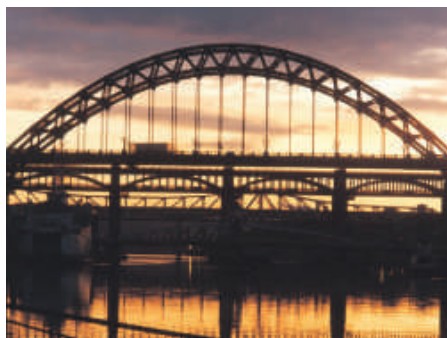


Tyne and Wear Pension Fund

Administered by South Tyneside Council

Members' Annual Report

2016/17



lgps

Governance

Our Pensions Committee is responsible for the control of the Fund and meets quarterly to consider all pension matters. The Committee has eighteen members. South Tyneside Council has legal responsibility for the Fund and nominates eight members, whilst the other four district councils within the Tyne and Wear county area each nominate one member. The trades unions and the employers nominate three members each, who sit on the Committee in an advisory capacity.

The Council has established the Local Pension Board to assist the Pensions Committee in governance and administration matters of the Fund. It consists of four member representatives and four employer representatives.

An Investment Panel undertakes a detailed, ongoing, review of investment matters. This Panel consists of three members of the Pensions Committee, the Fund's external Investment Advisor and two Officers. The Panel reports to the Pensions Committee.

We hold annual meetings for the employers and trades unions. The issues discussed include the investment strategy and performance, benefits and employers' contribution rates.

Membership

As at 31 March 2017, there were 238 employing bodies and 131,464 members in the Fund. A comparison with the previous year is shown below:

	March 2016	March 2017
Active Members	47,360	44,955
Deferred Members	38,003	40,585
Pensioners	43,859	45,924
Total Membership	129,222	131,464
Employers	223	238

Funding Strategy

The Fund is valued every three years to ensure that there will be enough money to meet all pension benefits.

The latest valuation was undertaken as at 31 March 2016. The assumptions used to value liabilities, including inflation and pay awards were updated as appropriate. The Pensions Committee considered the continuing suitability of the strategy and concluded that no significant changes were required.

The valuation outcome was that the Fund has assets to meet 85% of the estimated value of pension benefits. This is an improvement from the position at the 2013 valuation, which was 81%. The investment strategy, supplemented by deficit contributions from employers is expected to address the shortfall over future years.

Summary of Accounts for 2016/17

The statement below shows the Fund's Income and Expenditure for 2016/17.

Income and Expenditure

Income	£'m
Employers' Contributions	236
Employees' Contributions	54
Transfer Values Received	7
Net Investment Income	90
Total Income	387

Expenditure	£'m
Pensions	222
Lump Sum Retiring Allowances	64
Death Grants	7
Transfer Values and Refunds	15
Management Expenses	36
Total Expenditure	344

Net Income/(Expenditure)	43
Increase in the value of investments	1,481
Value of the Fund as at 31 March 2016	6,427
Value of the Fund as at 31 March 2017	7,951

Summary of Accounts for 2016/17 continued

The value of the Fund as at 31 March 2017 was £7,951 million. This is invested into a range of UK and overseas assets, as shown below:

Investment	Value £'m
UK Equities	1,720
Overseas Equities	2,977
Private Equity	616
UK Fixed Interest Bonds	1,276
Overseas Fixed Interest Bonds	45
Index-Linked Bonds	191
Infrastructure	180
UK Property	354
Global Property	377
Cash and other current assets	215
Total	7,951

Our ten largest holdings (excluding managed and unitised funds) at the year end were:

Holding	Value £'m
Shire Ltd	54
British American Tobacco	52
Royal Dutch Shell (B share)	46
Wolseley	43
RELX	42
Compass Group	37
Prudential	35
Reckitt Benckiser Group	35
BP (ordinary share)	32
Rio Tinto	27

Additional Voluntary Contributions

The Fund has two Additional Voluntary Contribution (AVC) providers, Prudential and Equitable Life. The total value of AVC funds at the year-end was £11.9 million. These monies are invested separately and are not included in the figures above.

Investment Framework and the Investment Strategy Statement

Our approach to investing the Fund is set out in a document called the Investment Strategy Statement. This is available on our website at:

<http://www.twpf.info/article/11843/Investments>

The Statement is fully compliant with the new investment regulations and associated guidance which came into force in November 2016.

Investment Strategy

The investment strategy in place during the year was to invest 58.5% of the Fund into equities, 19% into bonds, 12.5% into UK and global property, 7.5% into private equity and 2.5% into infrastructure.

The strategy was reviewed towards the end of 2016/17 and some changes were agreed. The changes are :

- A reduction in the allocation to UK equities of 3%, from 58.5% to 55.5%. The reduction will be used to fund an allocation of 3% to private debt.
- A decrease of 0.5% in the allocation to property, to 12%. The reduction will be used to fund an allocation to trade finance. It was also agreed that 1% of the allocation to property will be in UK residential property.

We continue to develop the private equity, global property and infrastructure programmes.

Investment Management Structure

To deliver the investment strategy, the Fund has appointed ten public markets investment managers to work on a range of investment mandates. Each manager is a specialist in the market in which they invest.

In addition, money has been allocated into funds that are invested into private equity, infrastructure and global property. This broadly based management structure seeks to ensure that investment returns should not be overly influenced by the performance of any one strategy or manager.

