

Tyne & Wear County

SUPERANNUATION FUND Report & Accounts 1994/95



*Administered by
South Tyneside Metropolitan Borough Council*

REPORT and ACCOUNTS

For the year ended 31st March, 1995

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**ADMINISTERING AUTHORITY
SOUTH TYNESIDE METROPOLITAN BOROUGH COUNCIL
Members, Advisers and Officers 1994/95**

Members

Chairman : Councillor S. Hepburn
Vice Chairman : Councillor R.S. Haws, J.P.

Other Members :-

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

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

Newcastle City Council : Councillor D.S. Slesenger
(substitute - Councillor C. Gray)

North Tyneside M.B.C. : Councillor M.A. Coates
(substitute - Councillor C.B. Pickard)

Sunderland City Council : Councillor Mrs. L.A.F. Bramfitt
(substitute - Councillor P. Young)

Trade Union Representatives : T. Johnston UNISON
: D. Murphy UNISON
: I. Rossiter R.M.T.

External Investment Managers

Balanced Managers :- : Mercury Asset Management
: P.D.F.M.

Specialist Managers :-
Japan and Pacific Basin : Schroder Investment 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

Although 1994/95 was not an outstanding year for investment returns, with the median pension fund return being only marginally positive, the Tyne and Wear Fund did have a relatively good year. The actual return achieved of 2.3% was 1.7% above the median, which gives a good second decile ranking in the investment performance tables. This result is satisfying in that it means that the Fund has outperformed in two years out of three since management changes were made in 1992.

Investment markets, nowadays, never seem to be far away from the newspaper headlines for long. New investment tools and pressures on some investment managers to achieve short term outperformance have helped to produce markets which are more volatile than they were previously. During the year, the use of derivative instruments achieved some notoriety when, in the U.K., the merchant bank Barings became insolvent and, in the U.S., funds run by a public sector organisation, Orange County, showed large losses. In these cases the extent of the losses was magnified because derivatives permit a gearing effect to be introduced, whereby the potential losses can be many times higher than the amount of cash that needs to be put up initially.

Although this Fund does permit its managers to use derivatives, the use made of these is selective and limited, with no gearing effect being permitted. In such circumstances derivatives can be a useful tool in making changes to asset allocation.

The Goode Committee recommendations on improving the framework of law within which pension schemes operate have now been considered by the Government. This has resulted in the production of a Pensions Bill which is currently being examined by Parliament. The eventual Pensions Act will require a number of Codes of Practice to be produced which will provide more detailed standards of operation. Until these are produced it is impossible to assess the extent of any changes that might be needed to the operation of the Fund. However, it is believed that the Fund currently complies to a large extent with the proposed requirements. The Act is unlikely, in any case, to come into effect before April 1997.

An actuarial valuation of the Fund is currently taking place, based on the Fund's position as at 31st March, 1995. Although the results are not yet available, it is expected that increased rates of employers contribution will be implemented on 1st April, 1996.

Mention was made in last year's report of an "Efficiency Scrutiny" of the Local Government Superannuation Scheme being conducted by the Department of the Environment. The Department has recently announced a further consultation period but has indicated that a statutory "core" element will be retained, with an element of flexibility being devolved to a local level. The Council intends to fully participate in the continuing dialogue.



A handwritten signature in black ink, which appears to read "Peter J. Haigh". The signature is fluid and stylized, with a large loop at the end.

**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, 1995 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 FT-SE-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 1994/95 investment returns were on average only marginally positive but this stretches the period over which positive returns have been obtained to seven successive years. The median pension fund return for the year was 0.6%, compared with an average increase in wages of 3.4% and inflation of 3.5%. The Fund's actual investment return of 2.3% was well above average and gives a second decile ranking.

The investment return for 1994/95 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	+ 2.3	+ 0.6	-
U.K. Fixed Interest	+ 1.0	+ 1.5	+ 1.6
U.K. Index-Linked	+ 0.1	+ 0.6	+ 1.2
Overseas Fixed Interest	+ 1.6	+ 1.5	+ 2.1
U.K. Equities	+ 3.4	+ 2.7	+ 2.8
Overseas Equities	- 2.3	- 4.9	- 1.7
U.S.	+ 4.4	+ 2.2	+ 5.2
Japan	- 10.2	- 12.8	- 7.9
Europe	- 0.3	- 1.3	- 1.1
Pacific Basin	- 5.3	- 5.0	- 5.5
Property	+ 10.9	+ 5.8	+ 7.1

Positive returns were achieved in most areas, with Japanese and Pacific Basin equities being the main exceptions. Property was the best performing asset class. In a reversal of the trend seen in 1993/94, there was a tendency for the indices to perform better than the typical pension fund during 1994/95.

