

TYNE AND WEAR PENSION FUND

Annual Report and Accounts 2018/19

Administered by South Tyneside Council





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KEY MEMBERS AND OFFICERS OF THE FUND

THE MEMBERS OF PENSIONS COMMITTEE

South Tyneside Council

Councillor E. Leask (Chair)
Councillor A. Walsh (Vice Chair)
Councillor W. Flynn
Councillor J. Foreman
Councillor D. Purvis
Councillor A. Hetherington
Councillor J. Perry
Councillor R. Porthouse

Gateshead Council

Councillor B. Goldsworthy
(substitute – Councillor G. Haley)

Newcastle City Council

Councillor V. Dunn
(substitute – Councillor G. Bell)

North Tyneside Council

Councillor A. McMullen
(substitute – Councillor W. Samuel)

Sunderland City Council

Councillor J. Heron
(substitute – Councillor G. Walker)

Trade Union Representatives

L. Brown – Unison
J. Major – Unite
P. Gordon – Unison

Employers' Representatives

C. Wallace – Gentoo
P. Goddard – Stagecoach
B. Scott – South Tyneside Homes

MEMBERS OF THE LOCAL PENSION BOARD

Employer Representatives

J. Woodlingfield (Chair) – Newcastle College Group
M. Brodie – North East Regional Employers' Organisation (NEREO)
Councillor P. Hay – South Tyneside Council
P. Smith – TT2

Trade Union Representatives

N. Wirz (Vice Chair) – Unison
J. Pearson – GMB
C. Sharkey – Unison
T. Hunter – GMB

Members of the Pensions Committee and the Local Pension Board can be contacted through the Pensions Helpline by emailing pensions@twpf.info

SENIOR OFFICERS

Corporate Director Business and Resources (Section 151 Officer)

S. Reid (email Stuart.Reid@southtyneside.gov.uk)

Head of Pensions

I. Bainbridge (email Ian.Bainbridge@southtyneside.gov.uk)

Principal Pensions Manager

H. Chambers (email Heather.Chambers@southtyneside.gov.uk)

Principal Investment Manager

T. Morrison (email Tom.Morrison@southtyneside.gov.uk)

Head of Legal Services

M. Harding (email Mike.Harding@southtyneside.gov.uk)

Corporate Assurance Manager

P. Hunter (email Peter.Hunter@southtyneside.gov.uk)

ADMINISTRATORS OF THE FUND

The Fund is administered by the in-house Pensions Administration Team.



ADVISORS

Actuary

Aon Hewitt Ltd – J. Teasdale

Investment Advisor

Hymans Robertson – P. Potter

The advisors to the Fund can be contacted through the Pensions Helpline by emailing pensions@twpf.info

BANK

Lloyds Bank

CUSTODIAN

Northern Trust

EXTERNAL AUDIT

Ernst & Young LLP – H. Rohimun (Associate Partner)

POOL OPERATOR

Border to Coast Pensions Partnership

INVESTMENT MANAGERS

INDEXATION

Legal and General Investment Management

EQUITIES

UK Equity

BlackRock Investment Management
Border to Coast Pensions Partnership

Global Equity

JP Morgan Asset Management

Japanese Equity

Lazard Asset Management

Asian ex Japanese Equity

TT International

Emerging Market Equity

JP Morgan Asset Management

BONDS

Janus Henderson Global Investors
M&G Investments

PROPERTY

UK Property

Aberdeen Standard Investments

UK Residential Property

Aberdeen Standard Investments
Hearthstone

Global Property

Partners Group

PRIVATE EQUITY

Capital International
Coller Capital
HarbourVest Partners
Lexington Partners
Pantheon Ventures
Partners Group

PRIVATE DEBT

HPS Investment Partners
Pemberton

INFRASTRUCTURE

AMP Capital
Infracapital
Partners Group
Pantheon Ventures

ADDITIONAL VOLUNTARY CONTRIBUTIONS

Prudential Assurance Company
Equitable Life Assurance Society

REVIEW OF THE YEAR

We are delighted to present the 2018/19 Annual Report and Accounts for the Tyne and Wear Pension Fund. The report summarises the main issues affecting the Fund and the Local Government Pension Scheme over the last year.

2018/19 was the first full year of operating our pensions administration shared service with Northumberland County Council Pension Fund. The new combined service operates from South Tyneside Council offices, with Northumberland being absorbed into the processes, operations and management of the Tyne and Wear Pension Fund.

This has brought a lot of challenges and opportunities. It is an exciting time for both funds and provides the opportunity to combine resources, improve operational efficiencies and at the same time to make us more resilient for any future challenges that lie ahead. Whilst a combined service is now being delivered, work on aligning other areas of operation and policies continues to take place.

As noted in this and previous annual reports, the administering authority of the Fund is the joint owner of a Financial Conduct Authority (FCA) regulated investment management company called Border to Coast Pensions Partnership Limited. This company was created in response to the Governments initiative on investment pooling. The company itself was created in 2017 and assets started to transfer from the funds during 2018. In November 2018, we transferred £370 million of the Fund's UK equities to a newly created investment product with Border to Coast. Further assets are expected to move during 2019/20.

In terms of service delivery for the members, the main development in the year has been the implementation of our on line "mypension" service. This allows members to access their pension details, update contact information and undertake their own pensions benefit estimate calculations. In 2019 we have started to provide members with electronic benefit statements. The electronic delivery of communications and electronic processing of data is becoming increasingly important to the Fund, its members and employers. Consequently, further developments will take place over the coming years.

The contributions paid by employers in the 2018/19 year and for 2019/20 were set as part of the 2016 valuation. The average future service rate was set at 18.3% of pensionable pay. The average contribution to address the deficit over a 20 year period was 6.9%, leading to a total average contribution rate of 25.2%, 1.6% above the rate at the 2013 valuation.

Whilst overall contribution rates increased following the 2016 valuation, there was an improvement in the funding level on an ongoing basis from 81% to 85%. The low risk funding level, however, based on gilt yields was 54%, which was lower than the figure of 57% at the 2013 valuation.

The triennial valuation of the Fund as at 31st March 2019 is underway and this will set contribution rates for the three years from 1st April 2020. High level modelling of the funding position to 31st March 2019 suggests that the ongoing funding position has improved on the back of good investment returns following the 2016 valuation.



At the same time as undertaking the triennial valuation, the Fund is also reviewing its investment strategy. In particular, consideration is being given to de-risking the strategy to lock in some of the investment gains achieved over recent years.

The current investment strategy is based on Asset Liability Modelling (ALM) that was carried out in 2017 using the liability data from the 2016 valuation. At that time the only significant change to the Investment Strategy was the introduction of an allocation to private debt. This is being funded by a reduced allocation to UK equities. More significant changes to the investment strategy are expected as part of the 2019 review.

At the current time the Fund's asset allocation is 55.5% in equities, 19.0% in bonds and cash, 12.0% in property (including residential), 7.5% in private equity, 3.5% in private debt and 2.5% in infrastructure.

The global investment environment has been heavily influenced by the changing US interest rate environment, tensions around international trade and political events including Brexit. Despite this uncertain environment and the volatility this has brought to markets, most major asset classes produced positive returns during the year.

Overall the Fund's assets produced a very respectable return of 7.4%, which was 1.0% above the benchmark return of 6.4%. Inflation as measured by the Consumer Prices Index, which has risen in importance as a measure for the Scheme, was 1.9% over the year while Average Earnings increased by 3.2%.

It is very pleasing that the Fund has outperformed its benchmark return in each of the last five years. The Fund's five year return is 9.6% per annum, which is well ahead of the benchmark return of 8.1% per annum. The ten year return is 10.9% per annum, which is also ahead of the benchmark return over this period of 10.3% per annum. Both the relative and absolute level of returns is extremely positive.

There has been a tremendous effort by everybody involved in the Fund over the past year. As ever, there has been a significant amount of change and everybody has risen to the challenge that this brings. Therefore, we would like to thank the Pensions Committee, the Local Pension Board and the staff involved with the Fund for all their considerable work during the year and in the delivery of services to members and employers.

A handwritten signature in blue ink, appearing to read 'E Leask'.

Councillor Eileen Leask
Chair of Pensions Committee

A handwritten signature in blue ink, appearing to read 'I Bainbridge'.

Ian Bainbridge
Head of Pensions

LEGAL FRAMEWORK

INTRODUCTION

The Tyne and Wear Pension Fund is part of the Local Government Pension Scheme (the Scheme) and is administered by South Tyneside Council. The Ministry of Housing, Communities and Local Government (MHCLG) sets out the framework for the Scheme in regulations that apply in England and Wales.

SCHEME REGULATIONS

The rules of the Scheme are contained in the following sets of regulations.

The Local Government Pension Scheme Regulations 2013 (as amended) describe how rights accrue and how benefits are calculated with effect from 1st April 2014. The regulations also contain the administrative provisions for the Scheme.

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) set out how membership accrued prior to 1st April 2014 is evaluated. These regulations also remove the ability of Councillors in England and Wales to continue their participation in the LGPS.

The main provisions of the Scheme are:

- Tiered employee contribution rates.
- A Career Average Re-valued Earnings pension based on 1/49th of salary for each year of pensionable service.
- A "50:50" arrangement allowing members to opt to pay 50% of their standard contribution rate. Where this is exercised the member will accrue pension based on 1/98th of salary for each year of pensionable service.
- A Normal Retirement Age of the member's State Pension Age for the release of unreduced benefits.
- A three level ill health retirement package, payable from any age.
 - 100% enhancement of benefits for total incapacity.
 - 25% enhancement where there is a prospect of return to gainful employment after three years but before Normal Retirement Age.
 - No enhancement where there is a prospect of return to gainful employment within three years. This level of ill health pension ceases on re-employment or after three years in payment.
- The earliest age that the member may choose to release their pension is 55. If the member chooses to access before Normal Pension Age then their pension will be subject to reduction.
- Immediate payment of retirement benefits on grounds of redundancy or business efficiency if the member has attained age 55.
- Phased retirement arrangements that enable members under specified circumstances to draw down some or all of their accrued pension rights from the Scheme while still continuing to work.
- An option to commute pension to lump sum, at the rate of one pound of annual pension for twelve pounds of lump sum, up to a maximum tax free lump sum of 25% of capital value of accrued benefit rights at date of retirement.
- Pensions indexed in line with the Consumer Prices Index.
- Pensions must come into payment before the 75th birthday.
- Survivor benefits for life, payable to spouses, civil partners and dependant partners (opposite and same sex) at a 1/160th accrual rate.
- Survivor benefits payable to children.
- A death-in-service tax-free lump sum of three times assumed pensionable pay.
- A post-retirement lump sum death benefit where death occurs before age 75 of up to a maximum of ten years pension.
- Transfer values to other pension arrangements or index-linked deferred benefits for early leavers.
- A refund of contributions where no other benefit is due.
- Facilities for paying additional voluntary contributions to provide benefits.

AMENDMENT LGPS REGULATIONS

The LGPS (Miscellaneous Amendment) Regulations 2018 came into force on 10 January 2019. Changes to the LGPS were as follows:

- Changes to survivor benefits for same sex spouses and civil partners

Provides survivor benefits payable to a same sex spouse or a civil partner equal to those paid to the widow of a male member (following the result of a Supreme Court judgment for Walker v Innopsec).

The government believes that the implication of this judgment for all public service pensions schemes, including the LGPS, is that surviving civil partners or surviving same sex spouses should be provided with benefits equal to those that would be left to the widow of a male member.

The change is backdated to 5 December 2005 for civil partnerships and 13 March 2014 for same sex marriages.

- Early payment of deferred benefits for leavers before 1 April 1998

Changes to the scheme allow deferred members to choose to take early payment of deferred benefits from age 55 (rather than 60). Also the consent of the member's former employer to take benefits between age 55 and Normal Pension Age (NPA) is no longer required.

A further change to the scheme rules has been made which means that the member no longer has to leave all local government employment to take payment of deferred benefits. This change is backdated to 17 April 2018.

MANAGEMENT AND GOVERNANCE

The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 amended the Local Government Pension Scheme Regulations 2013 and contain additional provisions covering governance of the new Scheme.

The additional provisions provided for the setting up of, and making appointments to, Local Pension Boards and the Scheme Advisory Board.

Under the Public Service Pensions Act 2013, the MHCLG continue to be responsible for policy and the making of regulations. There is a Local Government Pension Scheme Advisory Board which advises MHCLG on regulatory changes it considers being appropriate.

At individual Fund level, each Fund continues to be administered by its designated administering authority. Each Fund must also have a Local Pension Board that is tasked with assisting the administering authority in securing compliance with regulations, other legislation and the requirements of the Pensions Regulator. Local Pension Boards must have equal representation of employer representatives and member representatives, who must not be officers or councillors of the administering authority responsible for the discharge of local government pension functions. The Fund has a Local Pension Board.