The structure in place at the end of the year was:

Manager	Value £'m	% of Assets
Legal and General (tracker funds for UK Equities, US Equities, European Equities, Emerging Market Equities, Japanese Equities, Asia ex Japan Equities, Fundamental Global Equities, Index-Linked Gilts, Emerging Market Local Currency Government Bonds)	2,813	35.4
JP Morgan (Global and Emerging Market Equities)	680	8.6
UBS Global Asset Management (Pan European Equities)	500	6.3
M&G (Corporate Bonds)	728	9.1
Henderson (Bonds)	628	7.9
Aberdeen Property Investors (Property)	354	4.5
Mirabaud (UK Equities)	332	4.2
BlackRock (UK Equities)	337	4.2
Lazard (Japanese Equities)	171	2.2
TT International (Asia Pacific ex Japan Equities)	85	1.1
Private Equity	615	7.7
Global Property	377	4.8
Infrastructure	180	2.3
In House (cash) and other current assets	134	1.7
Total	7,934	100.0

Market Environment

All equity markets rose significantly during the year. Overall market returns were much higher than in the previous year, not least due to the value of overseas investments increasing, following the fall in Sterling after the Brexit vote. Bond markets also produced positive returns, as did alternatives. This made it an easier year for pension funds to produce overall positive absolute returns.

The strongest performing markets were Asia ex Japan equities with a return of 36.5%, followed by Emerging Market equities at 35.2%. The poorest performer was Cash, which returned a gain of 0.2%.

The return from UK equities is of particular importance to UK pension funds, as typically a large proportion of their assets tend to be invested there. This market returned a gain of 22.0%.

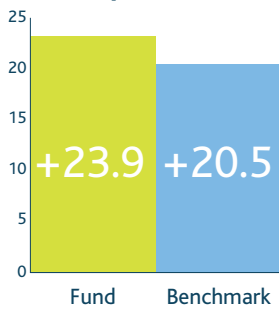
Investment Performance

Our investment return for the year was 23.9%, which was 3.4% above the benchmark return of 20.5%. This represents a very strong return for the Fund.

Pension fund returns are generally assessed over at least five year periods in order to avoid taking too short term a view of investment performance. The chart below shows the Fund's annual return over one, five and ten year periods.

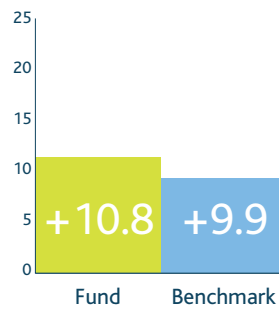
Year to March 2017

p.a. %



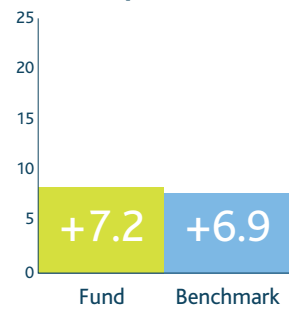
Five Years to March 2017

p.a. %



Ten Years to March 2017

p.a. %



The five year return was 0.9% per annum above the benchmark return. The ten year return was 0.3% per annum above the benchmark return.

The returns over the longer term include the period of the financial crisis, when market conditions were particularly challenging for all investment managers.

Corporate Governance

This is an important issue and the Pensions Committee takes its responsibilities in this area very seriously. The policy, which was last reviewed in June 2016, sets out how environmental, social and governance considerations are taken into account in the buying, holding and selling of investments and in the use of rights, such as votes, that attach to investments.

The policy is available on our website at: <http://www.twpf.info/article/11843/Investments>

Pooling of Investments

In 2015 the Government brought in the requirement for all LGPS Funds to collectively pool their investments. This was in the expectation that savings could be made and net investment returns improved.

In early 2016 we decided to join the Border to Coast Pensions Partnership (BCPP), a group of 12 LGPS Funds, based primarily but not entirely in the North of England. At the end of 2016/17 the total value of assets in these Funds was £42 billion.

The BCPP Funds submitted a proposal to Government in July 2016 on how we planned to meet the Government's requirements and formal acceptance was received in December of that year.

These assets will still be owned by the Funds but will be invested on their behalf by BCPP. The governance arrangements for BCPP have been established and a new company created. A Joint Committee will oversee arrangements as they develop. Although work is well underway, there is a vast amount still to do before this new company is operational. It is expected that the first asset transfers to the new company will take place in the second half of 2018.

Councillor Eileen Leask
Chair of Pensions Committee

Ian Bainbridge
Head of Pensions

How to Contact Us

Our information is available in other ways on request.
We can provide information in other languages, braille or large print.
We also have access to audio aids and BSL (British Sign Language) interpreters.

There are a number of ways you can get in touch with us.
If you need further information on the LGPS, please contact us at:



**Tyne and Wear Pension Fund, PO Box 212,
South Shields, NE33 9ER**



Pensions Helpline: Tel: 0191 424 4141

If you want to talk to us, please call the Pensions Helpline,
Monday to Thursday 8.30am to 5.00pm, and on Friday 8.30am
to 4.30pm.

Outside of office hours and during busy times, you can leave us
a message and a convenient day time telephone number and
we will contact you. We aim to call you back within 5 working
hours.

You will need to provide three forms of identification before we
can provide any personal details.

We will not be able to provide information to anyone else on
your behalf unless you are present during the call and authorise
us to do so.



Email: pensions@twpf.info



Web: www.twpf.info



Postcode for 'sat nav' systems NE33 2RL

Walk in Service

You can visit us at our offices from Monday to Thursday from
8.30am to 4.30pm, and on Friday from 8.30am to 4.00pm, at the
Town Hall and Civic Offices, Westoe Road, South Shields, Tyne
and Wear, NE33 2RL.

You do not need to make an appointment, but we ask that you
allow sufficient time to visit us before we close.