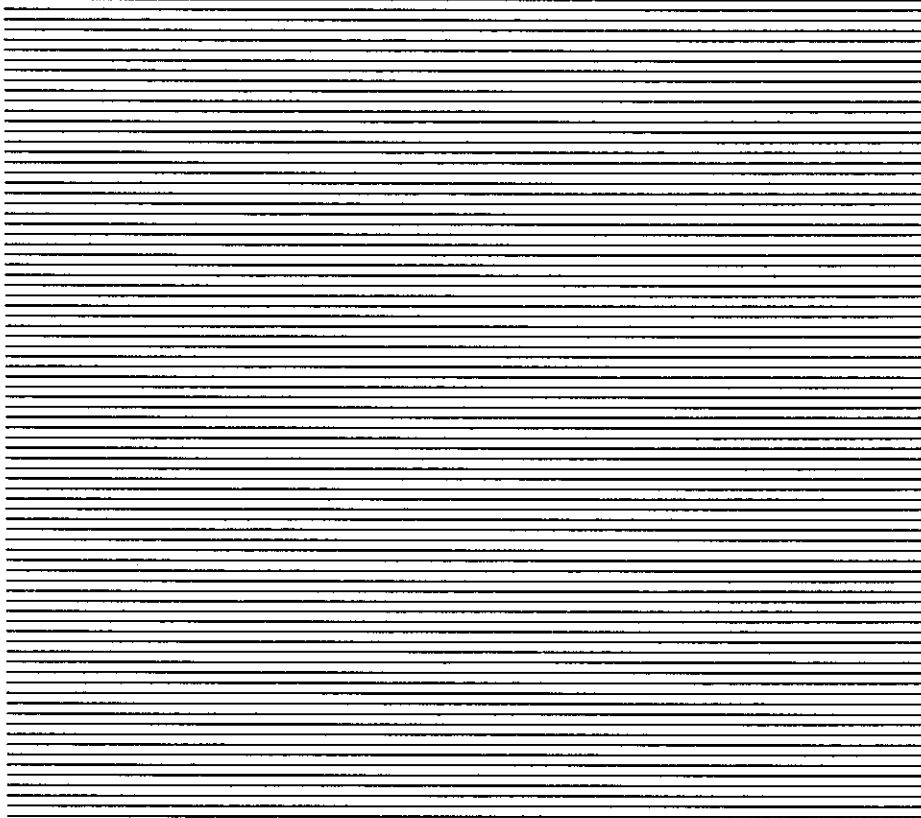


*Tyne & Wear
County*
**SUPERANNUATION
FUND
REPORT & ACCOUNTS
1993/94**



Administered by
**SOUTH TYNESIDE
METROPOLITAN BOROUGH COUNCIL**



REPORT and ACCOUNTS

For the year ended 31st March, 1994

Contents

Page		
3	_____	Members, Advisers and Officers
5	_____	Report of the Director of Corporate Services
6	_____	Administrative Arrangements
7	_____	Investment Report
10	_____	The Scheme
12	_____	Organisations Participating in the Fund
14	_____	Actuarial Information
15	_____	Report of the Consulting Actuaries
17	_____	Accounts
20	_____	Summary of Investments
22	_____	Notes to the Accounts

**ADMINISTERING AUTHORITY
SOUTH TYNESIDE METROPOLITAN BOROUGH COUNCIL
Members, Advisers and Officers 1993/94**

Members

Chairman	:	Councillor S. Hepburn
Vice Chairman	:	Councillor S. Tolfrey
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		
	:	T. Johnston UNISON D. Murphy UNISON J.J. Wilson UCATT
External Investment Managers		
Balanced Managers :-		
	:	Mercury Asset Management P.D.F.M.
Specialist Managers :-		
Japan and Pacific Basin	:	Invesco Asset Management
North America	:	J.P. Morgan Investment Management
Continental Europe	:	Lombard Odier Investment Management Services
Indexation :-	:	Barclays de Zoete Wedd Investment Management
Property Manager :-	:	Scottish Amicable Investment Managers
Actuary	:	R. Watson and Sons
Director of Corporate Services	:	P.J. Haigh



REPORT OF THE DIRECTOR OF CORPORATE SERVICES

I am pleased to be able to report that 1993/94 was a year of good investment returns, with the Fund's actual return being 15.3%, well in excess of the levels of both inflation and salary increases.