The Tyne and Wear Fund out-performed against the median in property and in all equity categories with the exception of Pacific Basin, but had relatively small underperformances in U.K. fixed interest and index-linked. These results combined to give an overall outperformance of 1.7%.

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 %
1990/91	+ 8.7	+ 8.7
1991/92	+ 3.3	+ 4.3
1992/93	+ 26.9	+ 25.9
1993/94	+ 15.3	+ 17.5
1994/95	+ 2.3	+ 0.6

These results have produced an average annual return of 10.9%, which is just below the median return of 11.0%.

FACTORS INFLUENCING MARKETS DURING 1994/95

Overview

The dominant influence on investment markets in 1994/95 was the behaviour of the U.S. economy. In terms of the generally accepted economic cycle the U.S. is seen to be the country which is at the head of the cycle with the remaining countries lagging to varying degrees.

At the beginning of the period there were great fears about the future level of inflation, particularly in the U.S., as the economy there was growing at an unsustainable rate of above 4% per annum and companies were operating at full capacity. Towards the end of 1994 there were signs that the economy had slowed down significantly and this provided some reassurance for investment markets.

However this reassurance did not promote any great confidence in investment markets, which traded in a very narrow range throughout the year and, with the exception of Japan, median pension fund returns from individual categories of investment were clustered in a narrow range of - 5% to +5%.

Fixed Interest

Following the shock given to fixed interest markets in the aftermath of the first increase in U.S. short-term rates, made in February 1994, yields drifted upwards. They reached a high point around June 1994 but then made a gradual recovery towards, but in general not reaching, the lower levels which had been in place at the start of the year. Countries such as Japan and Germany which are perceived to have strong currencies performed best as investors adopted a safety first policy.

Equities

Factors affecting individual markets have been :-

(i) U.K.

Although profits and dividends have been higher than was forecast a year ago, the market remained in a narrow range as fears about future levels of inflation have not eased.

(ii) Europe

The strength of the major European currencies masked a disappointing performance of markets in local currency terms. This currency strength was seen as detrimental to competitiveness, and consequently to export potential.

(iii) U.S.

U.S. short term interest rates were raised on six occasions between February 1994 and November 1994. These moves appear to have been successful in reducing economic growth to an acceptable level without resulting in a recession or a sharp rise in inflation. As a consequence the market has risen strongly in the first quarter of 1995. However, in Sterling terms, some of this strength has been reduced by Dollar weakness.

(iv) Japan

The financial strength of Japanese companies in the 1980s led to a prolonged period of economic excesses and the problems which this produced are now beginning to show through. This has resulted in banks having a large number of loans on which repayments are not being made and they are being forced to sell overseas investments to cover this problem. This has markedly strengthened the Yen and this, in turn, is compounding recessionary pressures. This has produced a very weak stockmarket.

(v) Pacific Basin

The Pacific Basin area had been the best performing investment area in 1993/94 and the negative return in 1994/95 was to some extent a reaction to this. Another factor was a reduced enthusiasm for the smaller markets in the wake of the economic problems in Mexico.

Property

Property performed quite well in the first half of the period because returns were marginally higher than those available on fixed interest and there were hopes of a resumption of increases in rental values. As the year progressed these hopes did not materialise and property values declined slightly. Nevertheless, on a relative basis, property provided the best returns over the year.

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 1994/95 is set out in the following table :-

	Net Investment £'000	Net Disinvestment £'000
U.K. Fixed Interest	59,810	-
U.K. Index-Linked	18,854	-
Overseas Fixed Interest		15,654
U.K. Equities *	-	17,441
Overseas Equities *	-	40,378
Property *	11,084	-
	<u>89,748</u>	<u>73,473</u>
Total Net Investment	<u>16,275</u>	

* Includes unit trusts.

