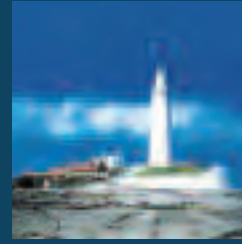
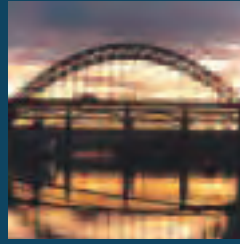


Tyne and Wear Pension Fund

Administered by South Tyneside Council



Members' Annual Report 2004/05

Dear Member

We are pleased to present this Members' Annual Report for 2004/05.

This report is a summarised version of the Fund's formal Report and Accounts, which is available on the Fund's website @www.twpf.info.

The Report sets out how the Fund is governed, details of the membership and its financial position. It also outlines the investment structure, describes the overall market environment during the year and shows how the Fund has performed. Finally, there is a brief summary of the main policies and the framework within which the Fund operates.

Vision Statement

We have a Vision Statement to help us to improve the service we provide.

Our goal is to provide an attractive and affordable pension arrangement that is seen by employers and members as an important and valued part of the employment package.

We will:

- promote membership of the Fund
- keep employers' contributions as low and as stable as possible through effective management of the Fund
- work with our partners to provide high quality services to employers and members
- make pensions issues understandable to all.

We will know we are succeeding when:

- we are consistently achieving our investment objective
- there are sufficient assets to meet the liabilities
- we are consistently achieving our service standards
- we are recognised as being amongst the leading UK pension funds.

Governance

A Pensions Committee is responsible for the control of the Fund. The Committee meets quarterly to consider all pension matters and has eighteen members. South Tyneside Council, as the administering authority for the Fund, nominates eight members and the other four district councils within the County area nominate one member each. The trades unions nominate three representatives and, since November 2004, we also have three representatives of the employers sitting on the Committee.

An Investment Panel undertakes the detailed monitoring of investment performance. 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 our employers and for the trades unions. The issues discussed at these meetings include investment performance, benefits and employers' contribution rates.

Funding Level

We employ an Actuary, Hewitt Bacon and Woodrow, to undertake a formal valuation of the Fund every three years, known as a triennial valuation. It is the Actuary's job to make sure that there will be enough money in the Fund to meet all promised benefits.

The latest triennial valuation was undertaken as at 31 March 2004. This showed that the Fund was in deficit and contained assets sufficient to meet only 64% of the pension liabilities. This figure is known as the funding level.

This is a fall of 18% from the funding level calculated at the 2001 triennial valuation. It is largely attributable to investment returns being below the level assumed in 2001, although this

has been partially alleviated by the Fund's performance being stronger than the average return for pension funds.

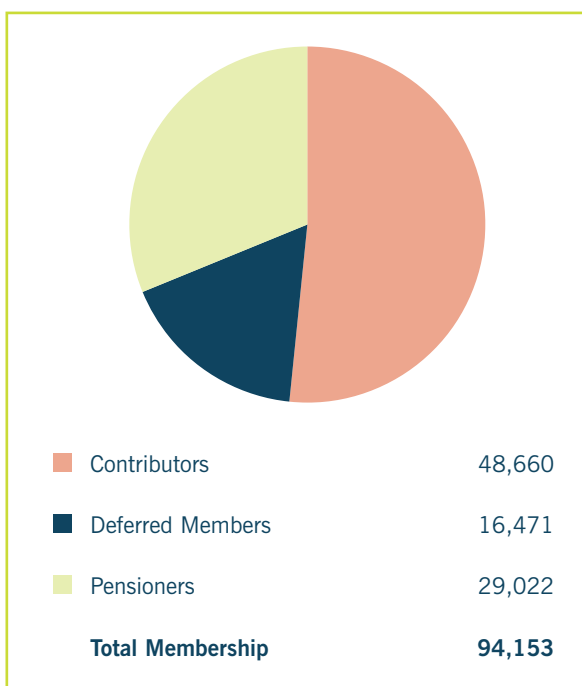
The fall was expected because the Fund had undertaken a programme of annual interim valuations in the years between the triennial valuations. Similar falls have been experienced by the majority of pension funds during this period.

The fall in the funding level has led to employers' contributions being increased from April 2005.

Please note that the Tyne and Wear Pension Fund is part of the Local Government Pension Scheme (LGPS). Under the present legislation the benefits of the LGPS are not dependant upon the funding level, but are defined and guaranteed in law.

Membership

As at 31 March 2005, there were 116 employing bodies and 94,153 members participating in the Fund. The table below shows the membership structure at the year end:



Summary of the Accounts for 2004/05

The statement below shows the Fund's Income and Expenditure for 2004/05.