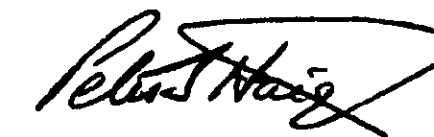
An actuarial valuation of the Fund was undertaken as at 31st March, 1992 and the outcome of this was the reintroduction of an employers contribution from 1st April, 1993. This valuation was based on 100% funding, compared to the 75% funding which the Government had decided should be used for the previous valuation undertaken as at 31st March, 1989. The reversion to a 100% basis has resulted in the reintroduction of employers contributions at a higher level than would have been the case on a 75% basis. Consequently, the increases are being phased in over a seven year period.

The next actuarial valuation of the Fund is scheduled for 31st March, 1995, with the implementation date for revised rates of contribution being 1st April, 1996.

Over the course of 1993/94, the number of contributors rose from 31,377 to 31,612. The number of pensioners also rose, from 19,783 to 20,685. The increase in pensioners is a continuation of the trends of recent years, caused by the difficult financial climate within which local authorities operate.

Last year I commented that the Goode Committee had produced recommendations on improving the framework of law and regulation within which pension schemes operate. The Government has recently produced its response to these recommendations. The main difference compared with the original proposals has been to make the solvency calculation for pension funds less onerous. It is still not clear whether or not some of the proposals will apply to local authority pension funds, because some of the recommendations conflict with current local government legislation. It is unlikely that new legislation will be implemented before April, 1997.

During the year, the Department of the Environment initiated an "Efficiency Scrutiny" of the Local Government Superannuation Scheme, which foreshadows the possibility of changes to the Scheme. The Council has fully participated in the consultation processes with the aim of trying to ensure that a degree of continuity with the present arrangements is maintained, whilst permitting a degree of flexibility not currently enjoyed by the scheme.



PETER J. HAIGH
DIRECTOR OF CORPORATE SERVICES



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 pages 12 and 13.

LEGAL FRAMEWORK

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 the method of calculation of benefits.

The regulations also set out the types of investment which can be made. These include company and government securities, property and unit trusts, but not commodities or works of art.

SUPERANNUATION COMMITTEE

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

The Committee consists of thirteen members and normally meets quarterly. Nine of the members are nominated by South Tyneside Metropolitan Borough Council, with the balance made up by one representative from each of the other four districts within the County area. In addition, three representatives of the trade unions attend Committee meetings.

At its meetings, the Committee receives and considers comprehensive reports covering all aspects of investment activity. The investment performance of managers is looked at quarterly, with particular attention being paid to the annual performance analysis undertaken by the Combined Actuarial Performance Services, 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 has been divided into four portions - three large broadly equal portions and a fourth smaller portion. Two of the large portions have been allocated to external balanced managers and the Committee has set 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 account of the views of the Fund's adviser and managers and the future benefits liabilities of the Fund.

At 31st March, 1994 the permitted investment ranges (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

The third large portion of the Fund is operated on a consensus basis with the asset allocation closely following that of the average U.K. pension fund. 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. External specialist managers have been appointed to invest in U.S., Japanese, European and Pacific Basin equities whilst the fixed interest content is managed in-house.

The fourth smaller portion contains the Fund's property investments, which are the responsibility of a specialist manager.

PENSIONS ADMINISTRATION

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

INVESTMENT REPORT

INVESTMENT RETURNS

In 1993/94, investment returns were again acceptable, being comfortably above the main valuation yardsticks adopted by actuaries. The median pension fund return for the year was 17.5%, compared with an average increase in wages of 4.8% and in inflation of 2.3%. The Fund's actual investment return was 15.3%.

