



***SUPERANNUATION
FUND***

***Report &
Accounts 92/93***

Administered by



SOUTH TYNESIDE
METROPOLITAN BOROUGH COUNCIL



REPORT and ACCOUNTS

For the year ended 31st March, 1993

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**ADMINISTERING AUTHORITY
SOUTH TYNESIDE METROPOLITAN BOROUGH COUNCIL
Members, Advisers and Officers 1992/93**

Members

Chairman : Councillor S. Hepburn
Vice Chairman : Councillor W. Pargeter

Other Members :-

South Tyneside M.B.C. : Councillor T.A. Bamford
: Councillor Mrs. E. Battye
: Councillor C. Bonnar, J.P.
: Councillor Mrs. M. Coyle
: Councillor F.E. Firth
: Councillor J.F. Harper
: Councillor Mrs. V. Leary

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)

Trade Union Representatives :
D. Murphy NUPE
: J.E. Foster NALGO
: J.J. Wilson UCATT

External Investment Managers

General Managers :- : Mercury Asset Management
: Phillips and Drew Fund Management

Specialist Managers :-
Japan and Pacific Basin : Invesco M.I.M. Management
North America : J.P. Morgan Investment Management
(appointed on 28th April, 1992)
Continental Europe : Lombard Odier Investment Management Services
(appointed on 28th April, 1992)

Indexation :- : Barclays de Zoete Wedd Investment Management

Property Adviser :- : Scottish Amicable Investment Managers

Actuary : R. Watson and Sons

Director of Finance : P.J. Haigh



REPORT OF THE DIRECTOR OF FINANCE

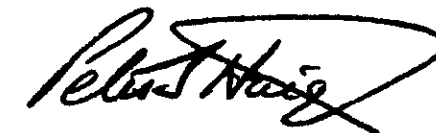
The Fund passed a notable milestone in January 1993 when its value went through the £1 billion barrier. This was the result of good investment returns which over 1992/93 amounted to 26.9% on a time-weighted basis, compared with a median fund return of 25.9%. This has helped to consolidate the relatively good performance that has been achieved in recent years, with the average annual return over the last five years being 14.0% compared with a median of 13.6%.

An actuarial valuation of the Fund was undertaken as at 31st March, 1992. This valuation was based on 100% funding compared with the 75% funding which Central Government had decided should be used for the previous valuation undertaken as at 31st March, 1989. The reversion to a 100% basis at this latest valuation has resulted in the re-introduction of employers contributions with effect from 1st April, 1993 at a higher level than would have been the case on a 75% basis. Consequently the increases are being phased in over a six year period. However, in practice, employers contribution rates will be further modified at the next valuation which is scheduled for 31st March, 1995.

Despite the good investment return achieved in 1992/93 I feel that I should sound a note of caution as to the implications for the next valuation. Actuarial valuations are based on assumptions which include the level of dividend growth but not capital appreciation. The prospects for dividend growth from equities over the next few years are somewhat limited as the recent recession has taken its toll on company dividend paying capacity. Another factor which is likely to have a significant influence on the next valuation will be the effects of the introduction of compulsory competitive tendering on the balance of Fund membership between employees, pensioners and deferred pensioners.

The difficult financial climate within which local authorities operate has already had its effects on the Fund. The number of contributors has fallen from 32,260 to 31,377 over the course of the year, whilst the number of pensioners, swollen by an increasing number of early retirements, rose from 18,481 to 19,783.

In recent years, two committees have been set up to investigate and report on issues relating to superannuation funds. The Cadbury Committee looked into how the internal financial control of companies and their accountability to shareholders could be improved. A Code of Conduct has been produced and it is hoped that companies will follow these recommendations in improving their relationships with investors. The Goode Committee has recently reviewed the framework of law and regulation within which pension schemes operate. Depending on the Government's reaction, this may result in changes being made to the operation of the Fund.



**PETER J. HAIGH
DIRECTOR OF FINANCE**



ADMINISTRATIVE ARRANGEMENTS

PARTICIPATING ORGANISATIONS

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 five district councils and a number of other organisations which provide a public service within the County area participate in the Fund. A full list of these organisations is given on page 13.

LEGAL FRAMEWORK

The framework within which the 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.

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.

SUPERANNUATION COMMITTEE

The Borough has delegated to the Superannuation Committee the task of controlling and resolving all matters relating to the Superannuation Fund and to the investment of the Superannuation Fund monies.