The Regulations also include an employer cost cap. The Secretary of State is required, if valuation reports indicate that costs have varied by more than the margin allowed for in the Regulations, to make changes to the Scheme to bring costs back to the defined level.

The Local Government Pension Scheme Advisory Board is required to monitor the overall costs of the Scheme and the proportion of those costs met by employers and members. The Local Government Pension

Scheme Advisory Board is also required to make recommendations to the Secretary of State for changes to the Scheme where costs have varied beyond defined margins.

The results of the cost control process could lead to either, changes in employee contributions which need to be paid into the LGPS as part of Scheme membership, or to changes in the pension benefits eventually payable by the LGPS.

In September 2018 the results of the valuation of public service pension schemes were announced. The initial results for the LGPS showed that the cost of the Scheme had fallen. This led to the Scheme Advisory Board suggesting some proposed changes to contribution rates for the lower paid along with improvements in the benefits package. A consultation on the proposed changes was expected in advance of the HM Treasury mechanism being undertaken.

However, in January 2019 the Government 'paused' the cost cap process following a ruling by the Court of Appeal in December 2018 over two cases (known as 'McCloud') regarding age discrimination and transitional protection arrangements in the judicial and firefighters pension schemes. The Local Government Pension Scheme Advisory Board also put on hold the consultation on proposed changes.

The 'McCloud' case ruling stated that current arrangements in these schemes were unlawful on the grounds of age discrimination. Although relating to judges and firefighters the ruling could have significant implications for all public sector schemes, including the LGPS.

In June 2019 the Supreme Court has refused the Government's request for permission to appeal against the Court of Appeal's decision. The case will be returned to an employment tribunal for a detailed decision. In the ordinary course of events this could take twelve months. Once the outcome is known the impact on the costs of the LGPS will be assessed and the cost cap process will be revisited.

POOLING OF INVESTMENTS

In the July 2015 Budget, the Chancellor announced the Government's intention to work with the LGPS administering authorities to ensure that investments were pooled while maintaining overall investment performance. The criteria for developing proposals were set in November 2015.

Having considered a number of options the Fund decided to work with eleven other administering authorities as part of the Border to Coast Pensions Partnership. All of the administering authorities in Border to Coast are considered to have a like-minded approach to investment. The Fund and Border to Coast submitted proposals in 2016, and the Government gave its approval later in the same year. This is a major strategic collaboration between the funds, with the aim of delivering improved performance as well as cost savings over the long term.

All of the administering authorities in Border to Coast formally approved arrangements for joining the partnership during the 2016/17 financial year. South Tyneside Council, as administering authority of the Tyne and Wear Pension Fund agreed to join at its Council meeting on 9th March 2017.

During 2017/18 Border to Coast Pensions Partnership Limited was created as a company limited by shares, with each of the twelve administering authorities as equal shareholders. This newly created investment management company subsequently recruited staff, acquired offices and developed the necessary arrangements to undertake investment management activity. This included receiving authorisation from the Financial Conduct Authority.

A Joint Committee comprising the Chairs of each Pensions Committee has an oversight role over the arrangements with Border to Coast.

The transfer of investments to the company commenced in July 2018, when three internally managed funds moved some of their assets to Border to Coast. This was followed by three other funds, including Tyne and Wear moving some assets in November 2018.

At the end of March 2019 the overall value of assets of the twelve funds was approximately £50 billion, £9 billion of which was managed by Border to Coast. The value and proportion of the twelve funds assets managed by Border to Coast will increase in future years.

INVESTMENT REGULATIONS

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force on 1st November 2016, replacing the 2009 Regulations. The 2016 Regulations introduced a mixture of new legislative requirements, updates to the 2009 regulations and dropped other requirements altogether. Overall the new regulations are less prescriptive.

These Regulations set out the payments that must be made into and out of the pension fund, restrict powers of borrowing, and require fund money to be in a separate bank account. They require the administering authority to maintain and publish an Investment Strategy Statement (ISS).

The ISS should describe the Fund's investment strategy and its investments and must cover:

- a requirement to invest money in a wide variety of investments
- an assessment of the suitability of investments held
- the approach to risk
- the approach to pooling investments
- the policy and approach to social, environmental and corporate governance
- the policy on the exercise of rights (including voting rights) attaching to investment

The 2016 Regulations also introduce new powers for the Secretary of State to make a direction, if satisfied that an administering authority is failing to act in accordance with published guidance. The power of direction can be used to:

- require changes to the investment strategy
- require investment in specific assets or asset classes
- transfer the investment functions to the Secretary of State or a person nominated by the Secretary of State
- require the administering authority to comply with any instructions

These powers essentially allows the Secretary of State to intervene in whatever manner is deemed necessary to address a perceived problem. The Secretary of State must consult with the administering authority and take due consideration of reports and representations, before any direction can be issued. Although this does appear quite draconian, its use is likely to be a last resort.



GOVERNANCE ARRANGEMENTS

South Tyneside Council is the administering authority of the Local Government Pension Fund for the Tyne and Wear County area.

PENSIONS COMMITTEE

The Council has set up a Pensions Committee (the Committee) to control and resolve all matters relating to the Fund. The Council's Constitution requires the Committee to:

- Prepare, maintain and publish the Governance Compliance Statement.
- Ensure that the Fund complies with the Local Government Pension Scheme Regulations and all other legislation that governs the administration of the Fund.
- Prepare, maintain and publish the Funding Strategy Statement.
- Prepare, maintain and publish the Pensions Administration Strategy.
- Ensure that the Fund is valued as required and receive and consider reports on each valuation.
- Ensure appropriate arrangements are in place for the administration of benefits.
- Set the Admissions Policy.
- Prepare, maintain and publish the Communications Policy Statement.
- Ensure appropriate additional voluntary contributions arrangements are in place.
- Prepare, maintain and publish the Investment Strategy Statement.
- Set the investment objectives and policy and the strategic asset allocation in the light of the Fund's liabilities.
- Select, appoint and dismiss an investment pooling operator to manage the Fund's assets.
- Work with the pool operator to implement the Fund's investment strategy
- Appoint, dismiss and assess the performance of investment managers and custodians where direct investments are maintained. Where investments are made through the pool operator, this will be done by the operator itself.
- Ensure appropriate participation in the pool operator Joint Committee.
- Monitor the performance and effectiveness of the investment pool operator.
- Prepare, maintain and publish the Corporate Governance Policy.
- Prepare and maintain a Responsible Investment Policy which takes account of the policy of the pool operator.
- Ensure appropriate arrangements for the Local Pension Board are in place and maintain and publish information about the Local Pension Board.
- Provide guidance to the Council as administering authority as to the exercise of its rights as a shareholder in Border to Coast Pensions Partnership.
- Receive and consider reports from the Joint Committee and maintain an effective mechanism for making recommendations to the Joint Committee.
- Identify and manage the risks associated with investment pooling.
- Ensure that appropriate measures are in place to monitor and report on the ongoing costs of investment pooling.

The Council's Constitution has been updated to reflect the Governments initiative on the pooling of investments. The main change is that the Committee will no longer be responsible for appointing, dismissing and monitoring the performance of investment managers. Instead over time this responsibility will pass to the Border to Coast Pensions Partnership, the Fund's chosen pooling operator.

The Committee will however, continue to be responsible for setting the investment strategy and strategic benchmark. It will also be responsible for monitoring the performance of Border to Coast.

The overall governance structure, including the wider responsibilities of the Committee, is set out in the Governance Compliance Statement that the Fund has to prepare, maintain and publish under the Local Government Pension Scheme Regulations 2013. The Statement was last reviewed by the Committee in February 2019 and demonstrates that the Fund is compliant with guidance provided by the Secretary of State for Ministry of Housing Communities and Local Government.

The Committee has eighteen members. South Tyneside Council nominates eight members and the other four district councils within the County area nominate one member each. The trades unions and the employers collectively nominate three members each, who sit on the Committee in an advisory capacity.

The Committee meets quarterly to consider pension matters. Additional meetings are called should any matter require an in-depth review.

The Committee has set up an Investment Panel to provide a greater focus on, and scrutiny over, the investment strategy and the performance of the managers. The Panel consists of three members of the Committee, the Investment Advisor, the Head of Pensions and the Principal Investment Manager. It reports its findings to the Committee and makes recommendations on any action that is required.

LOCAL PENSION BOARDS

The Public Service Pensions Act 2013 and the Scheme Regulations require the Council to establish a Local Pension Board to assist the Pensions Committee in ensuring that the Fund complies with legislation relating to its governance and administration, its own rules and any requirements of the Pensions Regulator.

The responsibilities to be discharged by the Local Pension Board include:

- To secure compliance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 and the Local Government Pension Scheme Regulations 2013 (as amended) and any other legislation relating to the governance and administration of the Fund.
- To secure compliance with any requirements imposed by The Pensions Regulator in relation to the Fund.
- To ensure the effective and efficient governance and administration of the Fund, and

- To provide the Pensions Committee with such information as it requires to be satisfied from time to time that none of the members of the Local Pension Board or person to be appointed as a member of the Local Pension Board has a conflict of interest.

The Local Pension Board reports to Pensions Committee. The Board consists of eight voting members, four Member representatives and four Employer representatives.

The Board is required to produce an annual report. A copy of this annual report is available on the Fund's website at <http://www.twpf.info/article/57170/Annual-Reports-for-Local-Pension-Board>

MANAGEMENT OF CONFLICTS OF INTEREST

Declaration of potential conflicts of interest is a requirement for Committee members, Local Pension Board members and the Fund's officers.

A Register of Interests is maintained for members and officers.

Declaration of interests is the opening agenda item at Committee, Local Pension Board and Investment Panel meetings. Depending on the level of the conflict, an individual may be required to take no part in discussions or voting, or may be required to leave the meeting whilst the matter is addressed.

ATTENDANCE AT MEETINGS AND AT TRAINING

Attendance at meetings of the Committee, the Local Pension Board, the Investment Panel and at training is summarised in the table below.

The table also shows which members of the Committee and Local Pension Board had voting rights. In practice, the Committee and Local Pension Board generally operates by consensus, with all members having an equal right to make their views known.

The substitute members on Pensions Committee from the district councils are given full access to meetings and

PENSIONS COMMITTEE	VOTING RIGHTS	NO. OF MEETINGS ATTENDED	NO. OF INVESTMENT PANEL MEETINGS ATTENDED	TOTAL HOURS OF TRAINING ATTENDED
Cllr. E. Leask	Y	6 of 6	2 of 4	66.0
Cllr. A. Walsh	Y	6 of 6	3 of 4	76.0
Cllr. W. Flynn	Y	5 of 6	4 of 4	94.5
Cllr. J. Foreman	Y	4 of 6	N/A	52.5
Cllr. D. Purvis	Y	5 of 6	N/A	45.0
Cllr. A. Hetherington	Y	5 of 6	N/A	30.0
Cllr. J. Perry	Y	5 of 6	N/A	45.0
Cllr. R. Porthouse	Y	4 of 6	N/A	67.5
Cllr. B. Goldsworthy	Y	4 of 6	1 as observer	0.0
Cllr. G. Haley (substitute)	Y	3 of 6	N/A	52.5
Cllr. V. Dunn	Y	5 of 6	N/A	22.5
Cllr. G. Bell (substitute)	Y	0 of 6	N/A	29.5
Cllr. A. McMullen	Y	2 of 6	N/A	0.0
Cllr. W. Samuel (substitute)	Y	0 of 6	N/A	3.5
Cllr. J. Heron	Y	1 of 6	N/A	22.5
Cllr. G. Walker (substitute)	Y	0 of 6	N/A	0.0
L. Brown (Trade Union Representative)	N	5 of 6	N/A	48.5
J. Major (Trade Union Representative)	N	5 of 6	N/A	59.5
P. Gordon (Trade Union Representative)	N	6 of 6	N/A	48.5
P. Goddard (Employer Representative)	N	3 of 6	N/A	30.0
B. Scott (Employer Representative)	N	2 of 6	N/A	22.5
C. Wallace (Employer Representative)	N	4 of 6	N/A	26.0

LOCAL PENSION BOARD	VOTING RIGHTS	NO. OF MEETINGS ATTENDED	NO. OF INVESTMENT PANEL MEETINGS ATTENDED	TOTAL HOURS OF TRAINING ATTENDED
J. Woodlingfield	Y	4 of 4	N/A	82.5
N. Wirz	Y	4 of 4	N/A	105.0
Cllr. P. Hay	Y	3 of 4	N/A	67.5
P. Smith	Y	4 of 4	N/A	26.0
M. Brodie	Y	2 of 4	N/A	22.5
C. Sharkey	Y	4 of 4	N/A	52.5
J. Pearson	Y	3 of 4	N/A	75.0
T. Hunter	Y	4 of 4	N/A	52.5

to the training events. They may only vote when the first named member from their council is not attending a Committee meeting.