The movements above reveal two main trends, the first being from overseas to the U.K. and the second a movement from equities to fixed interest and property.

The revenue account shows that an additional £21.2 million became available for investment. Combined with a net investment of £16.3 million (as shown above) and other minor adjustments of £0.2 million, this resulted in cash and equivalents rising by £4.7 million to £66.2 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	9,997	0.9	69,257	5.9	5.5
U.K. Index-Linked	51,131	4.4	68,734	5.9	2.8
Overseas Fixed Interest	95,958	8.2	75,567	6.4	6.4
U.K. Equities *	613,601	52.2	588,948	50.2	56.7
Overseas Equities *	280,135	23.8	229,247	19.5	21.5
Property *	62,980	5.4	76,148	6.5	2.4
Cash	61,269	5.1	66,219	5.6	4.7
	<u>1,175,071</u>	<u>100.0</u>	<u>1,174,120</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.

New regulations (The Local Government Pension Regulations 1995) came into effect from 2nd May, 1995. They were designed to consolidate and simplify previous regulations and also brought about some major changes to the Scheme, as follows :-

- * Entry restrictions removed - membership of Scheme now available to **all** employees.
- * The death-in-service grant has been increased from one to two years pay.
- * Improved benefits for employees retiring with a terminal illness; pension can be exchanged for a tax free lump sum equal to five years pension.
- * Flexibility for women retiring at age 60; they are no longer forced to take a reduced pension at this time. They can opt for later payment at the full rate. This rule allows women the same rights as men.

The Efficiency Scrutiny has already been mentioned in the Report of the Director of Corporate Services. The intention at this stage is to have a statutory "core" scheme covering the main pension provisions with more flexibility built in for local employers. Any changes to the Scheme will probably be released in 1997 in the form of a new set of regulations.

PENSIONS OMBUDSMAN

The Pensions Ombudsman can only rule on the Scheme if he believes that a case of maladministration has occurred.

CURRENT EMPLOYEE MEMBERSHIP

The number of employees contributing to the Scheme on 31st March, 1995 was 32,288, an increase of 676 from the 31,612 contributors at the previous year end.

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 employer's 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, had enjoyed a zero rate of contribution until 1992, have now felt the effects of the reintroduction of 100% funding and now have to pay a rate of 130% of employees' contributions. In order to reduce the effect that such a large increase will have on council budgets, it is being phased in over a seven year period.

A valuation of the Fund as at 31st March, 1995 is currently being undertaken. Although the results are not yet available, it is expected that an increased employers contribution will have to be introduced from April 1996.

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.

PENSIONS

As at 31st March, 1995, there were 21,886 people in receipt of payments from the Fund, an increase of 1,201 over the previous year.

The number of pensioners continues to increase, predominantly due to increasing numbers of early retirements. In fact, only 15% of the retirements during the year were because of age retirement. The remainder were either ill-health or early retirement.

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 7,338 as at 31st March, 1995, 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.

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.

TYNE AND WEAR COUNTY SUPERANNUATION FUND

ORGANISATIONS PARTICIPATING IN THE FUND

	Members as at 31st March, 1995	
	Contributors	Pensioners
METROPOLITAN DISTRICT COUNCILS		
Gateshead	5,194	3,297
Newcastle upon Tyne	6,738	5,017
North Tyneside	4,051	2,677
South Tyneside	3,404	2,707
Sunderland	5,720	4,528
Sub Totals	25,107	18,226
OTHER SCHEDULED BODIES		
University of Northumbria at Newcastle	980	90
University of Sunderland	584	71
Tyne and Wear Passenger Transport Executive	881	1,605
Northumbria Police Authority	1,373	600
Northumbria Probation and After-Care Service	489	138
Tyne and Wear Fire and Civil Defence Authority	224	122
Tyne and Wear Passenger Transport Authority	106	52
Monkwearmouth College	88	1
Gateshead College	117	3
Newcastle College	272	8
North Tyneside College	45	4
Tynemouth College	21	2
South Tyneside College	176	10
Wearside College	97	5
Birtley Town Council	4	1
Tyne and Wear County Council	-	353
Tyne and Wear Residuary Body	-	29
North East Regional Airport	-	51
Sub Totals	5,457	3,145
ADMITTED BODIES		
Stagecoach Travel Services (Busways)	698	180
Newcastle International Airport Company Limited	430	91
Age Concern Newcastle	25	8
Catholic Care North East	26	19
Information North (Northern Regional Library System)	4	1
Newcastle Community Law Centre	3	-
Disability North	11	1
Newcastle upon Tyne Family Service Unit	-	3
North East Innovation and Development Company Limited	9	3
Northern Regional Examinations Board	-	14
Northern and North-Eastern Provincial Councils	7	1
Northern Arts Association	20	6
Northern Council for Further Education	7	11
Northern Counties School for the Deaf	34	9
North of England Assembly of Local Authorities	10	2
Northumbria Tourist Board	16	8
Park View Sports Complex	3	-