The Committee meets quarterly and 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 trade unions attend the Committee meetings.

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.

Matters of substance relating to pensions administration which require the Committee's awareness or a formal administering authority decision are reported to the Committee as and when they arise.

INVESTMENT ARRANGEMENTS

For investment management purposes the Fund is divided into three broadly equal portions. Two portions have been allocated to external balanced managers. The Committee sets down broad guidelines within which these 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, 1993 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

In May 1992, the Committee completed a review of the management arrangements for the third portion of the Fund. This has since been operated on a consensus basis with the asset allocation closely following that of the average U.K. pension fund. Approximately 70% of the U.K. equity content of this portion has been structured to obtain a return close to that of the Financial Times-Actuaries All-Share Index. The remainder of the U.K. equity content and the fixed interest content is actively managed in-house. External specialist managers have been appointed to invest in U.S., Japanese, European and Pacific Basin equities.

The Fund's property investments are the responsibility of a specialist manager.

PENSIONS ADMINISTRATION

The administration of matters relating to Scheme members' benefits is undertaken by the Director of Finance.



INVESTMENT REPORT

INVESTMENT RETURNS

With regard to investment returns, which include both investment income and changes in capital value, 1992/93 was a good year for pension funds. The median pension fund return for the year was 25.9%, which this Fund out-performed with a return of 26.9%. These figures compare with average increases in wages of 3.3% and inflation of 1.9% over the year.

The investment return for 1992/93 has been analysed over the major investment markets, with comparisons being made with median and/or index returns as appropriate :-

	Tyne and Wear Fund %	Median %	Index %
Aggregate	26.9	25.9	-
U.K. Fixed Interest	22.1	23.1	21.5
U.K. Index-Linked	27.5	26.0	22.3
Overseas Fixed Interest	40.7	35.6	30.9
U.K. Equities	28.9	27.1	26.1
Overseas Equities	26.8	26.2	30.5
U.S.	35.1	33.4	32.3
Japan	35.6	34.3	38.0
Europe	21.0	18.6	19.3
Pacific Basin	25.6	33.7	31.9
Property	11.8	1.2	- 1.8

The median and index figures show that good returns were obtained in all areas except property, with overseas fixed interest providing the best returns, aided by the effective devaluation of Sterling in September 1992. The Tyne and Wear Fund showed consistent out-performance against the median in most areas with the only significant under-performance being in the Pacific Basin area. However, the long term yardstick of the success of the Fund is normally taken to be the latest five-year period. In the individual years the returns have been :-

	Tyne and Wear Fund %	Median Fund %
1988/89	+ 22.2	+ 21.0
1989/90	+ 10.8	+ 9.6
1990/91	+ 8.7	+ 8.7
1991/92	+ 3.3	+ 4.3
1992/93	+ 26.9	+ 25.9

These results have produced an average return of 14.0% per annum, which compares well with a median return of 13.6%.

FACTORS INFLUENCING MARKETS DURING 1992/93

Overview

The major influence has been a subdued level of economic activity. In those countries such as Germany and Japan where the economic growth phase lasted longest, recession has now arrived. In countries such as the U.S. and U.K., which were first into recession, economic statistics have indicated the start of the next growth phase. However the general perception is that conditions are still difficult.

In these circumstances, with the notable exception of Germany, there is an absence of inflationary pressure. This is despite significant reductions having been made in short term interest rates in countries such as the U.S., U.K. and Japan.

Fixed Interest

The low inflation outlook, combined with the relatively high real rate of return (i.e. the difference between the actual rate of return and the rate of inflation) available in most countries, has encouraged bond buying.

The effective devaluation of Sterling in September 1992 produced an additional bonus for Sterling based investors.

Equities

Factors affecting individual equity markets have been :-

(i) U.K.

Following the General Election in April 1992, the market rose in the belief that an economic recovery would begin. This was because companies had delayed making investment decisions until the outcome of the Election was known. This belief proved to have been misplaced and it was not until the removal of Sterling from the E.R.M. in September 1992, when the market correctly anticipated a change in Government policy towards stimulating the economy, that the market moved significantly higher.

(ii) Europe

The Bundesbank adopted a policy of maintaining relatively high interest rates in order to curb German inflationary pressures arising out of the integration of East Germany. Through the E.R.M. mechanism, this forced other European countries to adopt policies which produced recessionary conditions. Despite this, there was a positive return from equities, although this was lower than returns in other overseas areas.