The members of the Investment Panel and the Chair and Vice Chair of the Local Pension Board are offered additional training opportunities in recognition of the additional governance duties placed upon them.

WIDER GOVERNANCE ARRANGEMENTS

The Fund holds annual meetings for the employers and for the trades unions.

The agenda for these meetings includes presentations by the Actuary and the Investment Advisor and covers the actuarial position, the benefits structure and investment performance.

INFORMATION ON THE FUND

Information on the Fund is held on the Fund's website at www.twpf.info.

The information that is available includes:

- The agenda and minutes for both the Pensions Committee and Local Pension Board meetings.
- The Service Plan, which presents the Fund's aims and objectives over three year rolling periods.
- The Governance Compliance Statement, which sets out the governance arrangements.
- The Actuary's Report on the 2016 valuation and the Funding Strategy Statement.
- The Investment Strategy Statement, concerning the approach to the investment of the Fund.
- The Corporate Governance Policy, which sets out the Fund's approach to environmental, social and governance issues.

- The Communications Policy Statement, which sets out the services we provide to members, prospective members and employers.
- The Pension Administration Strategy, which is designed to assist the Fund and the employers to work effectively together to fulfil their joint responsibilities.
- A wide range of documents that set out the Fund's working arrangements.

BORDER TO COAST PENSIONS PARTNERSHIP LIMITED

In response to the Government's initiative on the pooling of the LGPS assets, the Fund, along with eleven others has created its own Financial Conduct Authority (FCA) regulated investment management company.

Border to Coast Pensions Partnership Limited was formally established on 31st May 2017 with South Tyneside Council, as administering authority of the Tyne and Wear Pension Fund, agreeing to join and become a shareholder in the company.

The Administering Authority has to distinguish between its role as a shareholder, in Border to Coast Limited, versus its role as an investor. The two are fundamentally different functions.

Shareholder functions relate to the ownership of the company and are subject to company law and key company documents. The Administering Authority acts through a nominated shareholder representative who will either vote by attendance at shareholder meetings of the company or by signing written resolutions as permitted by company law.

A Joint Committee was established on the 6th June 2017 which will focus on

the oversight role, particularly on 'investor' issues (as distinct from shareholder issues). Investor rights relate to the investments with Border to Coast as governed by legal documents for each investment. The Joint Committee will have twelve members, one from each administering authority. The first meeting of the Joint Committee took place on the 6th June 2017. In 2018/19 a scheme member representative was appointed to the Joint Committee in an observer capacity.

It has been determined that the Chair of the Pensions Committee, or any other person nominated from time to time, will represent the Fund on both the Joint Committee and in voting at Shareholder Meetings.

The Board of Border to Coast is made up of two Executive Directors, and five Non-Executive Directors, including a Chair. Two of the five Non-Executive Directors are nominated by the twelve funds in Border to Coast through the Joint Committee and there partly to ensure the local government ethos is maintained.

The Board will be directly accountable to the funds in their roles as both Shareholders in relation to company matters and the Joint Committee for investor matters.

Under the new pooling arrangements the Pensions Committee will remain responsible for setting the funding strategy and the high level investment strategy, e.g. the appropriate asset allocation for the Fund. The main difference will be that the Fund will no longer be appointing and monitoring investment managers directly. Instead the Fund will be monitoring the performance of the investments in the Pool.

The Local Pensions Board will continue in its role in assisting the Pensions Committee in ensuring compliance with regulations and the effective and efficient governance of the Fund.

THE TRAINING POLICY AND PROGRAMME

The Pensions Committee has adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

The Pensions Panel of the Institute has prepared a 'Knowledge and Skills Framework' for persons involved with the Local Government Scheme. Two frameworks have been produced, one for Elected Representatives and Non Executives and another for Pensions Practitioners.

CIPFA has also developed a Local Pension Board Knowledge and Skills Framework, which has been used by the Local Pension Board.

COMMITTEE AND LOCAL PENSION BOARD TRAINING

The Committee has adopted the Pensions Panel Framework for Elected Representatives and Non Executives as the basis of its Training Policy and Programme. This recognises the Institute's Code of Practice and the requirements of the Investment Principles. The Local Pension Board has assessed its requirements against their own CIPFA framework.

The Committee and the Local Pension Board consider training requirements at each of their quarterly meetings and devise a programme that builds on the training previously delivered to address the issues that will arise in coming years. The same training opportunities are available to the Committee and the Local Pension Board.

The programme in 2018/19 was based around two residential training seminars and additional sessions delivered at the quarterly meetings. Border to Coast, the Investment Managers, the Investment Advisor and the Actuary assisted with the delivery of this programme. In addition, Border to Coast delivered an annual conference which was made available to members of the Committee. Individual members also identified training events which they elected to attend.

Additional selected training seminars and conferences offered by industry wide bodies were attended by committee members on the Investment Panel the Chair and Vice Chair of the Local Pension Board. This recognises the higher governance duties placed upon those roles.

New members were invited to attend induction briefing sessions with the Fund's Officers that included an assessment of their individual training needs.

The programme for 2018/19 covered topics such as:

- Service planning and budgeting
- Investment pooling
- Governance structure
- The Nolan Principles
- The asset classes which the Fund invests
- Responsible investing
- Preparing for the 2019 Valuation
- De-risking of the Investment Strategy
- The strategic asset allocation
- Risk management
- Investment cost benchmarking
- Data quality
- The benefits arrangements
- The Pensions Administration Strategy
- Transition management
- Factoring Environment Social and Governance, into Property Management
- The practical implications of the General Data Protection Regulations
- The global economic outlook

The 2019/20 programme is planned to include the following topics:

- Service planning and budgeting
- Conflicts of interest
- The 2019 valuation
- The review of the Investment Strategy
- Climate Change
- Investment Pooling
- The global economic outlook
- The benefits of diversification
- The asset classes which the Fund invests
- Multi asset credit
- Benchmarking

OFFICER TRAINING

The Pensions Service participates in the general approach to officer training and development that is provided by South Tyneside Council.

The requirement for pension specific training has been addressed through the adoption of the Pensions Panel Framework for Pensions Practitioners.

Our training initiatives include:

- Career grades, where advancement is geared to an ongoing assessment of knowledge and capability.
- Attendance at a range of seminars and conferences that are offered by industry wide bodies.
- Access to the guidance, circulars and training sessions that are available through the Local Government Employers organisation.
- A “buddy system” is in place to train and support staff who are learning about new areas of work and to provide ongoing support.
- Officers participate in the pension administration software supplier's user groups and technical development groups.
- At least one day a month set aside for training.
- The pension administration software has been developed to include processing guidance notes and links to internal policies, external key documents and websites.
- The use of standard checklists and spreadsheets.



VISION STATEMENT

Our goal is to provide an attractive and affordable pension arrangement that is seen by employers and members as an important and valued part of the employment package.

WE WILL:

- promote membership of the Fund
- keep contributions as low and as stable as possible through effective management of the Fund
- work with our partners to provide high quality services to employers and members
- make pensions issues understandable to all.

WE WILL KNOW WE ARE SUCCEEDING WHEN:

- we are consistently achieving our investment objectives
- there are sufficient assets to meet the liabilities
- we are consistently achieving our service standards
- we are recognised as being amongst the leading UK pension funds.



SERVICE PLAN

The vision and aims of the Fund are set out in our Service Plan. This is a three year rolling plan that is reviewed annually. It sets out the objectives and actions that we must concentrate on in order to achieve our vision.

The Pensions Committee approves the Plan at a special meeting in February of each year.

The Plan can be viewed on the Fund's website.

In 2018/19, we have:

- Developed and applied the Funding Strategy, including reviewing the approach to exit valuations, managing the admission of new employers and the withdrawal from the Fund of some existing employers.
- Undertook preparatory work for the 2019 actuarial valuation.
- Advanced the development of the Investment Strategy by making the Fund's first investments into private debt and appointing a new residential property provider.
- Continued to develop the private equity, global property and infrastructure programmes.
- Started to invest the Fund's assets with Border to Coast Pensions Partnership with the funding of a UK equity mandate.
- Initiated asset liability modelling in order to inform a potential de-risking of the Investment Strategy.
- Enhanced and embedded the pensions administration shared service with Northumberland County Council Pension Fund.
- Delivered an online service to members that allows the viewing of personal records, the calculation of benefits estimates and the receipt of annual statements.
- Made progress towards reducing backlogs in pensions processing that have arisen due to the significant increase in regulatory, systems and processing work from the 2014 scheme.
- Completed the Guaranteed Minimum Pensions (GMP) reconciliation exercise.
- Closed the final accounts in accordance with the Chartered Institute of Public Finance and Accountancy's advanced closedown requirements.
- Delivered a joint approach to training for the Pensions Committee and the Local Pension Board that is based on the Knowledge and Skills Framework prepared by the Institute's Pensions Panel.
- Responded to consultations on the Scheme and advised employers and members of developments and regulatory changes.

In 2019/20, we will:

- Complete the triennial valuation of the Fund as at 31st March 2019 and set appropriate contribution rates for employers.
- Review and update the Funding Strategy to ensure that it targets solvency, whilst managing the cost of the Scheme for employers.
- Finalise the asset liability modelling and the review of the Investment Strategy and start to implement changes.
- Continue to invest assets with Border to Coast Pensions Partnership. In 2019/20, this will include global equities and corporate bonds. In addition, responsibility for making commitments to private equity, infrastructure and private debt providers will transfer to Border to Coast.
- Work more closely with Northumberland County Council Pension Fund in order to enhance the relationship between the two funds.
- Continue to address backlogs in pensions processing.
- Concentrate on GMP rectification now that the reconciliation exercise is complete.
- Deliver benefit statements to active and deferred members and pensioners statements in electronic form.
- Further expand and develop the online services to employers to provide for increased electronic passing of data and processing.
- Develop and enhance the online services for all categories of members to ensure that this becomes an integral part of the service going forward.
- Implement the new reporting requirements introduced by the Chartered Institute of Public Finance and Accountancy for the Fund's annual report and accounts.

RISK MANAGEMENT

INTRODUCTION

The Fund must identify and manage the strategic and operational risks to which it is exposed to. Therefore, our Service Plan includes an objective to embed risk management within all our actions, thereby ensuring that risk is addressed as an inherent part of the management of the Fund.

FUND LEVEL APPROACH AND THE RISK REGISTER

This approach is supported by a Fund level assessment of the major risks to which the Fund is exposed to. This identifies and assesses risks over the areas of:

- Governance
- Assets
- Liabilities and Funding Strategy
- Legal
- Service Delivery
- Reputation.

The impact of each risk is assessed as either:

- Negligible
- Marginal
- Significant
- Substantial.

The likelihood of each risk arising is then assessed as either:

- Improbable
- Possible
- Probable
- Near Certain.

This leads to an assessment of the net impact of each risk, after controls have been applied, as either:

- Minor
- Moderate
- High
- Critical.

The strategy for the management of each risk is set as either:

- Treat
- Tolerate
- Transfer
- Terminate the Activity.

This process is undertaken at least quarterly by the Fund's officers.

THE ROLE OF THE COMMITTEE AND THE LOCAL PENSION BOARD

The Local Pension Board receives the risk register in full each quarter, identifying any risks that are critical and also any changes during the quarter, alongside a commentary on the changing risk environment.

The Committee receives an annual report.

The risk register was last updated as at 31st March 2019 and no risks were assessed as Critical. A copy of the risk register is available on the Fund's website.

The management of risk is included in the Committee and Board training programme by way of workshops that are moderated by the Fund's internal auditors.

THE ROLE OF INTERNAL AUDIT

The Council's Internal Audit Service carries out a range of audits each year, based on a three year rolling programme that ensures appropriate coverage. The Risk Register is considered in the preparation of the audit programme. Every audit report is made available to the Committee and the Board and a summary report is considered annually.

In recognition of the specialised nature of the Fund compared to other local authority functions, a private sector partner has been appointed to assist with the more complex audit areas. This role is currently undertaken by Deloitte.

INVESTMENT RISK

There are a number of risks involved in the investment of the Fund. The approach is to monitor and control these risks as far as possible, consistent with earning a satisfactory return on investments.

Further details are contained in the Risk section of the Investment Strategy Statement, which may be viewed on the Fund's website.

The Notes to the Accounts set out the nature and extent of the risks arising from the investments, alongside a sensitivity analysis on returns.