The investment return for 1993/94 has been analysed over the main investment markets, with comparison being made with median and index returns as appropriate :-

	Tyne and Wear Fund %	Median %	Index %
Aggregate	15.3	17.5	-
U.K. Fixed Interest	11.3	10.6	8.9
U.K. Index-Linked	7.3	7.0	5.9
Overseas Fixed Interest	6.1	8.2	8.0
U.K. Equities	14.9	16.4	15.2
Overseas Equities	25.3	27.9	15.1
U.S.	5.8	5.6	2.2
Japan	28.1	29.4	24.4
Europe	24.7	25.2	24.5
Pacific Basin	46.4	44.0	42.1
Property	16.2	24.6	20.6

Positive returns were achieved in all areas, with equities showing better returns than fixed interest. Although the Tyne and Wear Fund outperformed the relevant index in the majority of areas, there was a general tendency in 1993/94 for the typical pension fund to perform better than indices. Consequently, the Fund actually underperformed against the median last year.

The longer term success of the Fund is normally judged on the results of the latest five-year period. In these individual years the returns have been :-

	Tyne and Wear Fund %	Median Fund %
1989/90	10.8	9.6
1990/91	8.7	8.7
1991/92	3.3	4.3
1992/93	26.9	25.9
1993/94	15.3	17.5

These results have produced an average annual return of 12.7%, which is just below the median return of 12.9%.

FACTORS INFLUENCING MARKETS DURING 1993/94

Overview

For most of the year, the majority of investment markets advanced strongly. This was due to a scenario which combined falling short-term interest rates with the absence of any signs of inflationary pressures, despite signs of a return to economic growth in a number of countries. A further contributory factor was a movement away from cash, which took place in view of the relatively low returns available from that investment medium.

A change of sentiment occurred in February, 1994 when the U.S. Federal Reserve increased short-term interest rates, the first such occurrence for five years. Whilst in some circumstances this would have been regarded positively, in that an early move was being taken against potential inflationary pressures, on this occasion it served only to resurrect inflationary fears.

Although, in general, returns in the last quarter were negative, over the whole of 1993/94 positive returns were obtained in all areas.

Fixed Interest

Despite the adverse change in sentiment on the inflationary outlook during the last quarter, fixed interest bonds still achieved positive returns, with the inflation levels at the end of the year being lower than had been forecast at the start of the year.

Equities

Factors affecting individual markets have been :-

(i) U.K.

The effect of continuing company announcements over the course of the year was to confirm that economic growth had in fact resumed and that company profitability and finances were recovering more quickly than had earlier been anticipated. This helped the market to advance.

(ii) Europe

Although economic conditions were difficult for companies, investors looked through this to an improved performance in future years when the effect of the interest rate reductions, which have been made over the course of the year, are fully reflected in increased economic activity.

(iii) U.S.

Despite being at the most advanced stage of economic recovery, the U.S. was the poorest performer amongst the major equity markets. Here, investors were more concerned as to when, and by how much, interest rates would need to be raised to slow growth to a rate which would be sustainable in the longer term.

(iv) Japan

Despite a strong currency, which makes markets more difficult for companies with a high export content, attention was focused on unprecedented action by Japanese companies in cutting the size of their workforce. This will improve their competitive position and may be a precursor to other events which will improve the way in which they will be run in future.

(v) Pacific Basin

For the third year in a row the best returns came from this area. Again the reason for investor attention was to obtain indirect benefits from the high level of economic growth in China. This takes place in the absence of any significant means of investing directly. This attention was reinforced by signs of increased overseas investment diversification by U.S. funds.

Property

The second half of the year saw a return of buying interest in property, despite the absence of increases in rental values. There were two main reasons for this. The first was that the fall in fixed interest yields meant that the higher income returns from property became relatively more attractive. Secondly, the reduced level of new construction, combined with an increased take up of empty space as the economy began to recover, brought closer the prospect of higher rental levels.

INVESTMENT STRATEGY

The Fund managers 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 1993/94 is set out in the following table :-

	Net Investment £'000	Net Disinvestment £'000
U.K. Fixed Interest	-	3
U.K. Index-Linked	1,487	-
Overseas Fixed Interest	12,351	-
U.K. Equities *	-	16,311
Overseas Equities *	-	7,928
Property *	17,190	-
	<u>31,028</u>	<u>24,242</u>
Total Net Investment	<u>6,786</u>	

* Includes unit trusts.

