

8 March 2018
Agenda Item: 7

REPORT OF THE SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT

FUND VALUATION AND PERFORMANCE

Purpose of the Report

1. To report on the total value and performance of the Pension Fund to 31 December 2017.

Information

2. This report is to inform the Pension Fund Committee of the value of the Pension Fund at the end of the latest quarter and give information on the performance of the Fund. Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972. Having regard to the circumstances, on balance the public interest in disclosing the information does not outweigh the reason for exemption because divulging the information would significantly damage the Council's commercial position in relation to the Pension Fund. The exempt information is set out in the exempt appendices.
3. The table below shows a summary of the total value of the investment assets of the Fund as at 31 December 2017, in comparison with the new benchmark agreed at the last January Working Party, together with the comparative position 3 and 12 months previously.

	Latest Quarter			Previous Quarter		Previous Year	
	31 Dec 2017		Benchmark	30 Sep 2017		31 Dec 2016	
	£m	%		£m	%	£m	%
Equities							
Quoted	3,403	64.1%	60%	3,239	64.3%	3,216	68.2%
Private	262	4.9%	5%	242	4.8%	190	4.0%
Property	667	12.6%	15%	609	12.1%	524	11.1%
Bonds							
Gilts	122	2.3%	5%	116	2.3%	144	3.1%
Other Bonds	753	14.2%	12.5%	744	14.8%	402	8.5%
Cash	105	2.0%	2.5%	88	1.7%	237	5.0%
	5,311	100%	100%	5,037	100%	4,713	100%

4. Within Equities (both quoted and private) and Other Bonds are investments in Infrastructure assets amounting to £173.3m or 3.3% of the fund. Infrastructure commitments amount to 4.5% of the fund. There is a long term target for investments in infrastructure to be 5% of the fund.

5. The Fund investments have increased by £274.5 million (5.5%) since the previous quarter and by £597.9 million (12.7%) over the last 12 months. The table below shows the Fund Account for the first two quarters of 2017/18 along with the full year figures for 2016/17.

Summary Fund Account	Q3 2017/18 £000	Full Year 2016/17 £000
Employer contributions	(157,217)	(135,650)
Member contributions	(30,642)	(43,495)
Transfers in from other pension funds	(5,799)	(4,068)
Pensions	114,534	146,132
Commutation of pensions and lump sums	21,177	31,093
Lump sum death benefits	3,486	4,726
Payments to and on account of leavers	11,696	14,746
Administration Expenses	289	1,703
Net (additions)/withdrawals from dealings with members	(42,476)	15,187
Oversight & governance expenses	333	806
Investment Income	(72,681)	(142,281)
Profits & losses on disposals & changes in value	(266,417)	(744,384)
Taxes on income	519	593
Investment management expenses	2,530	4,381
Net Returns on Investments	(336,049)	(881,691)
 Net (increase)/decrease in net assets	 (378,192)	 (865,698)

6. The fund value increased significantly in 2016/17 reflecting the unusually high returns on equity over the year. This rate of return is unlikely to continue, and the first half of the year has been more subdued with more moderate growth and increased investment, especially in infrastructure and property.

Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

- 1) That members consider whether there are any actions they require in relation to the issues contained within the report.

Name of Report Author: Tamsin Rabbitts

Title of Report Author: Senior Accountant – Pensions & Treasury Management

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments

8. This is an updating information report and Pension Committee is the correct body for considering that information and any further action which members may wish to take in light of that information.

Financial Comments (TMR 22/2/2018)

9. There are no direct financial implications arising from this report.