

Tyne and Wear Pension Fund

Administered by South Tyneside Council



Members' Annual Report 2012/13

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.

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 March 2013, there were 191 employing bodies and 115,892 members in the Fund. This is an increase of 2,276 over the membership of 113,616 as at March 2012.

	March 2012	March 2013
Active Members	43,822	42,220
Deferred Members	31,372	33,456
Pensioners	38,422	40,216
Total Membership	113,616	115,892
Employers	165	191

Funding Strategy

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

The latest valuation was undertaken as at March 2010. This showed that there is a funding deficit, with the assets being sufficient to meet only 79% of the benefits.

For the 2010 valuation, an application of the strategy used for the 2007 valuation would have led to significant increases in most employers' contributions. The Pensions Committee recognised this situation and reviewed the strategy. This led to the adoption of a relaxed strategy for employers with a strong covenant through an increase to the interest rate that is used to calculate the benefits.

The next valuation is taking place as at March 2013, when the Pensions Committee will review its strategy for clearing the deficit. We will be consulting employers and considering their views as part of this process.

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

Summary of Accounts for 2012/13

The statement below shows the Fund's Income and Expenditure for 2012/13:

Income and Expenditure

Income	£'m
Employers' Contributions	221
Employees' Contributions	54
Transfer Values	6
Investment Income	81
Total Income	362

Expenditure	£'m
Pensions	186
Lump Sum Retiring Allowances	61
Death Grants	5
Transfer Values and Refunds	14
Administration Costs	2
Total Expenditure	268

Net Income	94
Increase in the value of Investments	497
Total Increase in the value of the Fund	591
Value of the Fund as at 31 March 2012	4,841
Value of the Fund as at 31 March 2013	5,432

Summary of Accounts for 2012/13

The value of the Fund as at 31 March 2013 was £5,432 million. This is invested into a range of UK and overseas assets, as shown below:

Investment	Value £'m
UK Equities	1,518
Overseas Equities	1,589
Private Equity	540
Active Currency	100
UK Fixed Interest Bonds	875
Overseas Fixed Interest Bonds	20
Index-Linked Bonds	146
Infrastructure	89
Property	307
Global Property	166
Cash and other current assets	82
Total	5,432

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

Holding	£'m
Standard Chartered	47
HSBC	46
BG Group	45
Rio Tinto	35
Compass Group	34
Nestle	33
Diageo Corporation	33
Tesco	31
British American Tobacco	29
Shire Limited	28

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 £8.9 million. These monies are invested separately and are not included in the figures above.

Investment Framework and the Statement of Investment Principles

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

<http://www.twpf.info/CHttpHandler.ashx?id=12635&p=0>

The Statement shows our level of compliance with a Code of Investment Principles prepared by the Government. We are pleased to report that we are compliant with these Principles.

Investment Strategy

The investment strategy is comprised of 66% of the Fund in equities, 19% in bonds and cash, 12.5% in UK and global property and 2.5% in infrastructure. Within this structure, there is a 7.5% allocation to private equity and 3% in currency.

The strategy was reviewed in 2012 and it was concluded that it remains appropriate for the Fund. We have continued to develop the private equity, global property and infrastructure programmes whilst reducing exposure to active currency in the light of continued uncertainty in currency markets.

Investment Management Structure

To deliver the investment strategy, the Fund has appointed twelve 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, currencies, 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, Index-Linked Gilts, Emerging Market Local Currency Government Bonds)	860	15.9
JP Morgan (Global Equities)	541	10.0
Sarasin (Global Equities)	550	10.1
UBS Global Asset Management (Pan European Equities)	511	9.4
M&G (Corporate Bonds)	490	9.0
Henderson (Bonds)	436	8.0
Aberdeen Property Investors (Property)	307	5.7
Mirabaud (UK Equities)	240	4.4
BlackRock (UK Equities)	236	4.3
Capital International (Emerging Markets Equities)	131	2.4
Lazard (Japanese Equities)	138	2.5
TT International (Asia Pacific ex Japan Equities)	55	1.0
Private Equity	540	10.0
Active Currency	100	1.8
Global Property	166	3.1
Infrastructure	89	1.6
In House (cash) and other current assets	42	0.8
Total	5,432	100.0

Market Environment

The year saw strong performance in the main markets. Accordingly, US Equities was the best performing asset class with a return of 19.3%, followed by Asia ex Japan at 18.1%. Corporate Bonds returned 12.0% and UK Index Linked Gilts returned 11.7%

The return from UK equities is of particular importance to UK pension funds as a large proportion of their assets tends to be invested there. This market returned just under 16.8%.

Investment Performance

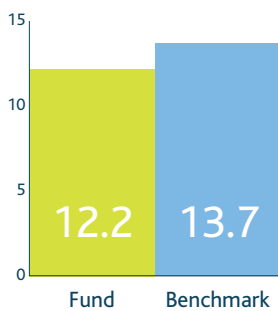
Our investment return for the year was 12.2%, which was 1.5% below the benchmark return of 13.7%.

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 year, five year and ten year periods.

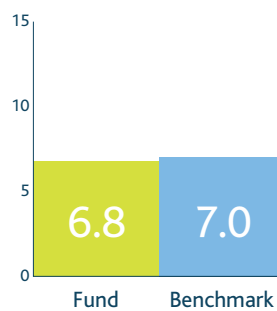
Year to March 2013

%



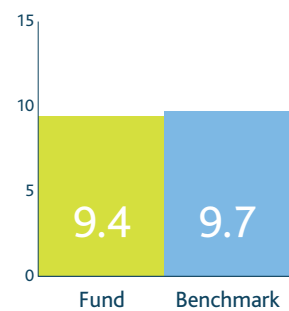
Five Year to March 2013

%



Ten Year to March 2013

%



The five year return is 6.8% per annum, which is 0.2% below the benchmark return of 7.0% per annum. The ten year return is 9.4% per annum, which is 0.3% below the benchmark return of 9.7% per annum.

The below benchmark returns are attributable to poor returns from the UK Property Portfolio and to the volatile market conditions that have made it difficult for investment managers to apply a consistent strategy.

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 2013, 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/CHttpHandler.ashx?id=12636&p=0>

Councillor Jim Perry
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 (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 143,
HEBBURN NE31 2WT**



Pensions Helpline:

Tel: 0191 424 4141 or 0845 625 4141

If you live outside the Tyne and Wear area, it may be cheaper to call our 0845 number - please check with your telephone service provider.



Fax: 0191 424 4171



Email: pensions@twpf.info



Web: www.twpf.info



Postcode for 'sat nav' systems NE31 2SW

Walk in Service

You can visit us during office hours at the Civic Centre,
Campbell Park Road, Hebburn, Tyne and Wear, NE31 2SW.
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.