The revenue account shows that an additional £9.2 million became available for investment. Combined with a net investment of £6.8 million (as shown above) and overseas currency adjustments of £1.0 million, this resulted in cash and equivalents rising by £1.4 million to £61.3 million.

COMPOSITION OF THE PORTFOLIO

The combination of the investment transactions of the Fund and changes in market values 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	10,096	1.0	9,997	0.9	3.3
U.K. Index-Linked	47,467	4.5	51,131	4.4	3.0
Overseas Fixed Interest	83,095	7.9	95,958	8.2	4.8
U.K. Equities *	571,231	54.2	613,601	52.2	57.0
Overseas Equities *	238,682	22.6	280,135	23.8	25.8
Property *	43,079	4.1	62,980	5.4	1.8
Cash	59,864	5.7	61,269	5.1	4.3
	<u>1,053,514</u>	<u>100.0</u>	<u>1,175,071</u>	<u>100.0</u>	<u>100.0</u>

* Includes unit trusts

THE SCHEME

LEGAL FRAMEWORK

The provisions of the Local Government Superannuation Scheme are contained in complex statutory regulations which are 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 join. Employees who work less than 30 hours per week have to make an election to join.

At 31st March, 1994 there were 31,612 current employees who were members of the Fund. The year saw 2,632 new members join and 2,397 people leave.

The increase in Fund membership reflects the fact that more people elected to join the Fund than left, with only 91 employees opting out of Fund membership.

A disappointing response came from people working less than 15 hours per week who could have joined the Fund. Only 125 employees elected to join from a workforce of approximately 5,000.

The announcement of the Securities and Investment Board (S.I.B.) that it is to investigate and produce compensation procedures for those employees given 'bad advice' in taking out a personal pension has resulted in some employees who previously opted out of the Scheme in favour of personal pensions transferring back in. The S.I.B. has estimated that up to 90% of people who purchased or transferred personal pensions may have done so after having been given bad advice.

The Council is currently in the process of contacting all current employees who opted out to make them aware of the S.I.B. investigation and their right to rejoin the Scheme. This may increase membership in the near future.

CONTRIBUTIONS

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

Employees contributions do not cover all the cost of their Scheme benefits. Employers participating in the Fund meet the balance of costs with their contribution. Each employers share of cost is assessed every three years by the Fund's Actuary. This process is called fund valuation.

Since the last valuation was carried out, the employers participating in the Fund have seen dramatic increases in the contribution rate which they have had to pay. The five local authorities which, because of the Fund's past surplus, have enjoyed a zero rate of contribution, have now felt the effects of the reintroduction of 100% funding and now have to pay a rate of 130% of employees contribution. In order to reduce the effect that such large increases will have on council budgets, these increases are being phased in over a seven year period.

BENEFITS

The Scheme provides its members with an extensive range of guaranteed benefits for employees and their dependants including:

- * A pension and tax free lump sum on age or 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' benefits.

- * 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.

NEW REGULATIONS

Regulations were received in the last year which related to:

(i) Membership of the Scheme

The right of employees to continuity of Scheme membership where a local authority controlled company takes over a function previously carried out by the authority, and enabling non teaching staff in further and sixth form colleges and grant maintained schools to remain in the Scheme.

(ii) Maternity absence

This provides that a woman's pension rights count in full as long as she is in receipt of contractual and/or statutory maternity pay from her employer, although she will pay contributions based on the amount of pay actually received.

(iii) Part time employees

Those employees working less than 15 hours per week for 35 weeks of the year who had previously been excluded from Scheme membership were allowed entry with some provision for backdating.

PENSIONS

As at 31st March, 1994, there were 20,685 people in receipt of payments from the Fund, an increase of 902 over the previous year.

The increase in the number of pensioners reflects the continuing reduction in the number of local authority staff. Only 208 employees actually retired on reaching normal retirement age.

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

DEFERRED PENSIONS

The remaining major group of Fund members, of which there were 7,310 as at 31st March 1994, are former employees who left before retirement age or who opted out whilst continuing to be employed. As and when they reach retirement, they are entitled to payment of superannuation benefits based on their accrued service.

