

7 March 2019

Agenda Item: 8

REPORT OF THE SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE & 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 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 Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.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 December 2018, in comparison with the benchmark, together with the comparative position 3 and 12 months previously. The majority of the changes are due to the drop in equity markets in the last quarter. The benchmark was reviewed and changed at the last committee meeting (after the end of this period). This is a long term target and it will take some years to achieve it

	Latest Quarter		Long term	Previous Quarter		Previous Year	
	31 Dec 2018		Benchmark	30 Sept 2018		31 Dec 2017	
	£m	%		£m	%	£m	%
Equities							
Quoted	2,943	57.5%	56%	3,427	62.3%	3,239	64.3%
Private	385	7.5%	12%	329	6.0%	242	4.8%
Property	796	15.5%	15%	760	13.8%	609	12.1%
Bonds							
Gilts	147	2.9%	2%	135	2.5%	116	2.3%
Other Bonds	696	13.6%	13%	722	13.1%	744	14.8%
Cash	154	3.0%	2%	126	2.3%	88	1.7%
	5,120	100%	100%	5,498	100%	5,037	100%

4. Within Equities (both quoted and private) and Other Bonds are investments in Infrastructure assets amounting to £252.2m or 4.9% of the fund. Infrastructure commitments amount to 6.1% of the fund. There is a long term target for investments in infrastructure to be 8% of the fund.
5. The Fund investments have decreased by £377.9 million (6.9%) since the previous quarter. Fund investments have decreased by £191.2 million (3.6%) over the last 12 months. The table below shows the first half year Fund Account for 2018/19 along with the full year figures for 2017/18.

Summary Fund Account	Q3	Full Year
	2018/19	2017/18
	£000	£000
Employer contributions	(96,697)	(193,459)
Member contributions	(31,613)	(45,176)
Transfers in from other pension funds	(8,398)	(9,813)
Pensions	121,364	153,122
Commutation of pensions and lump sums	26,191	27,700
Lump sum death benefits	2,993	4,741
Payments to and on account of leavers	9,550	16,713
Net (additions)/withdrawals from dealings with members	23,390	(46,172)
Administration Expenses	275	1,953
Oversight & governance expenses	1,195	488
Investment Income	(71,229)	(149,816)
Profits & losses on disposals & changes in value	94,502	(51,189)
Taxes on income	841	620
Investment management expenses	2,810	4,895
Net Returns on Investments	26,924	(195,490)
Net (increase)/decrease in net assets	51,784	(239,221)

6. The significant drop in the equity markets in the last quarter has more than offset previous in year gains, decreasing the overall fund value during the year. Rebalancing during the quarter has slightly mitigated the poor performance as value was realised from equities and reinvested in alternatives 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 13/2/2019)

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