TYNE AND WEAR COUNTY SUPERANNUATION FUND

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	3
Sunderland Enterprise Agency	-	-
Sunderland Outdoor Activities Association	-	-
The Ozanam House Probation Hostel Management Committee	9	2
Theatre Royal Trust Ltd.	15	9
Tyne and Wear Development Corporation	51	3
Tyne and Wear Enterprise Trust Limited	11	4
Tyne Theatre Trust (Northern Stage Company)	-	-
Tyne and Wear Development Co. Ltd.	7	-
Tyneside Training and Enterprise Council	157	-
Wallsend Citizens' Advice Centre	2	-
Wallsend Peoples' Centre	3	-
Workshops for the Adult Blind (Palatine Products)	59	91
Sunderland City Training and Enterprise Council	84	1
South Tyneside Groundwork Trust	7	-
Tyne Waste Ltd.	2	1
Benton Grange School	-	8
North of England Development Council	-	7
St. Mary's Training College	-	8
Benwell Community Law Centre	-	-
The Hospital of St Mary the Virgin	-	-
Sub Totals	1,724	515
GRAND TOTALS	32,288	21,886



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 District Councils with effect from 1st April, 1994 was 60% 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 FT-SE- 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, 1995

- (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 District 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 98.4% of the liabilities.
- (2) We recommended revised rates of contributions 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, 1995, we are of the opinion that :-
 - (a) The assets of the Fund as at 31st March, 1995 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, 1995

1993/94		1994/95
£		£
	CONTRIBUTIONS AND PENSIONS	
	INCOME	
9,654,775	Employers' Contributions _____	14,949,296
22,770,799	Employees' Contributions _____	24,009,686
7,487,365	Transfer Values _____	<u>5,352,334</u>
<u>39,912,939</u>		44,311,316
	EXPENDITURE	
58,328,244	Retirement Pensions _____	62,523,659
<u>9,769,026</u>	Less : Recharges to Employing Authorities _____	<u>10,248,117</u>
48,559,218		52,275,542
13,745,487	Retirement Grants and Gratuity Payments _____	11,743,055
703,371	Death Grants _____	890,978
108,822	Return of Contributions _____	318,620
8,066,893	Transfer Values _____	4,154,366
83,029	Contributions Equivalent Premium _____	82,234
1,030,047	Contributions and Benefits Administration _____	<u>1,118,720</u>
<u>72,296,867</u>		<u>70,583,515</u>
(32,383,928)	Shortfall of Contributions over Benefits and Payments _____	(26,272,199)
	INVESTMENT INCOME AND MANAGEMENT	
	INCOME	
45,253,450	Investment Income _____	50,753,043
<u>69,611</u>	Commission _____	<u>124,559</u>
45,323,061		50,877,602
	EXPENDITURE	
2,674,101	Investments Administration and Fees _____	2,546,173
492,534	Non-Recoverable Overseas Tax on Investment Income	404,485
549,882	Property Running Expenses _____	<u>443,184</u>
<u>3,716,517</u>		<u>3,393,842</u>
41,606,544	Net Income from Investments _____	<u>47,483,760</u>
<u>9,222,616</u>	NET INCOME AVAILABLE FOR INVESTMENT	<u>21,211,561</u>