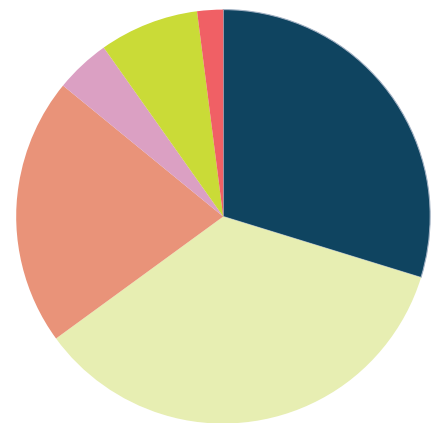
Income	£'m	Expenditure	£'m
Employers' Contributions	138	Pensions	101
Employees' Contributions	46	Lump Sum Retiring Allowances	15
Transfer Values	21	Death Grants	2
Investment Income	44	Transfer Values and Refunds	19
		Administration Costs	2
Total Income	249	Total Expenditure	139
Net Income			110
Increase in the value of Investments			209
Total Increase in the value of the Fund			319
Value of the Fund as at 31 March 2004			2,356
Value of the Fund as at 31 March 2005			2,675

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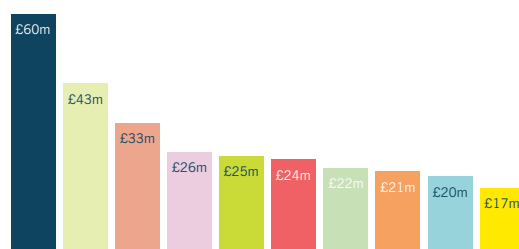
In addition, income was also received from the Fund members who have taken out additional voluntary contributions (AVCs) with the Fund's two external providers, The Prudential and Equitable Life. The total value of the members' AVC funds was £6.3 million at the year end.

The value of the Fund as at 31 March 2005 was £2,675 million.
This is invested into a range of UK and overseas assets:

Investment	£'m
UK Equities	796
Overseas Equities	942
Fixed Interest	560
Index Linked	115
Property	208
Cash	54



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



Vodafone	£60m
BP	£43m
Royal Bank of Scotland	£33m
Sanofi-Aventis	£26m
UK Treasury 8.5% 7/12/2005	£25m
Credit Suisse	£24m
Total	£22m
ABN AMRO	£21m
HSBC	£20m
Deutsche Telekom	£17m

Investment Management Strategy and Investment Management Structure

We reviewed the investment management strategy during the year and decided to increase the allocation to Equities and Property and to reduce the exposure to Bonds.

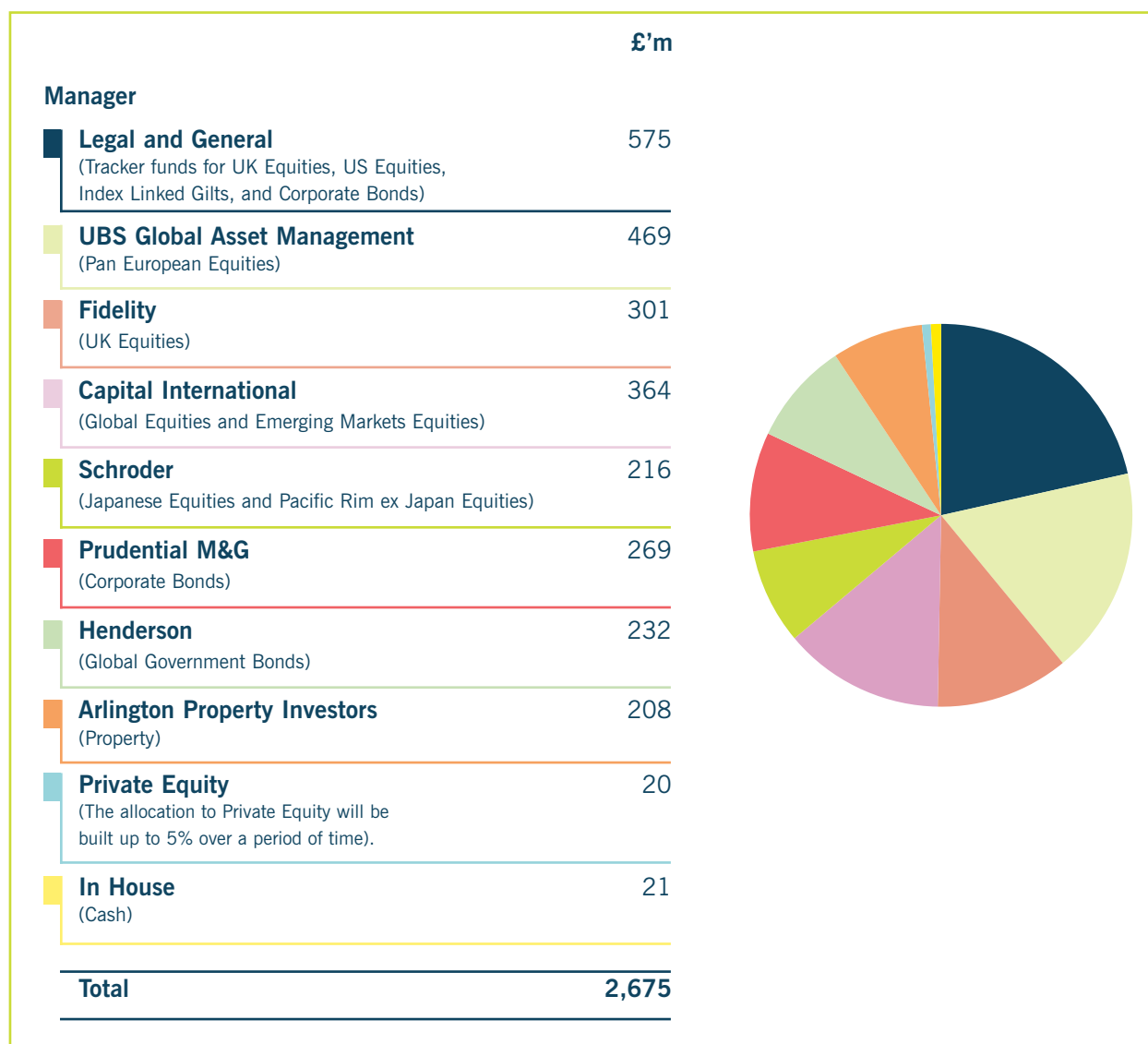
Within the Equity allocation there will be an increased exposure to Overseas Equities and a reduction in the exposure to UK Equities.