ADMINISTRATIVE MATTERS

Members have again received copies of the regular newsletter which keeps them informed of new developments and topical issues.

Work is currently being carried out which brings the Fund one step nearer sending out annual benefit statements.

SUMMARY

The Fund continues to promote membership as being in an employees best interest and strives to attain an excellent quality of service for current and retired members.

ORGANISATIONS PARTICIPATING IN THE FUND

	Members as at 31st March, 1994	
	Contributors	Pensioners
METROPOLITAN DISTRICT COUNCILS		
Gateshead	5,387	3,087
Newcastle upon Tyne	6,598	4,788
North Tyneside	3,787	2,556
South Tyneside	3,295	2,589
Sunderland	5,706	4,157
Sub Totals	24,773	17,177
OTHER SCHEDULED BODIES		
University of Northumbria at Newcastle	808	79
University of Sunderland	526	60
Tyne and Wear Passenger Transport Executive	867	1,600
Northumbria Police Authority	1,328	558
Northumbria Probation and After-Care Service	461	123
Tyne and Wear Fire and Civil Defence Authority	223	116
Tyne and Wear Passenger Transport Authority	104	48
Monkwearmouth College	63	1
Gateshead College	92	3
Newcastle College	238	6
North Tyneside College	48	2
Tynemouth College	19	-
South Tyneside College	168	4
Wearside College	87	5
Birtley Town Council	5	1
Tyne and Wear County Council	-	358
Tyne and Wear Residuary Body	-	29
North East Regional Airport	-	52
Sub Totals	5,037	3,045
ADMITTED BODIES		
Busways Travel Services Limited	737	148
Newcastle International Airport Company Limited	426	80
Age Concern Newcastle	23	8
Catholic Care North East	22	18
Information North (Northern Regional Library System)	1	1
Newcastle Community Law Centre	3	-
Disability North	7	1
Newcastle upon Tyne Family Service Unit	-	3
North East Innovation and Development Company Limited	8	3
Northern Examination and Assessment Board	-	15
Northern and North-Eastern Provincial Councils	7	-
Northern Arts Association	21	5
Northern Council for Further Education	13	10
Northern Counties School for the Deaf	31	8
North of England Assembly of Local Authorities	9	2
Northumbria Tourist Board	16	8
Park View Sports Complex	3	-
Port of Tyne Authority	-	18
Praxis Service	2	-
Search Project	2	1
Shiremoor Advice Centre	2	-
St. Mary Magdalene and Holy Jesus Charity	4	2
Sunderland Empire Theatre Trust Ltd.	4	2
Sunderland Enterprise Agency	-	-

Sunderland Outdoor Activities Association	-	-
The Ozanam House Probation Hostel Management Committee	6	1
Theatre Royal Trust Ltd.	12	9
Tyne and Wear Development Corporation	57	3
Tyne and Wear Enterprise Trust Limited	7	3
Tyne Theatre Trust (Northern Stage Company)	-	-
Tyne and Wear Development Co. Ltd.	6	-
Tyneside Training and Enterprise Council	142	-
Wallsend Citizens' Advice Centre	2	-
Wallsend Peoples' Centre	3	-
Workshops for the Adult Blind (Palatine Products)	61	90
Sunderland City Training and Enterprise Council Ltd.	79	-
Groundwork South Tyneside	5	-
Northern Centre for Contemporary Art	6	-
Tyne Waste Ltd.	75	1
Benton Grange School	-	8
The Hospital of St. Mary the Virgin	-	-
North of England Development Council	-	7
St. Mary's Training College	-	8
Sub Totals	1,802	463
GRAND TOTALS	31,612	20,685



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

An actuarial valuation of the Fund was carried out as at 31st March, 1992.

This valuation showed that the required level of contributions to be paid to the Fund by the Metropolitan Borough Councils with effect from 1st April, 1993 was 30% of members' contributions.

These rates of contribution are the rates which, in addition to the contributions paid by the members, are sufficient to meet :-

- 100% of the liabilities arising in respect of service after the valuation date
- plus an adjustment over the members' average future service lifetime to reflect the shortfall of the value of each participating employer's notional share of the Fund's assets over 100% of its accrued liabilities, allowing, in the case of members in service, for future pay increases.