TYNE AND WEAR COUNTY SUPERANNUATION FUND

NET ASSETS STATEMENT AS AT 31st MARCH, 1995

1993/94		1994/95	
£		£	£
INVESTMENTS			
QUOTED INVESTMENTS			
Fixed Interest			
9,722,370	U.K. Government Conventional Stocks	68,982,328	
49,746,962	U.K. Government Index-Linked Stocks	67,399,155	
95,958,445	Overseas Bonds	75,567,114	
1,384,370	Building Society Index-Linked Stocks	1,334,609	
<u>156,812,147</u>			213,283,206
Equities			
584,438,341	U.K.	576,467,571	
252,847,862	Overseas	204,136,010	
<u>837,286,203</u>			780,603,581
994,098,350	Total - Quoted Investments		993,886,787
UNQUOTED INVESTMENTS			
1,523,125	U.K. Equities	852,250	
31,337	Overseas Equities	23,472	
27,639,330	U.K. Unit Trusts	11,628,241	
27,255,316	Overseas Unit Trusts	25,087,759	
819,800	U.K. Property Unit Trusts	849,600	
4,544,078	Overseas Property Unit Trusts	4,825,968	
44,896,000	Freehold Property	57,295,241	
12,720,000	Leasehold Property	13,177,000	
275,000	Long Term Mortgage Loans	275,000	
<u>119,703,986</u>	Total - Unquoted Investments		114,014,531
DERIVATIVES			
(242,857)	Forward Currency Contracts	-	
<u>(242,857)</u>	Total - Derivatives		-
1,113,559,479	Total - All Investments		1,107,901,318
CURRENT ASSETS			
22,580,062	Debtors	19,585,016	
48,467,378	Sterling Cash and Short Term Deposits	55,540,520	
2,073,921	Overseas Currency Balances	719,436	
<u>73,121,361</u>			75,844,972
LESS : CURRENT LIABILITIES			
11,609,622	Creditors		9,626,539
61,511,739	Net Current Assets		66,218,433
<u>1,175,071,218</u>	TOTAL NET ASSETS		<u>1,174,119,751</u>

TYNE AND WEAR COUNTY SUPERANNUATION FUND

RECONCILIATION OF THE MOVEMENT OF THE NET ASSETS OF THE FUND FROM 1st APRIL, 1994 TO 31st MARCH, 1995

	£	£
Total Net Assets as at 1st April, 1994		1,175,071,218
Net new money available for investment per Revenue Account		21,211,561
		<u>1,196,282,779</u>
Change in market value of investments :-		
Net realised gains on investments sold during year	42,522,925	
Other variations in market value of investments	(64,685,953)	
		<u>(22,163,028)</u>
Total Net Assets as at 31st March, 1995		<u>1,174,119,751</u>



SUMMARY OF INVESTMENTS 1994/95

Category	Market Value 31.03.94 £	Book Value 1.04.94 £	Purchases 1994/95 £	Profit on Sales 1994/95 £
QUOTED INVESTMENTS				
Fixed Interest :-				
U.K. Government				
Conventional Stocks _____	9,722,370	10,961,733	90,499,350	506,508
U.K. Government				
Index-Linked Stocks _____	49,746,962	42,128,832	18,853,504	-
Overseas Bonds _____	95,958,445	91,964,021	161,850,866	4,283,806
Building Society				
Index-Linked Stocks _____	1,384,370	980,002	-	-
Equities :-				
U.K. _____	584,438,341	421,785,109	42,140,048	18,333,347
Overseas _____	252,847,862	205,967,277	102,572,962	28,780,549
Total - Quoted	994,098,350	773,786,974	415,916,730	51,904,210
UNQUOTED INVESTMENTS				
Equities :-				
U.K. _____	1,523,125	2,993,669	-	-
Overseas _____	31,337	172,800	-	34,882
Unit Trusts :-				
U.K. _____	27,639,330	21,845,569	150,000	3,272,603
Overseas _____	27,255,316	15,493,482	5,702,361	1,515,105
Property Unit Trusts :-				
U.K. _____	819,800	387,960	-	-
Overseas _____	4,544,078	4,673,428	-	-
Property :-				
Freehold _____	44,896,000	43,578,724	11,083,088	-
Leasehold _____	12,720,000	13,617,983	469	-
Long Term				
Mortgage Loans _____	275,000	275,000	-	-
Total - Unquoted	119,703,986	103,038,615	16,935,918	4,822,590
Sub-Total	1,113,802,336	876,825,589	432,852,648	56,726,800
DERIVATIVES				
FTSE 100 Index Futures :-				
Expired _____	-	717,067	171,481	352,355
Open _____	-	-	(272,267)	-
Overseas Index Futures :-				
Expired _____	-	47,011	75,723	3,296
Forward Currency Contracts :-				
Expired _____	(242,857)	-	217,776	566,461
Total - Derivatives	(242,857)	764,078	192,713	922,112
GRAND TOTAL	1,113,559,479	877,589,667	433,045,361	57,648,912