(iii) U.S.

The equity market showed a steady increase over the course of the year. The level of the market assumed a strong recovery in company profits although this seemed likely to materialise more from cost cutting than from a strong economic recovery.

(iv) Japan

Although the Japanese economy has entered a significant recessionary period, the behaviour of the stock-market is more influenced by Government measures to preserve the Japanese financial structure. However, changes are occurring in company behaviour. Redundancies are becoming common and there are indications that, in some areas, company cross-shareholding may start to unwind in a bid to improve cash-flow. Most of the equity return to U.K. investors in 1992/93 related to currency gains.

(v) Pacific Basin

Investor interest in the Pacific Basin is mainly concentrated on seeking indirect benefits from the economic growth currently taking place in China, as the latter country is not available for direct investment. In this respect, Hong Kong is seen as one of the most interesting areas, although from time to time the market is volatile because of shifts in the political relationship between the two countries.

Property

Property continues to suffer from an excess of supply over demand. The resultant balance of empty space has the effect of reducing rents on new leases, although the Fund benefits from existing leases which have upwards only rent reviews. The level of new construction has fallen significantly but, until the amount of empty space is reduced, capital appreciation for properties will only come from a reduction in income yield.

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. The combined effect of the managers' actions over the course of 1992/93 was, as the following table shows, to reduce the amounts allocated to fixed interest with consequent additions to both index-linked and U.K. equities.

	Net Investment £'000	Net Disinvestment £'000
U.K. Fixed Interest _____	-	12,584
U.K. Index-Linked _____	6,230	-
Overseas Fixed Interest _____	-	10,775
U.K. Equities * _____	16,066	-
Overseas Equities * _____	-	1,821
Property * _____	-	1,564
	<u>22,296</u>	<u>26,744</u>

* Includes unit trusts.

The revenue account shows that an additional £4.2 million became available for investment. Combined with the next disinvestment of £4.4 million from securities (as shown above) and overseas currency adjustments of £1.2 million, this resulted in cash and its equivalents rising by £9.8 million to £59.9 million.

COMPOSITION OF THE PORTFOLIO

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

	Start of Year		End of Year		Average Pension Fund %
	£'000	%	£'000	%	
U.K. Fixed Interest _____	20,675	2.4	10,096	1.0	1.0
U.K. Index-Linked _____	32,802	3.8	47,467	4.5	5.0
Overseas Fixed Interest _____	72,509	8.3	83,095	7.9	7.0
U.K. Equities * _____	454,570	52.0	571,231	54.2	56.0
Overseas Equities * _____	196,642	22.5	238,682	22.6	22.0
Property * _____	46,234	5.3	43,079	4.1	4.0
Cash _____	50,139	5.7	59,864	5.7	5.0
	<u>873,571</u>	<u>100.0</u>	<u>1,053,514</u>	<u>100.0</u>	<u>100.0</u>

* Includes unit trusts



THE SCHEME

LEGAL FRAMEWORK

The provisions of the Local Government Superannuation Scheme (L.G.S.S.) 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. Matters relating to maladministration fall under the jurisdiction of the Occupational Pensions Advisory Service and the Pensions Ombudsman.

CURRENT EMPLOYEE MEMBERSHIP

All new whole-time local government employees are admitted to the scheme unless they elect not to do so. Following on from the admission of part-time employees working more than 15 hours per week for 35 weeks a year from 1st April, 1986, new regulations effective from 1st January, 1993 now permit any employee contracted to work for 35 weeks a year to join the scheme if they wish.

At 31st March, 1993 there were 31,377 current employees who were members of the Fund. The year saw 2,137 new members joining and 2,764 leavers.

The continued decline in membership is as a result of reductions in the number of local government employees and new employees having the option not to join the Scheme. The regulations allowing part-time employees working less than 15 hours to join the Scheme may boost membership but similarly the consequences of compulsory competitive tendering may have a negative effect.

During the year around a quarter of new whole time employees chose not to join L.G.S.S. whilst 205 members opted out of membership although continuing employment.

CONTRIBUTIONS

Employees' contributions are fixed at 5% for manual and craft workers and 6% for officers.

Because employees' contributions are insufficient to cover the cost of their L.G.S.S. benefits the Actuary carries out a triennial valuation to evaluate the liabilities and the employers' contributions needed to meet the balance of costs.