The large increase in rates found to be necessary is being phased in over seven years.

The market value of the Fund's assets at the valuation date was £871 million and the actuarial value of £1,005 million represented 98.4% of the Fund's accrued liabilities, allowing for future pay 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 next actuarial valuation is due at 31st March, 1995 and any change in contribution rates as a result of that valuation will take effect from 1st April, 1996.



REPORT OF THE ACTUARY FOR THE YEAR ENDED 31st MARCH, 1994

- (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, 1993.
- (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, 1994, we are of the opinion that :-
 - (a) The assets of the Fund as at 31st March, 1994 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.

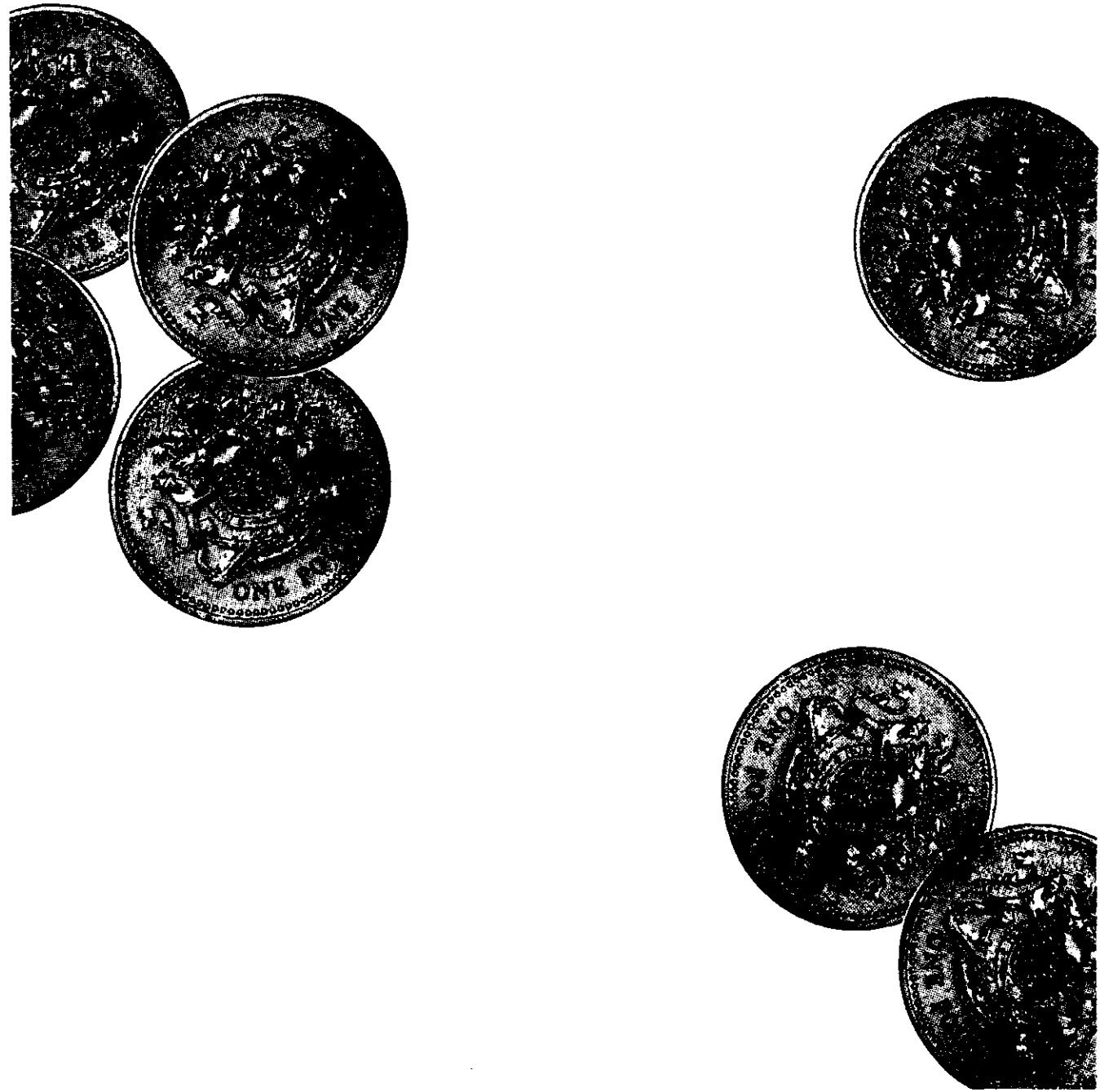
R. G. Ashurst

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



REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1994

1992/93		£	1993/94	£
	CONTRIBUTIONS AND PENSIONS			
	INCOME			
676,382	Employers' Contributions _____		9,654,775	
22,440,433	Employees' Contributions _____		22,770,799	
3,797,642	Transfer Values _____		7,487,365	
<u>26,914,457</u>				39,912,939
	EXPENDITURE			
51,799,507	Retirement Pensions _____	58,328,244		
8,916,808	Less : Recharges to Employing Authorities _____	9,769,026		
<u>42,882,699</u>		<u>48,559,218</u>		
14,516,198	Retirement Grants and Gratuity Payments _____	13,745,487		
663,306	Death Grants _____	703,371		
283,274	Return of Contributions _____	108,822		
6,483,324	Transfer Values _____	8,066,893		
158,818	Contributions Equivalent Premium _____	83,029		
1,119,506	Contributions and Benefits Administration _____	1,030,047		
<u>66,107,125</u>				<u>72,296,867</u>
(39,192,668)	Shortfall of Contributions over Benefits and Payments _____			(32,383,928)
	INVESTMENT INCOME AND MANAGEMENT			
	INCOME			
46,348,160	Investment Income _____	45,253,450		
110,529	Underwriting Commission _____	69,611		
