services Ltd.	861	64
Newcastle International Airport Company Ltd.	412	47
Port of Tyne Authority	2	18
Ozanam House	7	1
St. Mary's Training College	-	8
North Regional Library System	3	-
Northern Council for Further Education	16	7
North East Innovation and Development Company	8	2
North of England Development Council	-	8
Northern Arts Association	20	3
North Regional Examination Board	33	10
Benton Grange School	-	10
Northern Counties School for the Deaf	27	8
St. Mary Magdalene and Holy Jesus Charity	2	3
North and North Eastern Provincial Councils	6	-
Catholic Care North East	17	14
Workshops for the Adult Blind Joint Management Committee	94	71
Northumbria Tourist Board	20	7
Newcastle Theatre Royal Trust	12	10
Sunderland Empire Trust Ltd.	5	3
Borough of Sunderland Outdoor Activities Association	1	-
Newcastle upon Tyne Family Service Unit	-	2
Age Concern	22	5
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	54	1
Search Project	3	-
Wallsend Citizens Advice Bureau	2	-
Shiremoor Advice Centre	2	-
Tyneside Training and Enterprise Council	20	-
Sunderland Enterprise Agency	-	-
Tyne Theatre Trust Ltd.	-	-
South Tyneside Groundwork Trust	5	-
Wallsend Peoples' Centre	3	-
Wearside Training and Enterprise Council	9	-
Sunderland Arts Centre	6	-
<b>Sub Totals</b>	<b>1,705</b>	<b>305</b>
<b>GRAND TOTALS</b>	<b>32,260</b>	<b>18,481</b>

## TYNE AND WEAR COUNTY SUPERANNUATION FUND

### REPORT OF THE ACTUARY FOR THE YEAR ENDED 31st MARCH, 1992

- (1) We last carried out a full actuarial investigation into the financial position of the Tyne and Wear County Superannuation Fund as at 31st March, 1989. That valuation took into account changes in the Regulations providing for the funding of pensions increases and the imposition of a funding target of 75% of liabilities for the County, District Councils and other 'scheduled' bodies while retaining the 100% target for 'admitted' bodies. 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 the liabilities for pension increases onto the Fund.
- (2) 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.
- (3) 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, 1992, we are of the opinion that :
  - (a) The assets of the Fund as at 31st March, 1992 were 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, 1992 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.
- (4) We understand that the Government has now reviewed the 75% funding level and proposes to revert to the 100% funding level after a short phasing-in period. These changes to the funding target will be taken into account as part of the next actuarial valuation of the Superannuation Fund which 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, 1992**

1990/91		£	£	1991/92	£
	<b>CONTRIBUTIONS AND PENSIONS</b>				
	<b>INCOME</b>				
624,054	Employers' Contributions _____		659,030		
20,579,914	Employees' Contributions _____		21,749,219		
6,058,462	Transfer Values _____		4,390,133		
<u>27,262,430</u>				26,798,382	
	<b>EXPENDITURE</b>				
37,381,948	Retirement Pensions _____		45,396,400		
6,100,855	Less Recharges to Employing Authorities _____		7,864,216		
<u>31,281,093</u>			37,532,184		
9,636,171	Retirement Grants and Gratuity Payments _____		13,182,632		
808,160	Death Grants _____		823,622		
338,197	Return of Contributions _____		228,391		
7,968,601	Transfer Values _____		7,355,573		
100,091	Contributions Equivalent Premium _____		136,930		
790,246	Contributions and Benefits Administration _____		924,323		
<u>50,922,559</u>				60,183,655	
(23,660,129)	Shortfall of Contributions over Benefits and Payments _____			(33,385,273)	
	<b>INVESTMENT INCOME AND MANAGEMENT</b>				
	<b>INCOME</b>				
46,094,451	Investment Income _____		46,672,421		
173,152	Commissions _____		249,907		
<u>46,267,603</u>				46,922,328	
	<b>EXPENDITURE</b>				
1,778,690	Investments Administration and Fees _____		2,052,360		
414,510	Other Expenses _____		577,483		
<u>2,193,200</u>				2,629,843	
44,074,403	Net Income from Investments _____			44,292,485	
<u>20,414,274</u>	<b>NET INCOME AVAILABLE FOR INVESTMENT</b>			<u>10,907,212</u>	