At the time of the last valuation in 1989, account had to be taken of new funding regulations which came into force in 1990. These regulations required local government superannuation funds to provide for only 75% of all pension liabilities when setting funding levels.

Despite strong representations from local authority associations against the reduced funding, the resultant valuation led to the five local authorities in the Tyne and Wear County Superannuation Fund having a zero employers rate.

Regulations introduced in March 1993 have now re-introduced the return to 100% funding and employers in the Fund have seen a dramatic increase in their rate of contribution, which is being phased in over a six year period.

Admitted body pension contributions must continue to cover 100% of their pension liabilities inclusive of pensions increases.

All bodies whether scheduled or admitted are invoiced individually for discretionary added years costs awarded in cases of early retirement or redundancy.

BENEFITS

The L.G.S.S. 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 a minimum of 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.

In addition to regulations introducing a return to 100% funding, new regulations were made regarding the disclosure of information which required us to provide certain information by 31st December, 1992 and which imposed strict time limits on the time in which we are required to notify members of benefits.

Regulations were also introduced with regard to the superannuable status of leased cars and a European directive was issued with regard to the treatment of maternity leave and contributions.

Dependants' benefits were improved and female employees were notified of their right to elect to provide widowers' cover for service prior to 1st April, 1988.

PENSIONS

There were 19,783 pensioners receiving payment out of the Fund as at 31st March, 1993, an increase of 1,302 over the previous year.

The steady increase in the number of pensioners reflects the continuing reduction in local authority payrolls. The majority of these retirements were on the grounds of redundancy or efficiency of service and a mere 215 relate to employees reaching retirement age.

Annual pensions increases, which reflect increases in the Retail Price Index, continue to be a valuable feature of the L.G.S.S.

DEFERRED PENSIONS

The remaining major group of Fund members, 7,250 as at 31st March, 1993, 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

Assurances, in the form of the regular newsletter, have once again been given to all members of the security of benefits afforded to them as members of the L.G.S.S.

Details of the Fund's current contributors have now all been entered on the data base which completes another part of the computerisation process and will enable production of annual benefit statements for every member.

The Fund is continuing to promote scheme membership and is continually looking to improve the service and quality of information it gives to all members and non-members.



	Members as at 31st March, 1993	
	Contributors	Pensioners
METROPOLITAN DISTRICT COUNCILS		
Gateshead	5,350	2,955
Newcastle upon Tyne	6,925	4,626
North Tyneside	3,874	2,405
South Tyneside	3,495	2,445
Sunderland	5,844	3,908
Sub Totals	25,488	16,339
OTHER SCHEDULED BODIES		
University of Northumbria at Newcastle	784	70
University of Sunderland	476	48
Tyne and Wear Passenger Transport Executive	880	1,598
Northumbria Police Authority	1,321	573
Northumbria Probation and After-Care Service	448	123
Tyne and Wear Fire and Civil Defence Authority	205	113
Tyne and Wear Passenger Transport Authority	108	42
Birtley Town Council	5	1
Former Tyne and Wear County Council	-	378
Former Tyne and Wear Residuary Body	-	29
Former North East Regional Airport	-	54
Sub Totals	4,227	3,029
ADMITTED BODIES		
Busways Travel Services Limited	781	122
Newcastle International Airport Company Limited	399	65
Port of Tyne Authority	1	17
The Ozanam House Probation Hostel Management Committee	6	1
St. Mary's Training College	-	8
Information North (Northern Regional Library System)	1	1
Northern Council for Further Education	20	7
North East Innovation and Development Company Limited	6	2
North of England Development Council	-	7
Northern Arts Association	20	4
North Regional Examinations Board	-	15
Benton Grange School	-	9
Northern Counties School for the Deaf	29	8
St. Mary Magdalene and Holy Jesus Charity	2	3
Northern and North-Eastern Provincial Councils	7	-
Catholic Care North East	20	16
Workshops for the Adult Blind (Palatine Products)	60	92
Northumbria Tourist Board	21	7
Theatre Royal Trust Limited	11	9
Sunderland Empire Theatre Trust Limited	2	3
Sunderland Outdoor Activities Association	1	-
Newcastle upon Tyne Family Service Unit	-	3
Age Concern Newcastle	18	8
Newcastle Community Law Centre	1	-
Newcastle upon Tyne Council for the Disabled	5	1
Praxis Service	1	-
Tyne and Wear Enterprise Trust Limited	8	2
Tyne and Wear Development Corporation	52	3
Northern Regional Councils' Association	9	2
Park View Sports Complex	5	-
Tyne and Wear Development Company Limited	4	-
Search Project	3	-
Wallsend Citizens' Advice Centre	2	-
Shiremoor Advice Centre	2	-
Tyneside Training and Enterprise Council	100	-
Sunderland Enterprise Agency	-	-
Tyne Theatre Trust (Northern Stage Company)	-	-
South Tyneside Groundwork Trust	5	-
Wallsend Peoples' Centre	3	-
Wearside Training and Enterprise Council	51	-
Sunderland Arts Centre	6	-
Sub Totals	1,662	415
GRAND TOTALS	31,377	19,783