Investment risk is also addressed within the Risk Register, principally within the Assets section.

Assurance over third party operations, such as those of the investment managers and the custodian, is obtained through a review of each organisation's Report on Internal Controls, e.g. the AAF 01/06 and SSAE 16 reports.

The Fund has appointed an external investment advisor to provide appropriate advice. This role is currently undertaken by Hymans Robertson.

The Fund undertakes an asset liability modelling exercise every three years to ensure that the strategic benchmark and investment management structure is appropriate to the liabilities. This exercise examines the financial position, the membership profile, and the nature of the liabilities and analyses the expected ranges of outcomes from differing investment policies. It is undertaken in valuation years, based upon the liability data for the valuation.

This triennial exercise is backed up by desk-top exercises in non valuation years.

The strategy and structure is designed to ensure that the Fund's investments are adequately diversified.

The performance of the Total Fund and each manager and programme

is assessed and reported quarterly to the Committee. Action is taken where performance is unsatisfactory.

FUNDING STRATEGY

The approach to managing the risks inherent in the funding strategy is set out in the Funding Strategy Statement, in particular in the Identification of Risks and Counter Measures section. The document may be viewed on the Fund's website.

These risks are also addressed within the Risk Register, principally within the Liabilities and Funding Strategy section.

PENSIONS ADMINISTRATION

The risks associated with the administration of pensions are addressed within the Risk Register, principally within the Service Delivery and Legal sections.

The Pensions Administration report contained in this document provides further details on the fund's approach.

In addition, the Financial Performance Report contains information on the timely collection of contributions and the fund's approach to the recovery of overpayments.



FINANCIAL PERFORMANCE

INTRODUCTION

The financial control of the Fund is carried out by the Investments Office of the Pensions Service.

This includes:

- the day to day pensions and investment accounting functions
- reconciling the valuation of the investments and monitoring the collection of dividends and interest and the associated cash flows in all currencies
- reconciling the cash flows associated with pension benefits, including the collection of contributions and the payment of pensions
- the preparation and monitoring of the Pensions Service's budget
- the preparation of the final accounts.

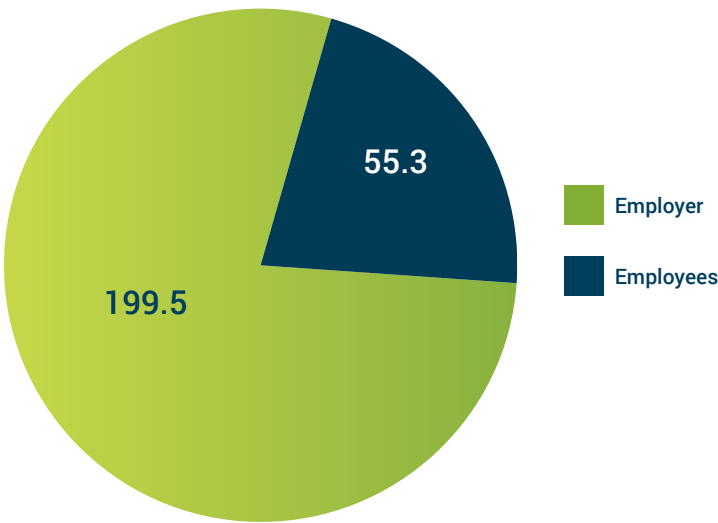
CONTRIBUTIONS AND PENSIONS

In 2018/19, the Fund received £254.8 million (£344.9 million in 2017/18) in pension contributions from employers and employees. The contributions paid is significantly lower in 2018/19 than in the previous year, due to the fact that some of the larger employers paid three years worth of deficit recovery contributions up front in 2017/18.

During the year £303.5 million (£286.7 million in 2017/18) of pension benefits were paid to 49,551 pensioner and beneficiary members.

The chart below shows a breakdown of the contribution income:

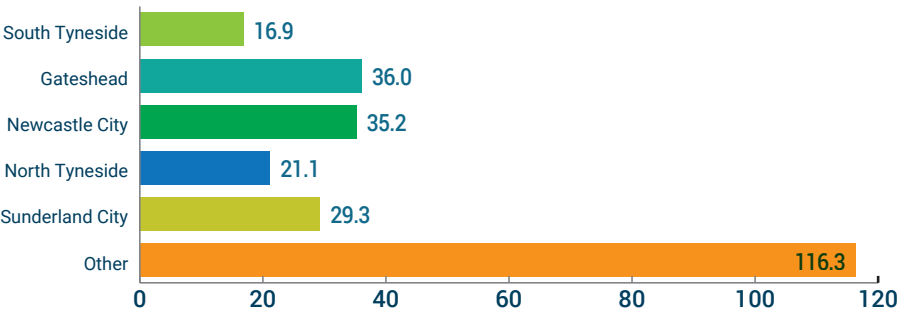
Contribution income 2018/19 £m



Contributions in 2018/19 were derived from total employer payrolls of £849.7 million (£816.0 million 2017/18) which saw employers pay on average a contribution rate of 23.47% (35.67% in 2017/18) and employees 6.51% (6.59% in 2017/18).

The table below shows the contributions paid by each type of organisation:

Contribution Income 2018/19 £millions



CONTRIBUTIONS RECEIVED ON OR BEFORE THE DUE DATE

The Fund requires employers to pay contributions over by the 14th of each month. This assists with the cash flow for the pension payments, which are made on the 16th of the month.

The table below shows the amounts payable each month throughout 2018/19 and the amount collected by the due date:

MONTH	AMOUNT DUE £'000	RECEIVED ON OR BEFORE DUE DATE
Apr-18	41,465	99.83%
May-18	18,526	98.63%
Jun-18	18,260	98.28%
Jul-18	18,422	99.97%
Aug-18	18,448	99.85%
Sep-18	18,335	99.84%
Oct-18	18,542	99.97%
Nov-18	18,472	99.97%
Dec-18	18,601	99.30%
Jan-19	18,462	98.96%
Feb-19	18,658	99.04%
Mar-19	19,258	99.92%

Late payments are monitored and pursued.

The following table shows the late payment history for 2018/19:

NUMBER OF DAYS PAYMENT WAS LATE	NUMBER OF LATE PAYMENTS	PERCENTAGE OF LATE PAYMENTS
Less than 10	29	72.5%
Between 10 and 19	8	20.0%
Between 20 and 29	2	5.0%
Between 30 and 39	1	2.5%
More than 40	0	0.0%
	40	100%

The number of late payments is lower than in the previous year, down to 40 (55 in 2017/18) with the majority being less than 10 days late in payment.

All amounts that were outstanding as at 31 March 2019 were paid by the 31 May 2019.

Interest is calculated in all cases but is only charged when the amount exceeds £20. Interest, for late payments during the year, totalling £463 was charged to and paid by employers on seven occasions.



PENSION OVERPAYMENTS

The Fund seeks to identify and recover all cases of pension overpayments. Such overpayments are identified through a number of mechanisms including notification from family members and friends, from the Tell Us Once service, notices in the press and participation in the National Fraud Initiative.

All appropriate action is taken to recover such overpayments, including court action. Amounts are only written off when there is no realistic prospect of recovery.

The table below shows the overpayment position for the last eight years:

Year	Pension overpaid £	Amount recovered £	Amount written off £	Outstanding at 31st March 2019 £	Percentage outstanding at 31st March 2019
2011/12	75,241	70,913	1,432	2,896	3.8
2012/13	130,371	119,196	3,817	7,358	5.6
2013/14	92,974	82,746	7,407	2,821	3.0
2014/15	105,196	98,031	6,036	1,129	1.1
2015/16	178,328	171,807	1,302	5,219	2.9
2016/17	139,754	129,989	0	9,765	7.0
2017/18	285,093	243,114	189	41,790	14.7
2018/19	160,921	105,835	7	55,079	34.2

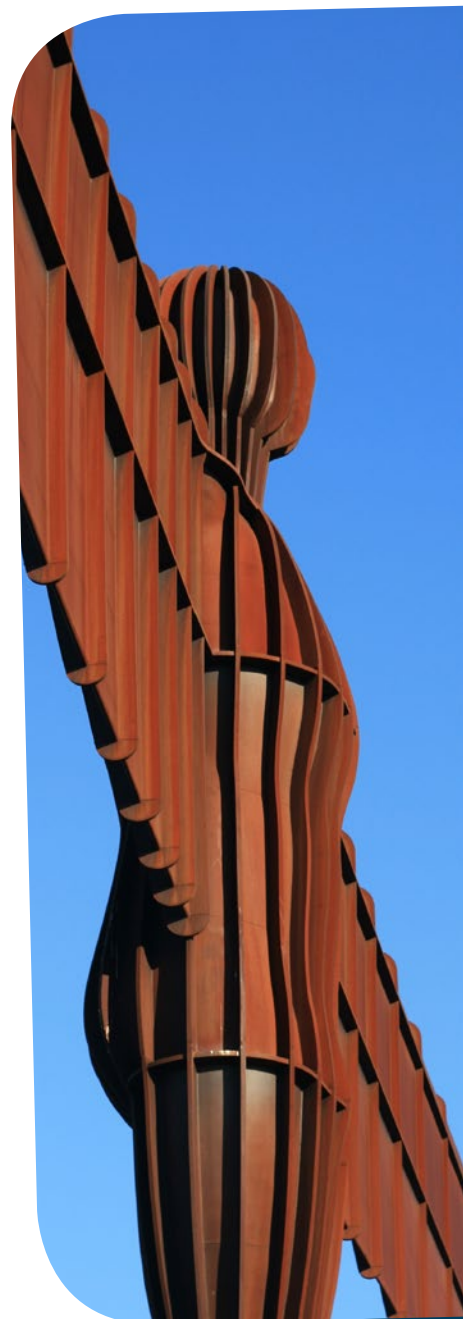
Included within the above figures are amounts that were identified through the National Fraud Initiative (NFI). A summary of the amounts identified from the three most recent initiative exercises is shown below:-

NFI exercise year:	2014 £	2016 £	2018 £
Total value of overpayments identified	105,460	105,558	81,529
Amount recovered to date	100,185	69,083	2,666
Amount written off as unrecoverable	552	1,968	0
Amount Outstanding as at 31st March 2019	4,723	34,507	78,863
No of cases identified	32	37	30



FORECAST v OUTTURN REPORT FOR THE YEAR

Forecasts	Forecast 2018/19 £m	Actual 2018/19 £m	Difference £m
Contributions	(241.182)	(254.754)	(13.572)
Transfers in from Other Pension Funds	(7.022)	(8.387)	(1.365)
Total Contributions	(248.204)	(263.141)	(14.937)
Benefits Payable	292.623	303.449	10.826
Payment in respect of Leavers	11.643	8.909	(2.734)
Total Costs	304.266	312.358	8.092
Net Reduction/(increase) from dealing with members	56.062	49.217	(6.845)
Management expenses	99.334	53.242	(46.092)
Investment Income	(100.565)	(88.112)	12.453
Non-recoverable Tax	1.043	0.340	(0.703)
Change in Market Value of Investments	(422.173)	(528.261)	(106.088)
Net Return on Investment	(521.695)	(616.033)	(94.338)
Increase in Net Assets Available for Benefits during the year	(366.299)	(513.574)	(147.275)
Net Assets of The Fund at the Beginning of the Year	8,341.350	8,274.488	(66.862)
Net Assets of the Fund at the End of the Year	8,707.649	8,788.062	80.413



LONGER TERM CASH FLOW FORECASTS

The following table has been prepared in line with the triennial valuation cycle and shows the forecasts for the Fund Account and Net Assets Statement to 2021/22.

The outturn against these forecasts will be included in future annual reports.

Longer Term Cash Flow Forecasts Forecasts	Forecast 2019/20 £m	Forecast 2020/21 £m	Forecast 2021/22 £m
Contributions	(245.006)	(210.222)	(212.850)
Transfers in from Other Pension Funds	(7.022)	(7.022)	(7.022)
Total Contributions	(252.028)	(217.244)	(219.872)
Benefits Payable	298.961	303.842	308.821
Payment in respect of Leavers	11.643	11.643	11.643
Total Costs	310.604	315.485	320.464
Net Reduction/(Increase) from Dealing with Members	58.576	98.241	100.592
Management Expenses	101.443	105.037	105.037
Investment Income	(105.694)	(111.084)	(116.750)
Non-Recoverable Tax	1.096	1.152	1.211
Change in Market Value of Investments	(440.935)	(458.856)	(468.936)
Net Return on Investments	(545.533)	(568.788)	(584.475)
Decrease/(Increase) in Net Assets Available for Benefits during the Year	(385.514)	(365.511)	(378.846)

The Fund's actual cash flow is monitored on a daily basis and forward projections are prepared to ensure that short term liquidity problems do not arise.