<u>46,458,689</u>				45,323,061
	EXPENDITURE			
2,151,854	Investments Administration and Fees _____	2,674,101		
483,089	Non-Recoverable Overseas Tax on Investment Income	492,534		
438,705	Property Running Expenses _____	549,882		
<u>3,073,648</u>				<u>3,716,517</u>
43,385,041	Net Income from Investments _____			41,606,544
<u>4,192,373</u>	NET INCOME AVAILABLE FOR INVESTMENT			<u>9,222,616</u>



NET ASSETS STATEMENT AS AT 31st MARCH, 1994

1992/93		1993/94	
£		£	£
INVESTMENTS			
QUOTED INVESTMENTS			
Fixed Interest			
9,820,563	U.K. Government Conventional Stocks _____	9,722,370	
46,202,856	U.K. Government Index-Linked Stocks _____	49,746,962	
83,095,178	Overseas Bonds _____	95,958,445	
1,264,251	Building Society Index-Linked Stocks _____	1,384,370	
<u>140,382,848</u>			156,812,147
Equities			
545,791,499	U.K. _____	584,438,341	
215,815,233	Overseas _____	252,847,862	
<u>761,606,732</u>			837,286,203
901,989,580	Total - Quoted Investments _____		994,098,350
UNQUOTED INVESTMENTS			
1,876,375	U.K. Equities _____	1,523,125	
85,011	Overseas Equities _____	31,337	
23,562,641	U.K. Unit Trusts _____	27,639,330	
22,781,748	Overseas Unit Trusts _____	27,255,316	
774,800	U.K. Property Unit Trusts _____	819,800	
7,119,308	Overseas Property Unit Trusts _____	4,544,078	
29,445,000	Freehold Property _____	44,896,000	
5,740,000	Leasehold Property _____	12,720,000	
275,000	Long Term Mortgage Loans _____	275,000	
<u>91,659,883</u>	Total - Unquoted Investments _____		119,703,986
DERIVATIVES			
3,344	Forward Currency Contracts _____	(242,857)	
3,344	Total - Derivatives _____		(242,857)
993,652,807	Total - All Investments _____		1,113,559,479
CURRENT ASSETS			
17,513,412	Debtors _____	22,580,062	
50,336,618	Sterling Cash and Short Term Deposits _____	48,467,378	
2,300,693	Overseas Currency Balances _____	2,073,921	
<u>70,150,723</u>			73,121,361
LESS : CURRENT LIABILITIES			
10,289,877	Creditors _____	11,609,622	
59,860,846	Net Current Assets _____		61,511,739
<u>1,053,513,653</u>	TOTAL NET ASSETS _____		<u>1,175,071,218</u>