**TYNE AND WEAR COUNTY SUPERANNUATION FUND**

**NET ASSETS STATEMENT AS AT 31st MARCH, 1992**

1990/91		£	£	1991/92	£
	<b>INVESTMENTS</b>				
	<b>QUOTED INVESTMENTS</b>				
	<b>Fixed Interest</b>				
15,246,277	U.K. Government Conventional Stocks _____		20,397,474		
28,600,589	U.K. Government Index-Linked Stocks _____		31,747,430		
100,663,146	Overseas Bonds _____		72,509,061		
1,055,000	Building Society Index-Linked Stocks _____		1,055,048		
<u>145,565,012</u>				125,709,013	
	<b>Equities</b>				
446,098,777	U.K. _____		441,312,886		
166,761,988	Overseas _____		184,144,456		
<u>612,860,765</u>				625,457,342	
758,425,777	<b>Total - Quoted Investments</b> _____			751,166,355	
	<b>UNQUOTED INVESTMENTS</b>				
1,309,375	U.K. Equities _____		1,309,375		
214,925	Overseas Equities _____		174,426		
12,813,224	U.K. Unit Trusts _____		11,948,239		
7,908,489	Overseas Unit Trusts _____		12,322,795		
2,859,046	U.K. Property Unit Trusts _____		2,902,566		
7,498,892	Overseas Property Unit Trusts _____		7,220,981		
23,950,000	Freehold Property _____		27,305,000		
9,010,000	Leasehold Property _____		8,805,000		
282,494	Long Term Mortgage Loans _____		277,663		
65,846,445	<b>Total - Unquoted Investments</b> _____			72,266,045	
824,272,222	<b>Total - All Investments</b> _____			823,432,400	
	<b>CURRENT ASSETS</b>				
26,064,368	Debtors _____		12,656,493		
44,125,299	Sterling Cash and Short Term Deposits _____		38,082,569		
2,426,116	Overseas Currency Balances _____		2,205,945		
<u>72,615,783</u>				52,945,007	
	<b>LESS : CURRENT LIABILITIES</b>				
13,673,842	Creditors _____			2,806,607	
58,941,941	<b>Net Current Assets</b> _____			50,138,400	
883,214,163	<b>TOTAL NET ASSETS</b> _____			873,570,800	

**RECONCILIATION OF THE MOVEMENT OF THE NET ASSETS OF THE FUND**

1st APRIL, 1991 TO 31st MARCH, 1992

	£	£
<b>TOTAL NET ASSETS AS AT 1st APRIL, 1991</b> _____		883,214,163
Net new money available for investment per Revenue Account _____		10,907,212
		<u>894,121,375</u>
Change in market value of investments :-		
Realised gains on investments sold during year _____	33,663,741	
Other variations in market value of investments _____	(54,214,316)	
		<u>(20,550,575)</u>
<b>TOTAL NET ASSETS AS AT 31st MARCH, 1992</b> _____		<u>873,570,800</u>

**TYNE AND WEAR COUNTY SUPERANNUATION FUND**

**SUMMARY OF INVESTMENTS 1991/92**

Category	Market Value 31.03.91 £	Book Value 1.04.91 £	Purchases 1991/92 £	Profit on Sales 1991/92 £
<b>QUOTED INVESTMENTS</b>				
Fixed Interest :-				
U.K. Government				
Conventional Stocks _____	15,246,277	14,432,533	13,120,547	318,064
U.K. Government				
Index-Linked Stocks _____	28,600,589	25,724,749	3,914,841	-
Overseas Bonds _____	100,663,146	99,626,033	161,522,029	9,089,036
Building Society				
Index-Linked Stocks _____	1,055,000	980,002	-	-
Equities :-				
U.K. _____				
Overseas _____	446,098,777	328,852,165	95,287,699	28,787,119
	166,761,988	165,101,824	93,811,892	9,716,973
<b>Total - Quoted</b>	<b>758,425,777</b>	<b>634,717,306</b>	<b>367,657,008</b>	<b>47,911,192</b>
<b>UNQUOTED INVESTMENTS</b>				
Equities :-				
U.K. _____				
Overseas _____	1,309,375	1,621,844	-	-
	214,925	214,925	-	32,237
Unit Trusts :-				
U.K. _____				
Overseas _____	12,813,224	12,708,385	-	253,182
	7,908,489	7,750,391	3,129,942	-
Property Unit Trusts :-				
U.K. _____				
Overseas _____	2,859,046	1,456,514	-	-
	7,498,892	5,873,956	9,671	-
Property :-				
Freehold _____				
Leasehold _____	23,950,000	24,256,923	5,730,000	242,814
	9,010,000	9,244,145	157,639	-
Long Term				
Mortgage Loans _____	282,494	282,494	-	-
<b>Total - Unquoted</b>	<b>65,846,445</b>	<b>63,409,577</b>	<b>9,027,252</b>	<b>528,233</b>
<b>Total - All Investments</b>	<b>824,272,222</b>	<b>698,126,883</b>	<b>376,684,260</b>	<b>48,439,425</b>
<b>CASH BALANCES</b>				
Sterling _____				
	44,125,299	44,125,299		
Foreign :-				
U.S. Dollars _____				
Yen _____	1,509,090	1,413,460		
Australian Dollars _____	379,907	373,551		
Deutschemarks _____	2,693	2,734		
	534,426	537,007		
<b>Total - Foreign Currency</b>	<b>2,426,116</b>	<b>2,326,752</b>		
<b>Total - Cash Balances</b>	<b>46,551,415</b>	<b>46,452,051</b>		
<b>GRAND TOTAL</b>	<b>870,823,637</b>	<b>744,578,934</b>	<b>376,684,260</b>	<b>48,439,425</b>