This revised strategy will be implemented using the existing investment management structure.

We employ eight investment managers who work on thirteen investment mandates.

Each manager is a specialist in the market in which they invest. In addition, the Fund has made a number of investments in Private Equity funds.

This broadly based management structure ensures that investment returns are not overly influenced by the performance of any one manager. The structure as at 31 March 2005 is:



Market Environment

During the year, pension funds posted good positive returns for the second year in succession. European Equities was the best performing asset class with a return in excess of 18%, closely followed by Property.

All of the major Equity markets posted positive returns with the exception of Japanese Equities which fell by 4%.

The rise in Equity markets over the past year has consolidated impressive gains since the low point in markets in March 2003.

This period of recovery has followed three years of negative returns during which Equity values declined significantly from their high point in early 2000. However, at the year end Equity markets were still valued at about 30% below their peak.

Investment Performance

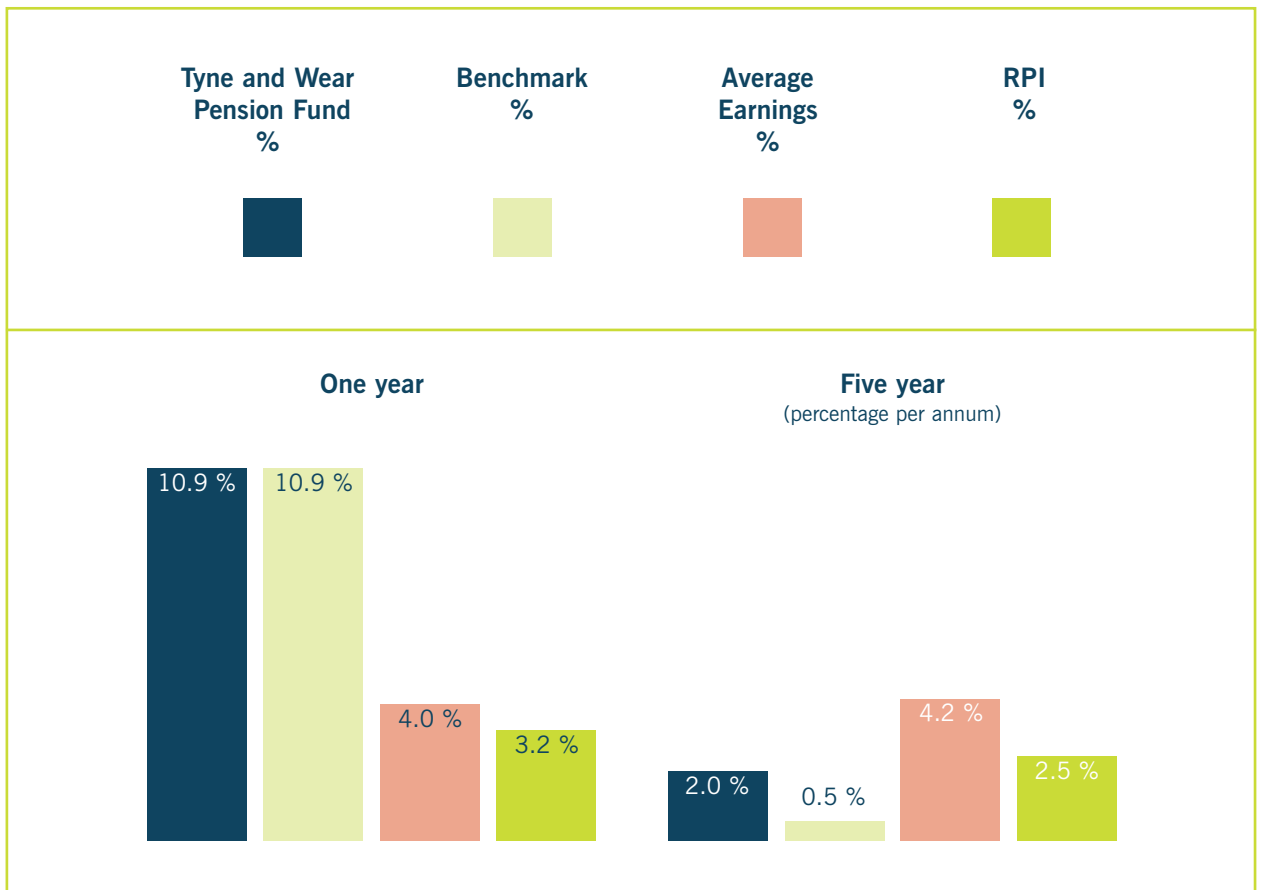
Our investment return for the year was 10.9%, which is in line with the benchmark.