Longer term projections are included in the asset liability modelling work.

PERFORMANCE AGAINST BUDGET IN 2018/19

A comparison of performance against budget for the net operational expenses of the Fund for 2018/19 is shown below:

	2018/19 Total Budget £000	2018/19 Actual £000	2018/19 Variance £000
Employee Costs	2,964	2,817	(147)
Premises Costs	63	63	0
IT Costs	401	273	(128)
Supplies and Services	2,082	2,133	51
Cost of Democracy	124	108	(16)
Other Costs	230	6	(224)
Investment Management Expenses	94,088	83,422	(10,666)
Total Expenditure	99,952	88,822	(11,130)
Miscellaneous Income	(618)	(638)	(20)
Net Expenditure	99,334	88,184	(11,150)

The main variances against the budget are discussed below.

The main area of budget variance was in relation to investment management expenses. This is not surprising given that it is the largest single budget head, which covers the fees and expenses paid to the external investment managers. The most significant differences all come from alternatives such as Private Equity, Global Property, Infrastructure, and Private Debt. It is extremely difficult to budget for these costs, especially the element that relates to performance fees.

IT costs were under budget primarily as a result of the deferment of work replacing the servers.

The supplies and services budget contained a large provision for the set up costs of pooling which were overspent as a result of costs budgeted in 2017/18 slipping into 2018/19, an overspend on the Pensioners Report postage costs budget, additional actuary fees and general postage. This was offset by a number of savings including the production of active annual benefit statements, the GMP reconciliation project, central recharges and counsel fees.

Other costs shown in the table is below budget and this relates to the reclaim of taxes paid by the Fund. The recovery work is continuing to take longer than expected and expenditure and budget has slipped into later years.

The cost of democracy has come in under budget due to a number of areas of savings, including the appointment of external advisors.

Employee costs were under budget due to vacant posts during the year, the overtime budget not being fully used, as well as the budget for temporary staff.

Miscellaneous income was higher as a result of the recovery of staff costs for additional work on employer records and the secondment of a member of staff to Durham County Council Pension Fund for a period of time.



FUNDING STRATEGY



INTRODUCTION

The Scheme benefits are paid from investment income, employees' contributions and employers' contributions. Employees' contributions have been set by the Regulations, with employers' contributions being adjusted in triennial valuations to ensure that the Fund will have sufficient assets to meet its liabilities.

HISTORY OF THE FUNDING LEVEL

A measure of the financial health of a pension fund is its "funding level", which is the ratio between its assets and liabilities. A pension fund that holds sufficient assets to meet all its projected liabilities would have a funding level of 100%. A fund with a funding level below 100% is described as being in deficit.

The Fund has been in deficit since 1992. It is important to understand the background to this position.

The 1989 valuation revealed a funding level of 118%, with this surplus arising from actual investment returns having greatly exceeded expected returns. This led to the scheduled employers agreeing to take a contribution holiday. This contribution holiday, alongside a government policy change that led to the index-linked element of pensions being charged to pension funds rather than directly to employers, eroded the surplus and led to a funding level of 98% at the 1992 valuation. The contribution holiday was ended and an employers' contribution for the scheduled employers was phased back in.

The 1995 and 1998 valuations both identified funding levels of 87%. The 1998 result was adversely affected by the removal of the tax credit on UK equity dividends at the July 1997 budget.

The 2001 valuation revealed a funding level of 82%. This reduction was attributable to improvements in longevity and to employer specific factors such as pay awards, restructurings and early retirements. Also, investment market returns were below the levels assumed in the 1998 valuation.

The worldwide bear market in equities between 2000 and 2003 led to a further and significant fall in the funding level.

The 2004 valuation showed that the funding level had fallen to 64%. This fall was largely attributable to investment market returns being below the levels assumed in the 2001 valuation, although a reduction in the discount rates used to calculate liabilities also contributed to the fall.

The 2007 valuation revealed an improvement in the funding level to 79%, which was due to investment market returns exceeding the levels assumed at the 2004 valuation and to a small increase in the discount rate.

However, there was upward pressure on contribution rates from inflation and from improvements in longevity. This led to increased employers' contributions from April 2008.

With regard to the 2010 valuation, the experience had been very poor since the 2007 valuation due to investment markets falling as a result of the global economic climate and a reduction in the long term gilt yields that were used to set the discount rates for the valuation. These factors impacted negatively on the funding position, which had been extremely volatile and had deteriorated significantly. A straight application of the strategy used at the 2007 valuation would have led to significant increases in the contributions for most employers. The Pensions Committee recognised this position and reviewed the assumptions and strategy. In order to prevent some employers' contribution rates rising to unaffordable levels, the Committee adopted a less prudent strategy for employers with a strong covenant by increasing the discount rate used to calculate the liabilities. It was stated that a more prudent strategy would be restored at future valuations. Prudent use was made of guarantees provided by statutory bodies made to assist employers with a poorer covenant.

These measures led to a reported funding level at the 2010 valuation of 79%, the same as at the 2007 valuation. However, the 2010 low risk funding level, based on gilt yields, was 53%. The comparable figure at the 2007 valuation was 63%.

The average future service rate in payment from April 2011 was 15.3% of pay and the contribution to address the deficit was 5.9% of pay, leading to a total average contribution of 21.2% of pay.

The outcome of the 2013 valuation reported a funding level of 81%, a slight improvement from the figure of 79% at the 2010 valuation. This valuation took into account the introduction of the new Scheme, which commenced on 1st of April 2014. Over the longer term, the new scheme is expected to reduce employers' contributions by approximately 2% of pay.

At the 2013 valuation Aon Hewitt, the Fund Actuary, proposed an alternative approach to deriving the discount rates. This involved setting the discount rates by reference to the forecast return on the assets actually held by the Fund, rather than by reference to the return on gilts. Aon Hewitt's Capital Market Assumptions provide the return assumptions for this approach, which also sets a "Probability of Funding Success", which is the likelihood that the strategy would return the Fund to full funding over the recovery period. The Probability of Funding Success used for the 2013 valuation was 79% and this led to a discount rate for employers with a stronger covenant of 5.15%.

THE 2016 VALUATION

The Scheme Regulations required a valuation to be carried out as at 31 March 2016, which led to revised employer contribution rates being set from 1 April 2017.

The approach to setting the discount rate at the 2013 valuation was retained for the 2016 valuation. The Probability of Funding Success adopted at the 2016 valuation was 78%, which represents a slight relaxation in the prudence in the funding strategy. This led to a discount rate, for those employers with a stronger covenant, of 4.5%. The rate for employers with orphan liabilities was set at 4.5% for in service liabilities and 2.4% for left service liabilities.

The approach to setting deficit recovery periods was changed slightly, with the maximum recovery period allowed being reduced from 22 years at the 2013 valuation to 20 years at this valuation. The maximum recovery period is only available to those employers with the strongest covenant. This is a slight tightening to the funding strategy. For most transferee admission bodies, the recovery period did not exceed the remainder of the contract period. A small number of employers were in surplus. To ensure prudence any surplus they had was amortised over a period of up to 20 years, resulting in a reduction to their contribution rate.

Employers were formally consulted on the Funding Strategy and this was also discussed at the annual employers meeting.

The outcome the 2016 valuation was a reported funding level of 85%, which is a 4% increase from the previous valuation. The low risk funding level based on gilt yields was 54% against a figure of 57% at the 2013 valuation.

The main factors which improved the funding position are:

- The actual experience of salary and pension increases in the three year period to March 2016 was below those assumed in the 2013 valuation.
- The average investment return achieved in the three year period since the last valuation was above the return assumed in the 2013 valuation.
- The contributions paid by employers towards paying off the deficit disclosed at the 2013 valuation.

However, this has been partially offset by the change in financial assumptions, principally the fall in the discount rates relative to inflation, which on its own worsened the funding position.

The outcome resulted in the average future service rate being set at 18.3% of pensionable pay, against 16.1% at the 2013 valuation. The contribution to address the deficit over a 20 year period was 6.9% leading to a total average contribution rate of 25.2%, against 23.6% at the 2013 valuation.

Part of the upward pressure on the employer contributions is due to falling payrolls, in particular at a number of the larger employers in the Fund. This leads to an increase in the percentage based deficit contribution. This is because the deficit amount is driven by the higher historic payroll and the percentage based levy on the lower, current payroll. In practice the Fund manages this issue by setting most deficit contributions as a cash sum to maintain their economic value and ensure deficit recovery.

On 6 April 2016 the Government introduced a new State Pension. As a consequence HM Treasury introduced an interim solution to indexation of Guaranteed Minimum Pensions (GMP). The implications are that the Fund became responsible for paying the full pensions increase on the GMP for members who reach their State Pension Age between 6 April 2016 and 5 December 2018 inclusive. The results of the 2016 valuation allowed for this change.

Following consultation to identify a long term solution to indexation of GMPs HM Treasury extended the interim solution to also include those members who reach their State Pension Age on or before 5th April 2021. There was no allowance for this extension in the valuation and whilst it does increase the value of liabilities it is not deemed material. HM Treasury acknowledge this is a complex area and more time is required to consider and identify the long term solution. Further consultation is expected.

The 2016 valuation will be subject to significantly more external scrutiny than other years. Section 13 of the Public Service Pensions Act 2013 introduces like for like comparisons of funding levels and contribution rates and the cost management process will assess the ongoing costs of operating the Scheme. At the time of writing the outcome of these exercises are awaited.

When carrying out a valuation, an actuary must have regard to the desirability of maintaining as nearly constant a common rate, i.e. the total rate, as possible. The Fund Actuary believes that this was achieved at the Total Fund level, after allowing for payroll changes and inter valuation increases in the past service deficiency payments.

Further information on the valuation is contained in the Statement of the Actuary section of these Report and Accounts, as well as in the Funding Strategy Statement and the Actuary's Valuation Report available on the Fund's website at www.twpf.info.

Previous versions of the Funding Strategy Statement are available on request by emailing pensions@twpf.info

THE 2019 VALUATION

The next valuation is due as at 31st March 2019, which will lead to new contribution rates from 1st April 2020. In the interim period from the last valuation to the end of March 2019, the Fund has been monitoring the estimated funding level, using a model provided by the Fund's Actuary.

Whilst the valuation date of 31st March 2019 has now passed, the final position will not be known until after the publication of the report and accounts. The estimated results available to the Fund, suggest that the reported funding level should have improved on the back of strong market returns from 1st April 2016. The low risk funding level, however, is broadly the same as the good investment returns are offset by reductions in gilt yields.

If however, the funding level has improved, the advice from the Actuary is that the Fund should consider pulling in the risk in the funding strategy. The Fund's Actuary has also noted that any estimated figures should be treated with caution and if the funding level has improved it should not be taken as an indicator that contribution rates are likely to go down.



STATEMENT OF THE ACTUARY FOR THE YEAR ENDED 31 MARCH 2019

INTRODUCTION

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Tyne and Wear Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates.

The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

ACTUARIAL POSITION

- 1 The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £6,427.4M) covering 85% of the liabilities in respect of service prior to the valuation date allowing, in the case of pre-1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
- 2 The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was:

18.3% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date, (the primary rate).

Plus

Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 20 years from 1 April 2017 (the secondary rate), equivalent to 6.9% of pensionable pay (or £60.1M in 2017/18, and increasing by 3.5% p.a. thereafter).
- 3 In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in the certificate attached to Aon's report dated 31 March 2017 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements will be made to the Fund by the employers.
- 4 The funding plan adopted in assessing the contributions for each individual employer or group was in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer, were agreed with the administering authority reflecting the employers' circumstances.
- 5 The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

In-service discount rate	
Scheduled body / subsumption funding target	4.5% p.a.
Orphan body funding target	4.5% p.a.
Left-service discount rate	
Scheduled body / subsumption funding target	4.5% p.a.
Orphan body funding target	2.4% p.a.
Rate of inflationary pay increases (additional allowance made for promotional increases)	3.5% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

In addition, the discount rate for orphaned liabilities (i.e. employers with no active members and where there is no scheme employer responsible for funding the non-active liabilities) was 2.1% p.a. in-service and left-service..

The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) 2014 Core Projections with a long term annual rate of improvement in mortality rates of 1.5% p.a

The resulting assumed life expectancies at age 65 were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.7	26.2
Future pensioners aged 45 at the valuation date	24.9	28.5

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

- 6 The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
- 7 The actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
- 8 Since the date the valuation report was signed, there have been a number of developments in respect of the Local Government Pension Scheme (LGPS):

Increases to GMPs:

HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, announced an extension of the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was not allowed for in the valuation results as the actuarial valuation report was signed off in advance of this announcement, but the increase in liability is not expected to be material. In addition, on 26 October 2018 the High Court ruled in the Lloyds Banking Group case that schemes are required to equalise male and female members' benefit for the effect of unequal GMPs. Our understanding is that this will not alter HM Treasury's approach to GMP equalisation in the LGPS.



