

**14 September 2017**

**Agenda Item: 6**

**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 30 June 2017.

**Information and Advice**

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 Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.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 30 June 2017, in comparison with the new benchmark agreed at the January Working Party, together with the comparative position 3 and 12 months previously.

	<b>Latest Quarter</b>		<b>Benchmark</b>	<b>Previous Quarter</b>		<b>Previous Year</b>	
	<b>30 Jun 2017</b>			<b>31 Mar 2017</b>		<b>30 Jun 2016</b>	
	£m	%		£m	%	£m	%
Equities							
Quoted	3,167	64.2%	60%	3,153	64.4%	2,831	66.9%
Private	222	4.5%	5%	201	4.1%	147	3.5%
Property	581	11.8%	15%	572	11.7%	511	12.1%
Bonds							
Gilts	150	3.0%	5%	156	3.2%	158	3.7%
Other Bonds	726	14.7%	12.5%	711	14.5%	402	9.5%
Cash	88	1.8%	2.5%	105	2.1%	180	4.3%
	<b>4,934</b>	<b>100%</b>	<b>100%</b>	<b>4,898</b>	<b>100%</b>	<b>4,229</b>	<b>100%</b>

4. Within Private Equity and Other Bonds are investments in Infrastructure assets amounting to £138.8m or 2.8% 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 £36.2 million (0.7%) since the previous quarter and by £705 million (16.7%) over the last 12 months. The table below shows the Fund Account for the first quarter of 2017/18 along with the full year figures for 2016/17.

6.

<b>Summary Fund Account</b>	<b>Q1 2017/18 £000</b>	<b>Full Year 2016/17 £000</b>
Employer contributions	(98,559)	(135,650)
Member contributions	(8,401)	(43,495)
Transfers in from other pension funds	(1,467)	(4,068)
Pensions	38,185	146,132
Commutation of pensions and lump sums	8,078	31,093
Lump sum death benefits	980	4,726
Payments to and on account of leavers	2,376	14,746
Administration Expenses	6	1,703
<b>Net (additions)/withdrawals from dealings with members</b>	<b>(58,802)</b>	<b>15,187</b>
<b>Oversight &amp; governance expenses</b>	<b>87</b>	<b>806</b>
Investment Income	(13,011)	(142,281)
Profits & losses on disposals & changes in value	32,740	(744,384)
Taxes on income	289	593
Investment management expenses	60	4,381
<b>Net Returns on Investments</b>	<b>20,078</b>	<b>(881,691)</b>
<b>Net (increase)/decrease in net assets</b>	<b>(38,637)</b>	<b>(865,698)</b>

7. The fund value increased significantly in 17/18 reflecting the unusually high returns on equity over the year. This rate of return is unlikely to continue, and the first quarter has been more subdued with a small decrease in the UK markets, partly offset by increases in overseas markets and increased investment, especially in infrastructure.

## Statutory and Policy Implications

8. 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**

9. 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 21/08/2017)**

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