ACTUARIAL INFORMATION

INTRODUCTION

Legislation requires that an actuarial valuation is carried out every third year. The purpose of this is to establish that the Fund is able to meet its liabilities to past and present contributors.

The actuarial information set out below complies with the disclosure requirements of S.S.A.P. 24.

ACTUARIAL POSITION

Rates of contributions paid by the participating employers during 1992/93 were based on an actuarial valuation carried out as at 31st March, 1989.

This valuation showed that, for the period 1st April, 1990 to 31st March, 1993, no employers' contributions were required from scheduled bodies (i.e. district councils and certain statutory bodies). Individually assessed rates of between 40% and 110% of employees contributions were required from admitted bodies (i.e. bodies which have applied to participate in the Fund but are not statutorily required to do so).

The principal reason for the different treatment of scheduled bodies and admitted bodies is that, for the 1989 valuation, the Government required scheduled body employers contribution rates to cover only 75% of their pension liabilities. This was intended to limit any consequent increase in local government expenditure on superannuation resulting from pension increase liabilities on statutory superannuation benefits being transferred to the superannuation funds (instead of the last employer). Admitted body employers' contributions continued to cover 100% of their pension liabilities.

Accordingly, these employers rates of contribution from scheduled bodies are the rates which, in addition to the contributions paid by the members, are sufficient to meet :-

- 75% of the liabilities arising in respect of service after the valuation date
- less an adjustment over the members' average future service working lifetime to reflect the excess of the value of each participating employer's notional share of the Fund's assets over 75% of its accrued liabilities, allowing, in the case of members in service, for future pay increases
- plus 25% of the then current benefit outgo.

The market value of the Fund's assets at the valuation date was £781 million and their actuarial value of £790 million represented 118% of the Fund's accrued liabilities, allowing for future increases.

The contribution rates have been calculated using the projected unit actuarial method and the main actuarial assumptions were as follows :-

Rate of return on investments :	9% per annum.
Rate of general pay increases :	6½% per annum.
Rate of increases to pensions in payment (in excess of Guaranteed Minimum Pensions) :	4½% per annum.
Valuation of assets :	Discounted value of future income, assuming that that part of the assets notionally reinvested in the Financial Times - Actuaries All-Share Index will achieve 4½% per annum dividend growth.

The contributions described above are calculated to be sufficient to meet only 75% of the Fund's liabilities plus 25% of the current benefit outgo. It is likely that, unless the Fund's actual experience is better than assumed, the contribution rates will increase at each successive actuarial valuation.

An actuarial valuation was carried out as at 31st March, 1992 and an increase in contribution rates as a result of that valuation took effect from 1st April, 1993 (see Report of the Actuary for the year ended 31st March, 1993).

REPORT OF THE ACTUARY FOR THE YEAR ENDED 31st MARCH, 1993

- (1) We carried out a full actuarial investigation into the financial position of the Tyne and Wear County Superannuation Fund as at 31st March, 1992. The valuation took into account changes in the Regulations providing for the return to a funding target of 100% of liabilities for the Metropolitan Borough Councils and other 'scheduled' bodies (in place of the 75% target imposed for the 1989 valuation). The results of our investigation showed that the financial position of the Fund was reasonably satisfactory with assets covering 98½% of the liabilities.
- (2) We recommended revised rates of contribution to be paid by the participating employers with effect from 1st April, 1993. A formal Certificate of these contribution rates to be paid from 1st April, 1993 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, 1992.
- (3) Having regard to the results of the valuation as at 31st March, 1992 and to the further information with which we have been provided regarding the period up to 31st March, 1993, we are of the opinion that :-
 - (a) The assets of the Fund as at 31st March, 1993 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 assuming that the Fund continued without a major change in investment policy.
 - (b) The rates of contribution to be paid from 1st April, 1993 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 deficiency disclosed by the valuation as at 31st March, 1992.
- (4) The next actuarial valuation of the Superannuation Fund will be carried out as at 31st March, 1995