In order to avoid taking too short term a view of investment performance, pension fund returns are generally assessed over five year periods.

Our annual return over the last five years has been 2.0% per annum.

The decline in Equity markets from March 2000 to March 2003 is the main reason for this low return.

Whilst this return is disappointing in absolute terms and lags both inflation and the increase in average earnings over the period, it is pleasing to note that it is above the benchmark return of 0.5% per annum.



Funding Strategy Statement

A requirement to prepare a Funding Strategy Statement (FSS) was introduced during 2004/05. The FSS sets out how employers' pensions liabilities are best met going forward and provides a clear framework for taking a prudent long term view of funding the pension liabilities. We consulted employers and considered their views when preparing the FSS.

The Fund was required to approve the FSS in advance of the 2004 triennial valuation being signed off. Accordingly, Pensions Committee approved the FSS in February 2005. A copy is available on the website @ www.twpf.info.

The funding strategy includes a number of measures to assist employers to manage the recent increase in contributions, the most significant being an increased deficit recovery period for employers with a suitably strong covenant.

Statement of Investment Principles

The Statement of Investment Principles (SIP) is a key policy document that sets out the Fund's investment framework. This document is continually evolving as new developments take place.

In the SIP we are required to state our level of compliance with a Government published Code of Investment Principles. We are pleased to report that we are compliant with all ten of the Principles contained in the Code.

The latest version of the SIP was approved by Pensions Committee in June 2005. A copy of the SIP is available on the Fund's website @ www.twpf.info.

Corporate Governance, Voting and Socially Responsible Investment (SRI)

This is an important issue and the Pensions Committee takes its responsibilities in this area very seriously. Our Policy, which was last reviewed in June 2005, sets out how social, environmental and ethical 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.

Our investment managers have to report on their implementation of this Policy in their quarterly performance report and the subject is discussed regularly at meetings with them.

A copy of the Policy on SRI is available on the Fund's website @ www.twpf.info.



Councillor Shirley Stratford
Chair of Pensions Committee



Stephen Moore
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 interpreters.

There are a number of ways you can get in touch with us.

If you need any further information on the LGPS please contact us at:



The Pensions Office
Tyne and Wear Pension Fund
Civic Centre Campbell Park Road
Hebburn Tyne and Wear NE31 2SW



Pensions Helpline
Tel 0191 424 4141



Fax 0191 424 4171



Email pensions@twpf.info



Web www.twpf.info

Personal callers

You can visit us at the Pensions Office address during office hours. You don't need to make an appointment.

Office hours

Monday to Thursday 8.30am to 5.00pm
Friday 8.30am to 4.30pm

Please quote your National Insurance Number and your Membership ID number so we can quickly trace your records.

Data Protection

We use the information you give us (and in return the information we give you) to do the tasks required for the administration of your pension, to carry out the Fund's official business and to help stop crime and prevent fraud. Under the Data Protection Act 1998, South Tyneside Council is the Data Controller (the holder, user and processor) of the pension information held about you.