Cost Management Process and McCloud judgement:

Legislation requires HM Treasury and the LGPS Advisory Board to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. Initial results from the Scheme Advisory Board process indicated that benefit improvements / member contribution reductions would be required. However, the cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sergeant) were age discriminatory; these cases could have knock on implications for the LGPS (potentially increasing the liabilities) which also had transitional arrangements when the new scheme was introduced with effect from April 2014.

- 9 The actuarial valuation of the Fund as at 31 March 2019 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions commencing from 1 April 2020 to be signed off by 31 March 2020. Asset values have increased in value since 2016, on its own leading to an improvement in the funding level due to higher than assumed investment returns. Liability values and employer contributions, as well as being affected by the items listed in paragraph 8 above, will depend upon membership factors, changes to expectations of future returns and other assumptions (including allowance for the slow-down in longevity improvements) and any changes to funding strategy made as part of the 2019 valuation.
- 10 This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, South Tyneside Council, the Administering Authority of the Fund, in respect of this Statement.
- 11 The actuarial valuation report is available on the Fund's website at the following address:
<http://www.twpf.info/article/11978/Fund-Valuation-Reports>

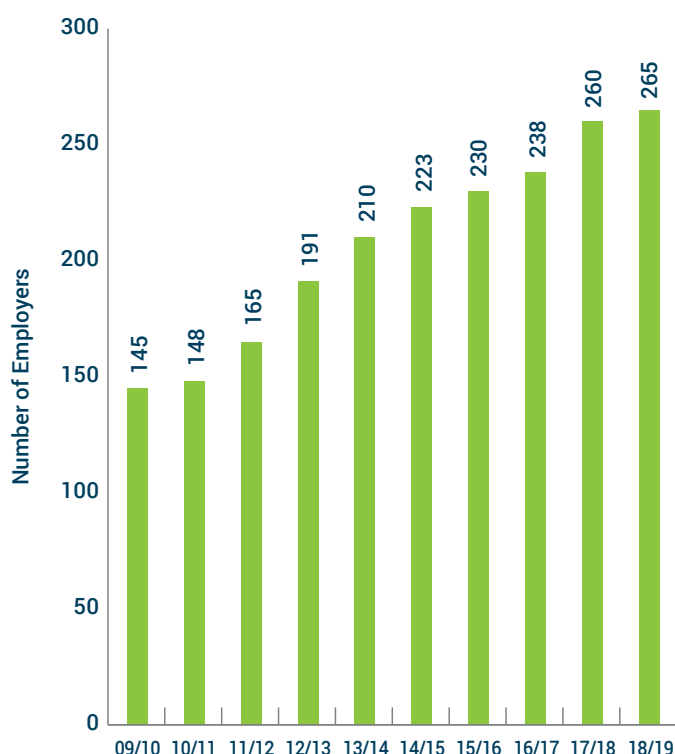
Aon Hewitt Limited
22 May 2019

MEMBERSHIP OF THE FUND

As at 31st March 2019, there were 265 employers participating in the Fund. This includes the five district councils and a wide range of other organisations that provide a public service within the Tyne and Wear County area.

The increase in the number of participating employers over the past ten years is shown in the chart below:

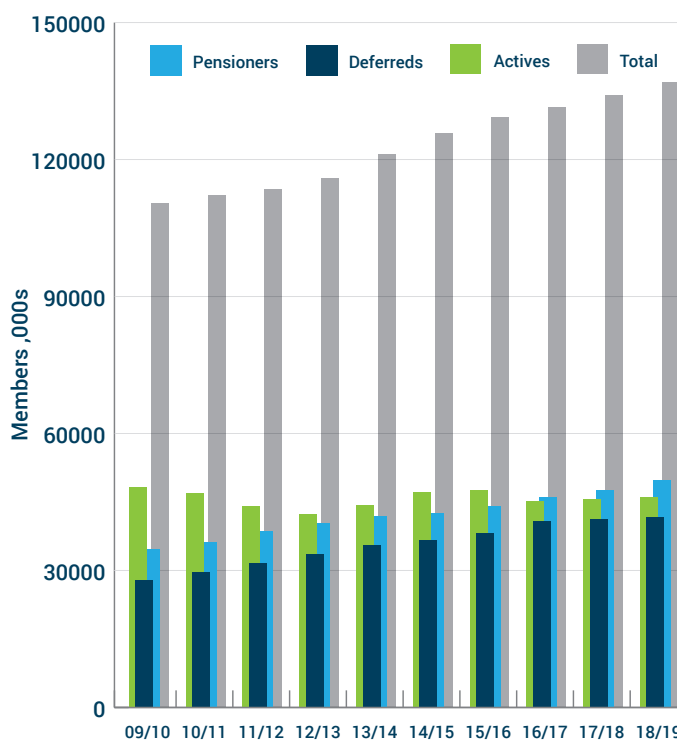
The increase was initially caused by the five councils outsourcing work to contractors that take up admitted body status in the Fund. More recently, the increase has been driven by schools converting to academy status and taking up scheduled body status in the Fund.



The Fund had 136,967 members as at 31st March 2019.

The total membership shown here excludes members who are currently only entitled to a preserved refund but have chosen not to receive this as at the year end. The total of such members as at 31st March 2019 was 4,157 (3,585 as at 31st March 2018).

The chart shows the movement in membership over the past ten years.



Total membership has increased through this period, driven by an increase in all type of members. The rise in active membership over the last three years is attributed to auto enrolment and employers starting to hire again.

New Pensioners

During the year the Fund paid pensions to 2,372 new pensioners of these 1,973 were members who retired in advance of the normal retirement age, 299 were members who retired at their normal retirement age and 100 were ill health retirements.

TYNE AND WEAR PENSION FUND

MEMBERSHIP ANALYSIS

	MEMBERS AS AT 31ST MARCH 2019			CONTRIBUTIONS RECEIVED IN RESPECT OF	
DISTRICT COUNCILS	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Gateshead Council	5,871	5,815	7,389	29,668	6,302
Newcastle City Council	7,044	6,856	9,751	26,073	9,131
North Tyneside Council	5,834	4,959	5,963	15,890	5,207
South Tyneside Council	4,093	4,380	5,178	12,558	4,308
City Of Sunderland Council	4,176	6,204	8,230	24,479	4,796
SUB TOTALS	27,018	28,214	36,511	108,668	29,744

SCHEDULE 2 PART 1 EMPLOYERS	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Academy 360	0	30	15	0	0
Acer Learning Trust	24	9	2	66	16
Aim High Academy Trust	92	19	7	267	58
All Saints Academies Trust	36	6	1	86	20
Balmoral Learning Trust	82	18	11	198	45
Barnes Academy Trust	35	10	4	44	18
Barnwell Academy Trust	42	14	5	76	27
Beacon of Light School	10	0	0	14	8
Biddick Academy Trust	50	22	9	249	59
Bright Tribe Trust	28	0	0	75	21
Brighter Academy Trust	61	28	11	230	59
Castle View Enterprise Academy	52	42	5	104	45
City Of Sunderland College	570	704	457	1,314	347
Consilium Academies	128	6	2	481	115
Dayspring Trust	69	13	5	168	50
Diamond Hall Infant Academy	29	14	1	48	19
Discover Learning Trust	103	22	12	344	83
Discovery Learning Limited	0	7	1	228	5
Eppleton Academy Primary School	21	5	3	40	9
Extol Academy Trust	38	11	1	95	22
Former North East Regional Airport	0	0	8	0	0
Former Tyne and Wear County Council	0	7	225	0	0
Former Tyne and Wear Residuary Body	0	1	20	0	0
Gateshead College	308	412	176	1,722	515
Gateshead Housing Company	772	216	209	3,699	1,211
Gosforth Federated Academies	219	57	21	380	144
Grasmere Academy	16	10	3	28	8
Grindon Hall Christian School	0	5	2	0	0
Holy Trinity Church Of England Academy	17	3	0	35	13
Inspire Multi Academy Trust	114	25	8	220	83
Iris Learning Trust	20	0	0	223	54
Jigsaw Learning Trust	41	11	2	90	26
Joseph Swan Academy	46	35	5	207	60
Kenton Schools Academy Trust	103	95	16	346	119
Kibblesworth Academy	15	7	8	31	8

SCHEDULE 2 PART 1 EMPLOYERS	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Learning Matters Trust Limited	64	17	7	183	68
Lord Lawson of Beamish Academy	53	23	9	146	51
Monkton Infants School	11	1	1	29	10
Monkton Junior School	12	1	3	22	5
Monkwearmouth College	0	1	3	0	0
NCG	1,152	2,014	719	3,868	1,272
Newcastle East Mixed Academy Trust (NEAT)	247	30	4	751	177
Newcastle Education Action Zone	0	1	2	0	0
North East Learning Trust	21	1	1	56	12
North Tyneside College	0	41	33	0	0
North View Acadmey Trust	0	4	1	109	6
Northern Lights Learning Trust	16	6	1	27	12
Northumberland Magistrates Courts	0	19	75	0	0
Northumbria Police Authority	0	1,008	1,385	0	0
Northumbria University	1,397	1,574	1,288	8,596	2,499
Oak Learning Trust	53	6	3	159	37
Police and Crime Commissioner For Northumbria	13	2	1	81	39
Prosper Learning Trust	95	9	2	294	64
Red House Academy	0	14	6	0	0
Redby Primary Academy	0	5	1	0	0
River Tees Multi Academy Trust	12	1	2	72	18
Riverside Primary Academy	29	8	1	72	16
Ryhope Infant School Academy	22	2	2	74	15
Sacred Heart Partnership Of Schools	87	38	13	203	73
Smart Multi Academy Trust	216	21	9	744	161
South Tyneside Education Action Zone	0	1	1	0	0
South Tyneside Homes	577	284	327	2,793	957
Southmoor Academy	91	29	14	375	93
St Aidan's Education Trust	42	20	17	120	35
St Anthony's Girls' Catholic Academy	39	8	13	157	35
St Cuthbert's Catholic High School	37	23	9	110	26
St Jospeh's Catholic Education Trust	57	28	23	365	52
St Mary's Catholic School Trust	49	23	9	73	27
St Thomas More Roman Catholic Academy	55	12	13	269	60
Sunderland Education Action Zone	0	0	1	0	0
The Ascent Academies Trust	133	67	20	342	136
The Cedars Academy Trust	48	16	3	124	47
The Chief Constable for Northumbria	1,733	401	256	6,930	2,618
The Durham, Gateshead, South Tyneside and Sunderland Combined Authority	42	25	79	0	101
The Illuminaire Multi Academy Trust	77	8	2	318	79
The Laidlaw Schools Trust	372	89	32	1,207	300
The Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority	1	0	0	1	0
The Northern Education Trust	197	69	43	912	231
The Northern Saints Catholic Education Trust	40	0	3	182	41
The St Thomas More Partnership Of Schools	106	32	11	243	87
The Trintiy Catholic Multi Academy Trust	48	13	9	173	68
Trinity Academy Newcastle	66	26	7	184	74
Tyne and Wear Fire & Rescue Service	238	186	283	1,132	396
Tyne Coast Academy Trust	114	9	1	211	88
Tyne Coast College	324	228	264	1,689	358
Tyne Metropolitan College	0	217	75	0	0

SCHEDULE 2 PART 1 EMPLOYERS	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Tynemouth College	0	20	13	0	0
University of Sunderland	914	835	815	6,199	1,548
Valour Multi Academy Trust	58	3	0	125	29
Vision Learning Trust	72	10	5	167	38
Wearmouth Learning Trust	57	30	6	227	56
Wearside College	0	4	7	0	0
West Newcastle Academy	25	9	1	32	13
Whickham School and Sports College	97	37	10	202	76
Whitburn Church Of England Academy	55	19	18	119	41
Wise Academies	131	51	17	277	105
Woodard Academies Trust	76	14	8	158	48
Your Homes Newcastle	643	488	386	3,639	1,001
SUB TOTALS	13,255	10,045	7,628	55,649	16,666