**TYNE AND WEAR COUNTY SUPERANNUATION FUND**

**SUMMARY OF INVESTMENTS 1991/92**

Loss on Sales 1991/92 £	Sale Proceeds 1991/92 £	Book Value 31.03.92 £	Market Value 31.03.92 £
<b>QUOTED INVESTMENTS</b>			
Fixed Interest :-			
U.K. Government			
-	8,123,141	19,748,003	20,397,474
U.K. Government			
-	-	29,639,590	31,747,430
244,228	200,720,878	69,271,992	72,509,061
Building Society			
-	-	980,002	1,055,048
Equities :-			
U.K. _____			
5,570,692	68,569,254	378,787,037	441,312,886
8,811,722	77,405,873	182,413,094	184,144,456
<b>14,626,642</b>	<b>354,819,146</b>	<b>680,839,718</b>	<b>751,166,355</b>
<b>UNQUOTED INVESTMENTS</b>			
Equities :-			
U.K. _____			
-	-	1,621,844	1,309,375
-	69,849	177,313	174,426
Unit Trusts :-			
U.K. _____			
-	712,723	12,248,844	11,948,239
-	25,521	10,854,812	12,322,795
Property Unit Trusts :-			
U.K. _____			
-	-	1,456,514	2,902,566
-	-	5,883,627	7,220,981
Property :-			
Freehold _____			
149,042	1,402,903	28,677,792	27,305,000
-	-	9,401,784	8,805,000
Long Term			
-	4,831	277,663	277,663
<b>149,042</b>	<b>2,215,827</b>	<b>70,600,193</b>	<b>72,266,045</b>
<b>14,775,684</b>	<b>357,034,973</b>	<b>751,439,911</b>	<b>823,432,400</b>
<b>CASH BALANCES</b>			
Sterling _____			
		38,082,569	38,082,569
Foreign :-			
U.S. Dollars _____			
		1,395,610	1,413,443
		719,488	708,637
		3,640	3,580
		75,546	80,285
		2,194,284	2,205,945
		<b>40,276,853</b>	<b>40,288,514</b>
<b>14,775,684</b>	<b>357,034,973</b>	<b>791,716,764</b>	<b>863,720,914</b>

**NOTES ON COMPILATION OF THE ACCOUNTS**

**1. General**

1.1. The Fund's 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, 1992 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, 1992, 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	1.7390
Japanese Yen	231.2200
German Mark	2.8566
Dutch Guilder	3.2160
Swiss Franc	2.6100
Italian Lira	2152.4000
Spanish Peseta	180.5100
Norwegian Kroner	11.2220
Danish Kroner	11.0880
Hong Kong Dollar	13.4370
French Franc	9.7115
Canadian Dollar	2.0667
Australian Dollar	2.2563
Swedish Kroner	10.3755
Irish Punt	1.0763
Austrian Schilling	20.1300
Belgian Franc	58.8200
Singapore Dollar	2.8766
Malayan Ringit	4.4828
ECU	1.3987
Thai Baht	44.1000

4.4. Properties are shown as valued at 31st December, 1991 by Drivers Jonas, with the exception of Unit 2, Bradbourne Drive, Tilbrook which was purchased in March 1992 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, 1992.

**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. With effect from 1st September 1991, the Fund has been separated from the Council for the purposes of VAT and cannot reclaim VAT on its exempt activities from that date. Where appropriate, the accounts are shown inclusive of this tax.

**8. Investment Transactions**

8.1. Investment transactions during the year consisted of sales of £357,034,973 and purchases of £376,684,260 (1990/91 - £329,516,742 and £342,172,698 respectively).

**9. Underwriting**

9.1. The Fund accepts a number of underwriting propositions throughout the course of the year. At 31st March, 1992 commitments involving a potential outlay of £940,808 were unexpired (31st March, 1991 - £765,770).

**10. Loans in Administration**

10.1. Included within the balance of £38,082,569 shown as "Sterling Cash and Short Term Deposits" are loans to two banks which are currently in administration.

10.2. An amount of £151,296 remains outstanding from a loan of £472,800 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. An amount of £160,862 remains outstanding from a loan of £236,000 to Chancery Bank. On 1st November 1991, a deposit repayment agreement came into effect which provides for the loan to be repaid over a five year period. The agreement also provided for £74,765 of the original loan plus interest accrued to the date of administration to be converted into zero coupon preference shares. In accordance with latest estimates of loss, the preference shares have been fully written down.

**11. Audit**

11.1. The accounts are presented subject to audit.



**TYNE & WEAR COUNTY**  
***SUPERANNUATION FUND* REPORT & ACCOUNTS 1991/92**