RECONCILIATION OF THE MOVEMENT OF THE NET ASSETS OF THE FUND FROM 1st APRIL, 1993 TO 31st MARCH, 1994

	£	£
Total Net Assets as at 1st April, 1993 _____		1,053,513,653
Net new money available for investment per Revenue Account _____		9,222,616
		<u>1,062,736,269</u>
Change in market value of investments :-		
Realised gains on investments sold during year _____	78,114,665	
Other variations in market value of investments _____	34,220,284	
		112,334,949
Total Net Assets as at 31st March, 1994 _____		<u>1,175,071,218</u>



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. An actuarial valuation of the Fund was carried out as at 31st March, 1992. This valuation showed that the required level of contributions to be paid to the Fund by scheduled bodies with effect from 1st April, 1993 was 30% of Members contributions. Varying rates of contribution apply for admitted bodies.

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

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, 1994.

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 £474,027,382 and purchases of £481,604,135 (1992/93 - £522,737,522 and £517,624,254 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 £78,114,665 accrued from the sale of investments, comprised of profits of £92,409,944 and losses of £14,295,279 (1992/93 net profit of £45,571,606, comprised of profits of £90,671,293 and losses of £45,099,687).

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, 1994, 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, 1994, 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	1.4846
Canadian Dollar	2.0525
German Mark	2.4785
Dutch Guilder	2.7862
Swiss Franc	2.0916
Italian Lira	2388.0399
Spanish Peseta	202.0844
Norwegian Kroner	10.7839
Danish Kroner	9.7425
French Franc	8.4640
Swedish Kroner	11.6053
Irish Punt	1.0331
Austrian Schilling	17.4791
Belgian Franc	51.0812
Portuguese Escudo	254.6746
Australian Dollar	2.1178
New Zealand Dollar	2.6413
Japanese Yen	152.5375
Hong Kong Dollar	11.4723
Singapore Dollar	2.3300
Malayan Ringit	3.9860
Thai Baht	37.4552
South Korean Won	1198.2564

9.4. Properties are shown as valued at 31st December, 1993 by Drivers Jonas, with the exception of four properties which were purchased after that date. These have been valued at purchase price.

10. Derivatives

10.1. A number of 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, 1994, the Fund held 84 June 1994 contracts which had a nominal book value of £7,157,767 and a nominal market value of £6,440,700. The net variation margin paid to 31st March, 1994 was therefore £717,067, which is shown as the book value of the position. The position was unwound by 6th June, 1994 at an overall loss of £889,733.

10.3. The Fund has used Japanese Index Futures to implement changes in asset allocation. As at 31st March, 1994, the Fund held 36 Osaka Nikkei 300 June 1994 Futures which had a nominal book value of £719,868 and a nominal market value of £672,857. The net variation margin paid to 31st March, 1994 was therefore £47,011, which is shown as the book value of the position. The position was unwound by 20th June, 1994 at an overall loss of £23,876.

10.4. The Fund has used Forward Currency Contracts to hedge the currency exposure on overseas investments. As at 31st March, 1994, the Fund held positions in 39.12 million Dutch Guilders and 787.134 million Yen, which together were showing unrealised losses of £242,857. The positions were unwound by 23rd May, 1994 at an overall profit of £161,804.

11. Underwriting

11.1. The Fund accepts a number of underwriting propositions throughout the course of the year. At 31st March, 1994 commitments involving a potential outlay of £1,004,880 were unexpired (31st March, 1993 - £222,438). The Fund was subsequently required to take-up shares at a net cost of £87,890.

12. Loan in Administration

12.1. Included within the balance of £48,467,378 shown as 'Sterling Cash and Short Term Deposits' is a loan to Chancery Bank, which is currently in administration.

12.2. After provisioning, an amount of £42,209 remains outstanding from an original loan of £236,000. 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.



Tyne & Wear County
**SUPERANNUATION
FUND
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1993/94**