SUMMARY OF INVESTMENTS 1994/95

Loss on Sales 1994/95 £	Sale Proceeds 1994/95 £	Book Value 31.03.95 £	Market Value 31.03.95 £
1,726,628	30,689,071	69,551,892	68,982,328
-	-	60,982,336	67,399,155
3,163,663	177,504,479	77,430,551	75,567,114
-	-	980,002	1,334,609
2,071,384	44,669,145	435,517,975	576,467,571
5,491,798	143,561,874	188,267,116	204,136,010
12,453,473	396,424,569	832,729,872	993,886,787
521,344	100,500	2,371,825	852,250
-	65,079	142,603	23,472
-	14,961,830	10,306,342	11,628,241
-	5,026,581	17,684,367	25,087,759
-	-	387,960	849,600
-	-	4,673,428	4,825,968
-	-	54,661,812	57,295,241
-	-	13,618,452	13,177,000
-	-	275,000	275,000
521,344	20,153,990	104,121,789	114,014,531
12,974,817	416,578,559	936,851,661	1,107,901,318
1,240,903	-	-	-
-	-	(272,267)	-
126,030	-	-	-
784,237	-	-	-
2,151,170	-	(272,267)	-
15,125,987	416,578,559	936,579,394	1,107,901,318

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, 1994 was 60% 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, 1995.

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 £416,578,559 and purchases of £433,045,361 (1993/94 - £474,027,382 and £481,604,135 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 £42,522,925 accrued from the sale of investments, comprised of profits of £57,648,912 and losses of £15,125,987 (1993/94 net profit of £78,114,665 comprised of profits of £92,409,944 and losses of £14,295,279).

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, 1995, 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, 1995, 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	1.6288
Canadian Dollar	2.2848
German Mark	2.2290
Dutch Guilder	2.4918
Swiss Franc	1.8341
Italian Lira	2764.2366
Spanish Peseta	205.2289
Norwegian Kroner	9.9878
Danish Kroner	8.8379
French Franc	7.8117
Swedish Kroner	12.0043
Irish Punt	0.9987
Austrian Schilling	15.6867
Belgian Franc	45.7774
Portuguese Escudo	235.1174
Finnish Markka	7.0013
Australian Dollar	2.2206
New Zealand Dollar	2.4906
Japanese Yen	140.7284
Hong Kong Dollar	12.5942
Singapore Dollar	2.2994
Malayan Ringit	4.1249
Thai Baht	40.1499
South Korean Won	1257.5966
Philippines Peso	42.1860
Indonesian Rupiah	3,556.0200

- 9.4. Properties are shown as valued at 31st December, 1994 by Drivers Jonas, with the exception of :-
- a) two properties which were purchased after that date and which have been valued at purchase price.
- b) a property for which the Fund owns part of the long leasehold interest, which has been valued by Scottish Amicable Investment Managers.

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, 1995, the Fund held 93 June 1995 contracts which had a nominal book value of £7,065,433 and a nominal market value of £7,337,700. The net variation margin received to 31st March, 1995 was therefore £272,267, which is shown as the book value of the position. The position was unwound by 8th June, 1995 at an overall profit of £799,084.

11. Underwriting and Placings

11.1. The Fund accepts a number of underwriting propositions throughout the course of the year. At 31st March, 1995 one commitment involving a potential outlay of £421,400 was unexpired (31st March, 1994 - £866,988). The Fund was subsequently released from its commitment without any liability being incurred.

11.2. The Fund also accepts a number of placing propositions throughout the year. At 31st March, 1995 one commitment involving a potential outlay of £170,000 was unexpired (31st March, 1994 - £137,892). The Fund was subsequently required to take up shares at a net cost of £141,612.

12. Audit

12.1. The accounts are presented subject to audit.



Tyne & Wear County

SUPERANNUATION

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