E.A. Drake

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



REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1993

1991/92		£		1992/93	
		£			£
	CONTRIBUTIONS AND PENSIONS				
	INCOME				
659,030	Employers' Contributions _____		676,382		
21,749,219	Employees' Contributions _____		22,440,433		
4,390,133	Transfer Values _____		3,797,642		
<u>26,798,382</u>					26,914,457
	EXPENDITURE				
45,396,400	Retirement Pensions _____	51,799,507			
7,864,216	Less : Recharges to Employing Authorities _____	8,916,808			
<u>37,532,184</u>		<u>42,882,699</u>			
13,182,632	Retirement Grants and Gratuity Payments _____	14,472,551			
823,622	Death Grants _____	663,306			
228,391	Return of Contributions _____	326,921			
7,355,573	Transfer Values _____	6,483,324			
136,930	Contributions Equivalent Premium _____	158,818			
924,323	Contributions and Benefits Administration _____	1,119,506			
<u>60,183,655</u>					<u>66,107,125</u>
	Shortfall of Contributions				
<u>(33,385,273)</u>	over Benefits and Payments _____				(39,192,668)
	INVESTMENT INCOME AND MANAGEMENT				
	INCOME				
46,672,421	Investment Income _____	46,348,160			
249,907	Underwriting Commission _____	110,529			
<u>46,922,328</u>					46,458,689
	EXPENDITURE				
1,746,747	Investments Administration and Fees _____	2,151,854			
305,613	Non-Recoverable Overseas Tax on Investment Income _____	483,089			
577,483	Property Running Expenses _____	438,705			
<u>2,629,843</u>					<u>3,073,648</u>
44,292,485	Net Income from Investments _____				43,385,041
<u>10,907,212</u>	NET INCOME AVAILABLE FOR INVESTMENT				<u>4,192,373</u>



TYNE AND WEAR COUNTY SUPERANNUATION FUND

NET ASSETS STATEMENT AS AT 31st MARCH, 1993

1991/92		1992/93	
£		£	£
	INVESTMENTS		
	QUOTED INVESTMENTS		
	Fixed Interest		
20,397,474	U.K. Government Conventional Stocks	9,820,563	
31,747,430	U.K. Government Index-Linked Stocks	46,202,856	
72,509,061	Overseas Bonds	83,095,178	
<u>1,055,048</u>	Building Society Index-Linked Stocks	<u>1,264,251</u>	
125,709,013			140,382,848
	Equities		
441,312,886	U.K.	545,791,499	
184,144,456	Overseas	215,815,233	
<u>625,457,342</u>			<u>761,606,732</u>
751,166,355	Total - Quoted Investments		901,989,580
	UNQUOTED INVESTMENTS		
1,309,375	U.K. Equities	1,876,375	
174,426	Overseas Equities	85,011	
11,948,239	U.K. Unit Trusts	23,562,641	
12,322,795	Overseas Unit Trusts	22,781,748	
2,902,566	U.K. Property Unit Trusts	774,800	
7,220,981	Overseas Property Unit Trusts	7,119,308	
29,805,000	Freehold Property	29,445,000	
6,305,000	Leasehold Property	5,740,000	
277,663	Long Term Mortgage Loans	275,000	
<u>72,266,045</u>	Total - Unquoted Investments		<u>91,659,883</u>
	DERIVATIVES		
-	FT-SE 100 Index Futures	-	
-	Forward Currency Contracts	3,344	
-	Total - Derivatives		<u>3,344</u>
823,432,400	Total - All Investments		993,652,807
	CURRENT ASSETS		
12,656,493	Debtors	17,513,412	
38,082,569	Sterling Cash and Short Term Deposits	50,336,618	
2,205,945	Overseas Currency Balances	2,300,693	
<u>52,945,007</u>			<u>70,150,723</u>
	LESS : CURRENT LIABILITIES		
2,806,607	Creditors	10,289,877	
<u>50,138,400</u>	Net Current Assets		<u>59,860,846</u>
<u>873,570,800</u>	TOTAL NET ASSETS		<u>1,053,513,653</u>