SCHEDULE 2 PART 2 EMPLOYERS	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Birtley Town Council	0	1	5	0	0
Blakelaw and North Fenham Parish Council	0	0	0	0	0
Blue Square Trading Limited	0	7	5	21	0
Care And Support Sunderland Limited	0	9	3	0	0
Castle View Community and Fitness Centre Limited	1	6	1	1	0
Illuminaire Business Services Limited	10	2	0	26	8
Learning World	0	6	1	0	0
Neat Active Limited	25	5	0	43	18
Nexus	554	401	1,348	3,309	1,379
Northumbria University Nursey Limited	8	3	3	25	11
Regent Funeral Services	2	0	0	9	4
Sunderland Care and Support Limited (SCSL)	1,024	177	183	2,647	600
Sunderland Live Limited	0	24	2	0	0
The Intraining Group Limited	2	24	7	2	1
Together for Children	727	71	18	3,610	1,264
University of Sunderland London Campus Limited	4	0	0	80	22
Victims First Northumbria	30	2	0	76	40
Zero Carbon Futures (North) Limited	2	2	0	11	5
SUB TOTALS	2,389	740	1,576	9,860	3,352

ADMITTED BODIES	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Age Concern Newcastle	0	31	68	0	0
Assessment and Qualification Alliance	0	1	9	0	0
Association of North East Councils	25	44	14	86	45
Azure Business Centres Limited	0	0	2	0	0
Balfour Beatty Living Places Limited	13	2	6	221	40
Baltic Flour Mills Visual Arts Trust	2	5	2	41	8
Bell Decorating Group Limited	0	1	0	0	0
Benton Grange School	0	0	5	0	0
Benwell Young Peoples Development Group	0	3	0	0	0
Brunswick Young Peoples Project	0	3	0	0	0
BT South Tyneside Limited	0	83	98	6	151
Bullough Contract Services Limited	0	1	0	0	0
Bulloughs Cleaning Services	0	0	1	0	0

ADMITTED BODIES	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Byker Community Trust	6	3	0	43	19
Capita Property and Infrastructure Limited	86	39	39	20	128
Carillion (Jarrow School)	0	1	7	0	0
Carillion (Lord Lawson) Academy	0	0	1	0	0
Carillion Integrated Services Limited (NEFRA)	0	0	2	8	0
Carillion Services Limited (SSCS)	0	6	11	0	0
Catholic Care North East	0	9	29	0	0
CBS Outdoor Limited	0	2	0	0	0
Childcare Enterprise Limited	1	14	4		
Churchill Contract Services Limited	0	0	0	0	0
Compass Contract Services (U.K.) Limited (Whickham School)	5	1	1	13	2
Compass Contract Services (U.K.) Limited (Lord Lawson)	2	0	0	5	1
Compass Contract Services Limited (Hilton Primary)	6	0	0	25	2
Compass Contract Services Limited (Red House Academy)	4	0	0	14	2
Compass Contract Services Limited (Thomas Hepburn and Thorp Academies)	5	0	1	42	3
Compass Group UK & Ireland Limited (North Tyneside)	0	0	1	0	0
Dataspire Solutions Limited	2	0	0	13	3
DB Regio Tyne and Wear Limited	0	105	143	0	0
Disability North	1	17	17	51	3
Engie Buildings Limited	9	0	1	67	13
Engie Services Limited (North Tyneside)	218	116	56	172	341
Engie Services Limited (PB)	7	1	3	44	12
Gateshead Law Centre	0	8	6	0	0
Gentoo Group Limited	1,100	810	901	9,846	2,016
Groundwork South Tyneside And Newcastle	1	3	4	52	6
Hebburn Neighbourhood Advice Centre	0	3	1	0	0
Higher Education Funding Council for England	0	1	6	0	0
Information North (North Regional Library System)	0	0	2	0	0
Insitu Cleaning	2	5	3	6	1
International Centre For Life	4	8	11	228	38
Involve North East	4	7	0	49	7
Jarvis Accommodation Services Limited	0	3	3	0	0
Jarvis Workspace Facilities Management Limited	0	2	5	0	0
Kenton Park Sports Centre	0	12	1	8	1
KGB Cleaning and Support Services Limited	0	17	6	0	0
Kier North Tyneside Limited	243	62	156	9	459
Lovell Partnership Limited	3	4	6	12	2
Maxim Facilities Management Limited	0	0	1	0	0
Maxim Facilities Management Limited (Harton Academy)	12	0	0	1	0
Maxim Facilities Management Limited (Illuminare Mat)	0	0	0	7	1
Mears Limited (Gateshead)	0	9	57	0	0
Mitie Cleaning (North) Limited	0	1	0	0	0
Mitie PFI Limited(Boldon School)	5	2	1	0	0
Mitie PFI Ltd (North Tyneside)	0	0	1	23	4
Morrison Facilities Services Limited 1	0	9	21	0	0
Morrison Facilities Services Limited 2	0	62	63	0	0
Morse	0	12	0	0	0
Museums Libraries And Archives North East	0	15	8	0	0
National Car Parks	0	1	5	0	0
National Glass Centre	0	1	1	0	0
Newcastle Community Law Centre	1	11	3	21	2

ADMITTED BODIES	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Newcastle Family Service Unit	0	0	7	0	0
Newcastle Gateshead Initiative Limited	1	0	0	5	2
Newcastle Healthy City Project	0	16	11	0	0
Newcastle International Airport	92	201	424	3,200	282
Newcastle Tenants and Residents Federation (NTRF)	0	2	0	130	0
Newcastle Tenants Federation	0	0	5	0	0
Newcastle Theatre Royal Trust Limited	226	121	57	606	152
Newcastle West End Partnership	0	2	0	0	0
Newcastle Youth Congress	0	1	1	0	0
No Limits Theatre Company	0	2	0	0	0
Norecare	0	1	1	0	0
Norland Road Community Centre	0	1	0	0	0
North Country Leisure	36	8	9	266	41
North Country Leisure 2	27	11	3	136	42
North East Innovation Centre	0	11	17	0	0
North East Metro Operations Limited	531	42	29	3,212	1,180
North East Regional Employers Organisation	4	3	8	124	7
North Tyneside City Challenge	0	3	1	3	1
North Tyneside Disability Advice	0	0	1	0	0
Northern Arts Association	0	21	23	0	0
Northern Council for Further Education	0	8	18	0	0
Northern Counties School for the Deaf	0	10	24	0	0
Northern Grid for Learning	0	6	5	0	0
Northumbria Tourist Board	0	12	24	0	0
One North East	0	0	7	0	0
Orian Solutions Limited (Gateshead)	3	0	0	7	1
Orian Solutions Limited (Newcastle)	3	1	0	6	1
Orian Solutions Limited (Washingwell Primary)	2	0	0	5	0
Ouseburn Trust	0	1	0	0	0
Parsons Brinkerhoff	0	3	3	0	0
Passenger Transport Company	0	0	80	0	0
Percy Hedley Foundation	16	4	9	165	25
Port of Tyne Authority	0	0	1	0	0
Praxis Service	2	1	4	56	4
Property Management Integrated Services and Employment Company Limited	5	2	0	39	9
Raich Carter Sports Complex	0	42	2	0	0
RM Education	0	2	3	0	0
Robertson Facilities Management (Newcastle Phase 2)	2	0	2	5	2
Robertson Facilities Management Limited	5	0	5	35	6
SSE Contracting Limited	4	7	21	153	10
Scolarest (Newcastle)	5	6	14	25	3
Scolarest PFI (Boldon)	0	0	1	0	0
Search Project	0	0	4	0	0
Simonside Community Centre	0	3	0	0	0
SLM Community Leisure Charitable Trust	286	72	17	279	92
SLM Fitness and Health Limited	60	15	1	30	9
SLM Food and Beverage Limited	5	1	0	6	2
Sodexo Limited	7	2	2	34	3
South Tyne Football Trust	0	0	1	0	0
South Tyneside Integrated Care Limited	21	0	0	90	24
South Tyneside Victim Support	0	1	1	0	0

ADMITTED BODIES	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
St Mary Magdalene and Holy Jesus Trust	3	3	9	62	8
St Mary The Virgin Hospital	0	0	1	0	0
Stagecoach Services Limited	23	77	824	4,364	47
Suez Recycling And Recovery UK Limited (Gateshead)	1	0	0	23	2
Suez Recycling and Recovery UK Limited (Sunderland)	7	0	0	52	10
Sunderland City Training and Enterprise Council	0	22	45	0	0
Sunderland Empire Theatre Trust	0	2	5	0	0
Sunderland Outdoor Activities	0	1	2	0	0
Sunderland People First Co-Operative Community Interest Company	4	0	0	8	4
Sunderland Streetlighting Limited	14	19	36	207	47
Taylor Shaw	0	5	2	0	0
The Human Support Group Limited	8	0	0	10	2
The Ozanam House Probation Hostel Committee	41	25	12	280	53
Thomas Gaughan Community Association	0	2	0	0	0
TT2 Limited	47	19	46	466	162
Tyne and Wear Archives and Museums Enterprises Limited	8	0	0	39	11
Tyne and Wear Development Company Limited	0	19	10	0	0
Tyne and Wear Development Corporation	0	8	40	0	0
Tyne and Wear Enterprise Trust	0	12	25	0	0
Tyne and Wear Play Association	0	0	1	0	0
Tyne and Wear Small Business Service	0	9	13	0	0
Tyne Waste Limited	0	4	14	0	0
Tyneside Deaf Youth Project	0	2	1	0	0
Tyneside Training and Enterprise Council	0	25	37	0	0
Valley Citizens Advice Bureau	0	1	1	0	0
Walker Profiles (North East) Limited	0	22	8	0	0
Wallsend Citizens Advice Bureau	0	0	3	0	0
Wallsend Hall Enterprises Limited	0	3	3	0	0
Workshops for the Adult Blind	0	8	59	0	0
SUB TOTALS	3,266	2,489	3,836	25,261	5,554
GRAND TOTALS	45,928	41,488	49,551	199,438	55,316



PENSIONS ADMINISTRATION

OUR SHARED SERVICE ARRANGEMENT

In January 2018 the Fund began operating a pensions administration shared service with Northumberland County Council. The combined service is now fully operational at South Tyneside Council offices, with Northumberland being absorbed into the processes, operations and management of the Tyne and Wear Pension Fund. However each Fund retains its own identity and statutory obligations.

The combined operation provides shared administration services to 136,900 members and 265 employers for Tyne and Wear Pension Fund and 26,700 members and 43 employers for Northumberland County Council Pension Fund.

Combining resources has improved operational efficiencies and made us more resilient for challenges that we may face in the future. While the combined service is now well established and being delivered effectively, work on aligning other areas of operation and policies continues to take place.

It is important to note that each fund still retains its own identity and statutory obligations.

PENSIONS OFFICE STRUCTURE

The Pensions Office is organised into five teams of experienced officers.

The five teams comprise, between them, sixty full time equivalent posts. Administration for both funds is integrated within these teams.

Each employer is allocated to one of three administration teams, which are responsible for maintaining member records and calculating and paying benefits. These teams manage contact with the employers at an individual level. The administration teams collectively have 36 full time equivalent posts.

The Communications Team produces Scheme and Fund specific information for members and employers. It manages contact with members, mainly through the Helpline, newsletters and annual benefit statements. It prepares mailshots and runs meetings for employers. It is also responsible for maintaining the website, www.twpf.info. The Communications Team has 14 full time equivalent posts.

The Technical Team manages the data for the actuarial valuations and provides support to the other four teams, with particular regard to IT systems and solutions. The Technical Team has 10 full time equivalent posts.

The Technical and Communications teams work together to deliver the electronic processing and communications.

In order to deal with the current high workload a small number of additional agency staff and temporary staff have been employed.

The approach to pension's administration is based around two main strategy documents, namely the Pensions Administration Strategy and the Communications Policy Statement. Whilst Tyne and Wear and Northumberland are each required to maintain their own strategy documents these have been aligned to ensure maximum operational efficiency.

The broad content and purpose of each document is discussed below, followed by an in depth description of the services we provide and the work we have undertaken in 2018/19.

PENSIONS ADMINISTRATION STRATEGY

The Scheme Regulations allow an administering authority to prepare a Pension Administration Strategy. This is a written statement, prepared by the administering authority in consultation with the Fund's employers that sets out the authority's policies in relation to certain administrative matters. It is intended to help employers and the Fund work together more effectively in fulfilling their joint responsibilities in administering the Scheme.

The Fund's Strategy was initially introduced in 2009 and has provided a significant impetus for improving how the Fund and employers work together.

The latest Statement is available on our website at www.twpf.info or www.twpf.info/CHttpHandler.ashx?id=14069&p=0.

The Strategy sets out the communications links designed to allow employers and the Fund to work effectively together, including the provision, for each employer, of a designated client manager from within the Fund's senior management structure. Employers, in turn, are required to provide nominated representatives and authorised signatories.

The roles and responsibilities of both the employer and the administering authority are set out. Detailed information is provided on the procedures for making payments to the Fund and for the provision of year end, joiner and leaver data. There is also reference to timescales for processing that have been derived from Disclosure Regulations.

