

**10 January 2019**
**Agenda Item: 6**
**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 30 September 2018.

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 Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.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

	Latest Quarter			Previous Quarter		Previous Year	
	30 Sept 2018		Benchmark	30 June 2018		30 Sept 2017	
	£m	%		£m	%	£m	%
Equities							
Quoted	3,427	62.3%	60%	3,382	62.5%	3,239	64.3%
Private	329	6.0%	5%	300	5.6%	242	4.8%
Property	760	13.8%	15%	747	13.8%	609	12.1%
Bonds							
Gilts	135	2.5%	5%	150	2.8%	116	2.3%
Other Bonds	722	13.1%	12.5%	729	13.5%	744	14.8%
Cash	126	2.3%	2.5%	99	1.8%	88	1.7%
	<b>5,498</b>	<b>100%</b>	<b>100%</b>	<b>5,407</b>	<b>100%</b>	<b>5,037</b>	<b>100%</b>

4. Within Equities (both quoted and private) and Other Bonds are investments in Infrastructure assets amounting to £223.1m or 4.1% of the fund. Infrastructure commitments amount to 5.3% 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 £90.9 million (1.7%) since the previous quarter. Fund investments have increased by £461.2 million (9.2%) 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.

<b>Summary Fund Account</b>	<b>Q2 2018/19 £000</b>	<b>Full Year 2017/18 £000</b>
Employer contributions	(67,547)	(193,459)
Member contributions	(20,461)	(45,176)
Transfers in from other pension funds	(5,507)	(9,813)
Pensions	80,684	153,122
Commutation of pensions and lump sums	17,138	27,700
Lump sum death benefits	1,904	4,741
Payments to and on account of leavers	8,291	16,713
<b>Net (additions)/withdrawals from dealings with members</b>	<b>14,502</b>	<b>(46,172)</b>
<b>Administration Expenses</b>	<b>98</b>	<b>1,953</b>
<b>Oversight &amp; governance expenses</b>	<b>659</b>	<b>488</b>
Investment Income	(52,239)	(149,816)
Profits & losses on disposals & changes in value	(291,553)	(51,189)
Taxes on income	826	620
Investment management expenses	1,577	4,895
<b>Net Returns on Investments</b>	<b>(341,389)</b>	<b>(195,490)</b>
<b>Net (increase)/decrease in net assets</b>	<b>(326,130)</b>	<b>(239,221)</b>

6. The fund value increased in 2017/18 but only by 4.8% reflecting a market adjustment in the last two months of the year. This reversed in the first quarter, explaining the exceptional rate of return for that quarter, returning to more moderate growth in the current quarter. There continues to be 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 4/12/2018)**

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