TYNE AND WEAR COUNTY SUPERANNUATION FUND

RECONCILIATION OF THE MOVEMENT OF THE NET ASSETS OF THE FUND 1st APRIL, 1992 TO 31st MARCH, 1993

	£	£
Total Net Assets as at 1st April, 1992		873,570,800
Net new money available for investment per Revenue Account		4,192,373
		<u>877,763,173</u>
Change in market value of investments :-		
Realised gains on investments sold during year	45,571,606	
Other variations in market value of investments	130,178,874	
		<u>175,750,480</u>
Total Net Assets as at 31st March, 1993		<u>1,053,513,653</u>



TYNE AND WEAR COUNTY SUPERANNUATION FUND

SUMMARY OF INVESTMENTS 1992/93

Category	Market Value 31.03.92 £	Book Value 1.04.92 £	Purchases 1992/93 £	Profit on Sales 1992/93 £
QUOTED INVESTMENTS				
Fixed Interest :-				
U.K. Government				
Conventional Stocks _____	20,397,474	19,748,003	51,795,161	2,525,568
U.K. Government				
Index-Linked Stocks _____	31,747,430	29,639,590	16,897,048	1,273,556
Overseas Bonds _____	72,509,061	69,271,992	139,378,820	13,372,348
Building Society				
Index-Linked Stocks _____	1,055,048	980,002	-	-
Equities :-				
U.K. _____	441,312,886	378,787,037	166,857,742	48,819,319
Overseas _____	184,144,456	182,413,094	115,377,010	20,294,461
Total - Quoted	751,166,355	680,839,718	490,305,781	86,285,252
UNQUOTED INVESTMENTS				
Equities :-				
U.K. _____	1,309,375	1,621,844	1,371,825	-
Overseas _____	174,426	177,313	-	-
Unit Trusts :-				
U.K. _____	11,948,239	12,248,844	9,209,941	-
Overseas _____	12,322,795	10,854,812	12,134,755	1,062,859
Property Unit Trusts :-				
U.K. _____	2,902,566	1,456,514	-	841,627
Overseas _____	7,220,981	5,883,627	4,801	-
Property :-				
Freehold _____	29,805,000	31,664,117	4,471,315	398,777
Leasehold _____	6,305,000	6,415,459	125,836	-
Long Term				
Mortgage Loans _____	277,663	277,663	-	-
Total - Unquoted	72,266,045	70,600,193	27,318,473	2,303,263
Sub-Total	823,432,400	751,439,911	517,624,254	88,588,515
DERIVATIVES				
FT-SE 100 Index Futures :-				
Closed/Expired _____	-	-	-	1,825,835
Open _____	-	-	-	-
Forward Currency Contracts :-				
Expired _____	-	-	-	256,943
Open _____	-	-	-	-
Total - Derivatives	-	-	-	2,082,778
GRAND TOTAL	823,432,400	751,439,911	517,624,254	90,671,293

TYNE AND WEAR COUNTY SUPERANNUATION FUND

SUMMARY OF INVESTMENTS 1992/93

Loss on Sales 1992/93 £	Sale Proceeds 1992/93 £	Book Value 31.03.93 £	Market Value 31.03.93 £
189,477	64,376,650	9,502,605	9,820,563
-	10,667,248	37,142,946	46,202,856
925,177	150,153,400	70,944,583	83,095,178
-	-	980,002	1,264,251
23,499,155	161,343,347	409,621,596	545,791,499
18,630,268	122,789,842	176,664,455	215,815,233
43,244,077	509,330,487	704,856,187	901,989,580
-	-	2,993,669	1,876,375
-	-	177,313	85,011
-	30,329	21,428,456	23,562,641
333,421	6,542,867	17,176,138	22,781,748
-	1,910,181	387,960	774,800
-	-	5,888,428	7,119,308
-	4,255,449	32,278,760	29,445,000
-	-	6,541,295	5,740,000
-	2,663	275,000	275,000
333,421	12,741,489	87,147,019	91,659,883
43,577,498	522,071,976	792,003,206	993,649,463
1,183,157	642,678	-	-
-	104,957	(104,957)	-
339,032	(82,089)	-	-
-	-	-	3,344
1,522,189	665,546	(104,957)	3,344
45,099,687	522,737,522	791,898,249	993,652,807

NOTES ON COMPILATION OF THE ACCOUNTS

1. The Local Government Superannuation Scheme

1.1. The Scheme is a funded, defined benefits scheme.

2. Accounting Policies

2.1. The Fund's accounts are prepared in accordance with the recommendations of Statement of Recommended Practice 1 on Pension Scheme Accounts and the C.I.P.F.A. Code of Practice on Local Authority Accounting.

