

7 June 2018

Agenda Item: 8

## **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 March 2018.

#### **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 Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.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 March 2018, in comparison with the benchmark, together with the comparative position 3 and 12 months previously.

	<b>Latest Quarter</b>		
	<b>31 Mar 2018</b>		<b>Benchmark</b>
	£m	%	
Equities			
Quoted	3,195	62.2%	60%
Private	263	5.1%	5%
Property	691	13.5%	15%
Bonds			
Gilts	125	2.4%	5%
Other Bonds	721	14.0%	12.5%
Cash	138	2.7%	2.5%
	5,133	100%	<b>100%</b>

<b>Previous Quarter</b>	
<b>31 Dec 2017</b>	
£m	%
3,403	64.1%
262	4.9%
667	12.6%
122	2.3%
753	14.2%
105	2.0%
5,311	100%

<b>Previous Year</b>	
<b>31 Mar 2017</b>	
£m	%
3,153	64.4%
201	4.1%
572	11.7%
144	2.9%
723	14.8%
105	2.1%
4,898	100%

4. Within Equities (both quoted and private) and Other Bonds are investments in Infrastructure assets amounting to £169.2m or 3.3% of the fund. Infrastructure commitments amount to 4.4% of the fund. There is a long term target for investments in infrastructure to be 5% of the fund.

5. The Fund investments have decreased by £177.8 million (3.3%) since the previous quarter (offsetting part of the previous quarter's gains). Fund investments have increased by £235.0 million (4.8%) over the last 12 months. The table below shows the unaudited Fund Account for 2017/18 along with the full year figures for 2016/17.

<b>Summary Fund Account</b>	<b>Q4 2017/18 £000</b>	<b>Full Year 2016/17 £000</b>
Employer contributions	(193,459)	(135,650)
Member contributions	(45,176)	(43,495)
Transfers in from other pension funds	(9,813)	(4,068)
Pensions	153,122	146,132
Commutation of pensions and lump sums	27,700	31,093
Lump sum death benefits	4,741	4,726
Payments to and on account of leavers	16,713	14,746
Administration Expenses	1,953	1,703
<b>Net (additions)/withdrawals from dealings with members</b>	<b>(44,219)</b>	<b>15,187</b>
<b>Oversight &amp; governance expenses</b>	<b>488</b>	<b>806</b>
Investment Income	(149,816)	(142,281)
Profits & losses on disposals & changes in value	(51,189)	(744,384)
Taxes on income	620	593
Investment management expenses	4,895	4,381
<b>Net Returns on Investments</b>	<b>(195,490)</b>	<b>(881,691)</b>
<b>Net (increase)/decrease in net assets</b>	<b>(239,221)</b>	<b>(865,698)</b>

6. The fund value increased significantly in 2016/17 reflecting the unusually high returns on equity over the year. This rate of return has been more variable and more subdued in 2017/18. There has been 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.

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### **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 22/5/2018)**

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