

6 June 2019

**Agenda Item: 10**

## **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 March 2019.

#### **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 Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.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 2019, 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 early in 2019. This is a long term target and it will take some years to achieve it

	<b>Latest Quarter</b>		<b>Long term</b>	<b>Previous Quarter</b>		<b>Previous Year</b>	
	<b>31 Mar 2019</b>		<b>Benchmark</b>	<b>31 Dec 2018</b>		<b>31 Mar 2018</b>	
	£m	%		£m	%	£m	%
Equities							
Quoted	3,222	59.6%	56%	2,943	57.5%	3,195	62.2%
Private	448	8.3%	12%	385	7.5%	263	5.1%
Property	732	13.5%	15%	796	15.5%	691	13.5%
Bonds							
Gilts	176	3.3%	2%	147	2.9%	125	2.4%
Other Bonds	699	12.9%	13%	696	13.6%	721	14.0%
Cash	131	2.4%	2%	154	3.0%	138	2.7%
	<b>5,407</b>	<b>100%</b>	<b>100%</b>	<b>5,120</b>	<b>100%</b>	<b>5,133</b>	<b>100%</b>

4. Within Equities (both quoted and private) and Other Bonds are investments in Infrastructure assets amounting to £260.3m or 4.8% of the fund. Infrastructure commitments amount to

5.8% of the fund. There is a long term target for investments in infrastructure to be 8% of the fund.

5. The Fund investments have increased by £286.9 million (5.6%) since the previous quarter. Fund investments have increased by £274.0 million (5.3%) over the last 12 months. The table below shows the Fund Account for 2018/19 along with the full year figures for 2017/18.

	<b>Q4</b>	<b>Full Year</b>
<b>Summary Fund Account</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Employer contributions	(135,001)	(193,459)
Member contributions	(46,216)	(45,176)
Transfers in from other pension funds	(9,473)	(9,813)
Pensions	162,267	153,122
Commutation of pensions and lump sums	34,937	27,700
Lump sum death benefits	4,495	4,741
Payments to and on account of leavers	34,732	16,713
<b>Net (additions)/withdrawals from dealings with members</b>	<b>45,741</b>	<b>(46,172)</b>
<b>Administration Expenses</b>	<b>2,112</b>	<b>1,953</b>
<b>Oversight &amp; governance expenses</b>	<b>1,630</b>	<b>488</b>
Investment Income	(162,772)	(149,816)
Profits & losses on disposals & changes in value	(154,446)	(51,189)
Taxes on income	850	620
Investment management expenses	5,410	4,895
<b>Net Returns on Investments</b>	<b>(310,958)</b>	<b>(195,490)</b>
 <b>Net (increase)/decrease in net assets</b>	 <b>(261,474)</b>	 <b>(239,221)</b>

6. The equity markets dropped significantly in the previous quarter but markets recovered the majority of this last quarter, increasing the overall fund value during the year.

## 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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**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 13/5/2019)**

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