3. Actuarial Information

3.1. The actuarial information set out in the separate statements complies with the disclosure requirements of S.S.A.P. 24.

3.2. 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).

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

4. Administration Expenses

4.1. 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.

4.2. The Local Government Superannuation (Amendment) Regulations 1989 permit costs incurred in connection with pension (benefits) administration to be charged against the Fund.

5. Debtors and Creditors

5.1. Investment income has been credited to the Fund on the ex-dividend date and is grossed up to allow for U.K. income tax and overseas withholding tax.

5.2. In all other cases debtors and creditors are raised for amounts outstanding at 31st March, 1993.

6. Taxation

6.1. 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.

6.2. The Fund is, however, currently subject to withholding tax 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.

6.3. With effect from 1st September, 1991 the Fund has been separated from the Council for the purposes of V.A.T. and cannot reclaim V.A.T. on its exempt activities from that date. The accounts are shown inclusive of this tax.

7. Investment Transactions

7.1. Investment transactions during the year consisted of sales of £522,737,522 and purchases of £517,624,254 (1991/92 - £357,034,973 and £376,684,260 respectively).

8. Profits and Losses

8.1. Profits 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.

8.2. A net profit of £45,571,606 accrued from the sale of investments, comprised of profits of £90,671,293 and losses of £45,099,687 (1991/92 - net profit of £33,663,741, comprised of profits of £48,439,425 and losses of £14,775,684).

9. Valuation of Investments

9.1. The valuation of quoted investments and unit trusts is based on either the mid-market closing price on 31st March, 1993, or the last such quoted price before that date.

9.2. Unquoted investments have been valued internally.

9.3. Overseas investments have been converted at the exchange rates quoted at close of business on 31st March, 1993, 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	1.5049
Canadian Dollar	1.8943
German Mark	2.4274
Dutch Guilder	2.7292
Swiss Franc	2.2500
Italian Lira	2,401.4500
Spanish Peseta	173.3600
Norwegian Kroner	10.3303
Danish Kroner	9.3276
French Franc	8.2423
Swedish Kroner	11.6617
Irish Punt	0.9976
Austrian Schilling	17.0776
Belgian Franc	50.0100
ECU	1.2522
Australian Dollar	2.1345
New Zealand Dollar	2.8318
Japanese Yen	173.1000
Hong Kong Dollar	11.6383
Singapore Dollar	2.4668
Malayan Ringit	3.9016
Thai Baht	37.8700
South Korean Won	1,184.6500

9.4. Properties are shown as valued at 31st December, 1992 by Drivers Jonas, with the exception of 48/50 High Street, Rhyl and 130 Sauchiehall Street, Glasgow which were purchased in January 1993 and March 1993 respectively and have been valued at purchase price.

10. Derivatives

10.1. Two derivative instruments have been used by the Fund.

10.2. The Fund has used FT-SE 100 Index Futures to implement changes in asset allocation. As at 31st March, 1993, the Fund held 103 June 1993 contracts which had a nominal book value of £7,362,543 and a nominal market value of £7,467,500. The net variation margin received to 31st March, 1993 was therefore £104,957, which is shown as the book value of the position. The position was unwound by 27th May, 1993 at an overall loss of £114,522.

TYNE AND WEAR COUNTY SUPERANNUATION FUND

10.3. The Fund has used Forward Currency Contracts to hedge the currency exposure on overseas investments. As at 31st March, 1993, the Fund held a position in 16.9 million Dutch Guilders which was showing an unrealised profit of £3,344. The position was settled on 22nd April, 1993 at a profit of £105,737.

11. Underwriting

11.1. The Fund accepts a number of underwriting propositions throughout the course of the year. At 31st March, 1993 commitments involving a potential outlay of £222,438 were unexpired (31st March, 1992 - £940,808). The Fund was subsequently released from these commitments without any liability being incurred.

12. Loans in Administration

12.1. Included within the balance of £50,336,618 shown as 'Sterling Cash and Short Term Deposits' are loans to two banks which are currently in administration.

12.2. An amount of £70,920 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 1994.

12.3. An amount of £94,400 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 and £36,077 of the remaining loan have been fully written down.

13. Audit

13.1. The accounts are presented subject to audit.





**SUPERANNUATION
FUND**
*Report &
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