The Strategy contains provisions to deal with unsatisfactory performance by either the employer or the administering authority, including a power to recover fines, charges and additional costs caused by unsatisfactory performance of an employer.

The Strategy also lists the discretions allowed to employers and the administering authority under the Scheme Regulations, together with the policies governing the exercise of those discretions.

The client managers at the Fund that are assigned to each employer use the Strategy to help employers understand their responsibilities and to foster improvements in how they work with the Fund.

Over time, the benefit of the Strategy has been seen through:

- An ongoing improvement in the overall quality of the membership data. This process has over a number of years seen reductions in the resources needed for the annual contributions posting exercise.
- An increase in compliance with the requirements of the Disclosure Regulations.
- A marked improvement in performance from some of our lower performing employers.
- More employers taking a proactive approach to making policy decisions in respect of those matters requiring an employer's discretion.
- The move to electronic processing.

COMMUNICATIONS POLICY STATEMENT

Our vision statement sets out our aim of making pensions issues understandable to all our stakeholders. Effective communications and easy access to information is very important to us.

The Scheme Regulations allow an administering authority to prepare a Communications Policy Statement.

Our Statement sets out:

- How we communicate with our stakeholders.
- The format, frequency and method of our communications.
- How we promote the Scheme to prospective members and employers.

The Statement is available on our website at www.twpf.info or <http://www.twpf.info/CHttpHandler.ashx?id=11983&p=0>

SERVICES TO MEMBERS

The main services that we provide to our members are summarised below:

- We maintain the records of, and pay pensions to, 49,551 pensioner members of the Fund.
- We maintain the records of 41,488 deferred members of the Fund.
- We maintain the records of, and receive and reconcile contributions for, 45,928 actively contributing members of the Fund.
- We provide annual benefit statements for our active and deferred members. Pensioners receive an annual update and details of any pensions increase. Historically these have been sent directly to the member's address. In 2019 we have moved to electronic statements and annual updates via our online "mypension" web services. However, members are still able to elect for paper copies.
- We maintain a website that provides information on the Scheme and the Fund. The website also has a secure portal called "mypension" for members to access their pension details, to update contact details, to view their own benefit calculations and view documents such as annual benefit statements.
- We run a helpline that allows members to request leaflets and information, change certain personal and bank details, and track progress of payments and transfers. We handled nearly 80,000 calls in 2018/19.
- We welcome personal callers and were visited by around 1,300 members in 2018/19. An appointment is not necessary.
- We work with the Local Government Association to provide a range of booklets that help members to understand the Scheme rules. These are available on our website or on request from our helpline.
- We publish a Members' Annual Report on our website and provide a paper copy on request.
- We provide newsletters to keep members informed of changes to the Scheme.

MAKING PENSIONS ACCESSIBLE TO MEMBERS

We adopt the principles of plain English in our documents.

All information provided by the Fund is available in a range of formats including other languages, large print and Braille. We have access to audio aids and British Sign Language interpretation services.

Members can register to receive information in their required format when they join the Fund.

Members tell us that their preferred method of contacting us is by telephone and the Helpline handled a record number of calls during the year.

ANNUAL BENEFIT STATEMENTS

Since 1999, we have produced annual benefit statements for our active members that set out their current and projected Scheme benefits. Statements for deferred members have been provided since 2003.

We mailed out over 41,500 Annual Benefit Statements in August 2018.

We issued benefit statements to every deferred member for whom we held a current address and a complete record. Just over 37,000 statements were mailed out in June 2018.

From 2019 onwards statements are available online through the "mypension" facility, with paper copies only posted to those who have requested hard copy.

COMMUNICATING THE SCHEME TO MEMBERS

We participate in working groups set up by the Local Government Association to develop the communication strategy and materials for the Scheme.

We also participate in regional communications groups to share good practice, documents and resources.

In addition to promoting the Fund's website we signpost members to the Scheme's national website at www.lgpsmember.org and have made extensive use of the material and resources available.

SERVICES TO EMPLOYERS

The main services that we provide to employers are summarised below:

- As noted above, we have a Pensions Administration Strategy that sets out the roles and responsibilities of the Fund and the employers.
- We provide each employer with a client manager whose role is to ensure efficient processing and communication.
- We provide bulk data import facilities and online administration forms to facilitate efficient processing and ensure greater accuracy of data.
- We provide an employer's website which includes an online Employers' Guide to the administrators of the Fund.
- We offer training courses that aim to educate and inform staff on pension matters and working procedures.
- We hold an Annual General Meeting.
- We send out mailshots to advise all employers of developments.

PROMOTION OF MEMBERSHIP, INCLUDING AUTO ENROLMENT

The employers have a range of responsibilities, under both the Scheme Regulations and the wider Auto Enrolment legislation, in respect of the admission of their employees to the Scheme.

The Fund has worked with employers to ensure they understand their legal responsibilities.

We work with organisations that are required or have opted to participate in the Scheme to ensure that their admission to the Fund is taken forward efficiently and in a timely manner, and that appropriate financial provisions, including guarantees and bonds, are put into place.

In particular, we work with new employers to ensure they understand and are complying with the rules in respect of admission and, where appropriate, the re-admission of their employees into the Scheme.

SYSTEMS

The Pensions Service has used the Civica UPM pension administration system since 2003 and in 2011 we integrated with the Civica pension payroll system. The UPM system has been upgraded to ensure compliance with the new Scheme.

The Fund has moved to electronic processing for employers with the use of bulk data import and online forms. In September 2017 we removed the use of paper where an electronic method was in place. The use of email, electronic communication and our website is an integral part of the service delivery package. We are committed to developing and improving these approaches to communication.

Where possible we encourage our members, prospective members and their representatives to contact us by email at pensions@twpf.info.

Through our website, members of both the Tyne and Wear Pension Fund and the Northumberland County Council Pension Fund have access to:

- Details on how to contact the Fund.
- Latest news and topical issues.
- Our range of leaflets.
- Pension payment dates and details of pension inflation proofing.
- The Annual Report and Accounts.
- The Fund's main policies, including the Governance Compliance Statement, the Funding Strategy Statement, the Pensions Administration Strategy, the Investment Strategy Statement, the Corporate Governance Policy, the Communication Policy Statement and the Service Plan.
- Links to other useful websites.
- Our member "mypension" secure web service, where they can view their membership record, update certain personal details, view their annual benefit statement or pension annual update and payslips and, where appropriate, carry out what if calculations.

In addition to the main website, there is a password-protected area for both Funds' employers. The majority of employers have registered to use this service, which provides access to:

- Pensions Committee Reports (where relevant).
- Latest news and topical issues.
- The Employers' Administration Guide.
- The pension records of their employees.
- Online administration forms for pension processing and estimates.
- The ability to carry out pension estimates and calculations.

We have developed an email alert facility to provide news and latest information to employers. All of our mailshots are now sent out electronically. This facility has greatly improved the efficiency of keeping employers informed and allows them to distribute information within their own organisation.

We continue to work on online services for members. The "my pension" web service has been running since 2018. Members can view their membership record and calculate estimates of their benefits and from 2019 receive their annual benefit statements electronically. Over 2018/19 all members were notified of the service and the Fund's plans to 'go electronic'. To date over 14,000 estimates have been run by members through "my pension".

The Universal Pensions Management system provides for the bulk import and automated processing of data from employers. This reduces the risk of passing incorrect data, provides significant efficiencies in administration and processing and reduces the cost for both employers and the Fund. We have developed this bulk processing system for high volume areas such as changes to personal data, working hours and joiner information. This is being used by the larger employers but is available to all employers. Where bulk data is not used all information is supplied via an online form or secure email.

INTERNAL DISPUTE RESOLUTION PROCEDURES

The Local Government Pension Scheme Regulations provide for a two tier internal dispute resolution procedure (IDRP). The IDRP provides a mechanism for dealing with complaints from active, deferred or pensioner members of the LGPS about decisions relating to their pension benefits made by either their employer or the Pension Fund.

The first stage of the IDRP involves the member referring the decision that they are disputing to the adjudicator appointed by the organisation who made that decision. In many cases this is the member's own employer who made the decision, but in some cases it is the Pension Fund. Decisions are usually communicated within two months.

If, having received the adjudicator's decision, the member remains dissatisfied then they can appeal the decision to the Pension Fund's Panel of Appointed Persons. The appointed person dealing with the case will reconsider the matter and will let the member know their decision, usually within two months of receiving the member's letter requesting reconsideration.

If members are still not satisfied once the IDRP has completed then they have the option of referring the matter to the Pensions Ombudsman.

Members can, at any point, contact the Pensions Advisory Service and ask for their assistance and support.

In 2018/19 five disputes against decisions made by the Pension Fund were considered under the IDRP procedure. In four cases the Pension Fund's decision was upheld.



IMPLEMENTATION OF THE 2014 SCHEME

The new Scheme commenced on 1st April 2014.

Regulations for the new LGPS 2014 were due to be in place by April 2013 but were seriously delayed. It was not until the publishing, in March 2014, of the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014, that work could begin on updating pensions administration procedures, including LGPS 2014 specific processes and calculations.

The late release of the LGPS 2014 Regulations and associated guidance severely impacted on systems development work and on processing as initially many cases had to be calculated manually in order to ensure that the new calculation suite accurately calculated member benefits in all possible scenarios.

A material backlog built up from a combination of the late release of the Regulations for the 2014 Scheme and the increased complexity of operating a Career Average Revaluation Scheme. Whilst there has been a significant improvement in the backlog the position has not yet been fully recovered. Work has been prioritised to ensure that urgently required or high impact processing, for both members and employers, is addressed promptly. This backlog is largely in lower priority work. An action plan is in place to address the backlog.

PENSIONS FREEDOM AND CHOICE

The Government has introduced greater flexibility for pension savings in defined contribution schemes. These apply to individuals aged 55 and over and are known as Pensions Freedom and Choice.

Most of the changes do not affect how members can take their benefits from the Scheme. The changes are targeted at defined contribution schemes, such as personal pensions and some company pension schemes. However, there are some indirect changes that will impact on members of the Scheme who are considering transferring their benefits from the Scheme to a defined contribution pension plan.

We have reviewed and amended our processes and communications to ensure that members are aware of Pensions Freedom and Choice and the options available and requirements placed on them.

PENSION LIBERATION FRAUD

For a number of years the Fund has been warning members of the risk of Pension Liberation Fraud.

The Pensions Regulator is concerned about the increase in such activity and, in association with HM Revenue and Customs (HMRC), has launched a high profile campaign to combat fraud. The Fund has taken a number of actions to reduce the risk of fraud and to comply with the Pensions Regulator's recommendations.

All processing and documentation has been reviewed and amended to seek to ensure that members are making fully informed decisions when transferring benefits out of the Fund.

TAX ON PENSIONS

When members contribute towards the Scheme they receive tax relief on their contributions and the benefits they build up. In 2006 the Government set limits on annual and lifetime growth. These limits have reduced over time. For 2018/19 the annual allowance was £40,000 (with a tapered allowance for higher earners) and the lifetime allowance was £1.03 million.

Active members are advised of the current limits in their annual benefits statements and provided with guidance notes and useful contacts. Where the annual allowance has been exceeded, members are provided with a pension savings statement to assist with their tax return. In addition tax limits are checked when benefits are paid.

THE PENSIONS REGULATOR

The Pensions Regulator has responsibility for overseeing the Local Government Pension Scheme and is committed to ensuring that every fund reaches a basic level of compliance against the law and the Regulator's Code of Practice 14 for public sector schemes.

The Regulator expects funds to self-assess their current levels of compliance against both the law and the Regulator's Code of Practice 14. The Fund has carried out these assessments and is comfortable with its level of compliance. The Fund's compliance with the Code was confirmed by an audit review undertaken last year.

ADMINISTRATIVE MANAGEMENT PERFORMANCE

INTRODUCTION

The Pensions Service participates in the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Administration benchmarking club.

Each year the Service completes a detailed questionnaire containing a breakdown of budget costs between core pension's administration and other functions carried out within the Service including communications, IT, Accountancy and the commissioning of actuarial work.

Data is also provided on members, employers, workload, staffing, IT provision and current best practice.

THE 2018 CIPFA BENCHMARKING CLUB REPORT

The latest CIPFA Benchmarking Club Report is the 2018 Report, which was issued in November 2018. The 2018 Report compares the performance of the Pensions Service in 2017/18 with other local authorities who administer the Scheme.

The key benchmark for Pensions Administration is the cost per member of administering the Scheme. The Pensions Service cost for 2017/18 was

£16.12 per member, compared to the average cost of £21.16 per member. The comparative costs for 2016/17 were £20.06 per member, compared to the average cost of £20.14 per member.

The membership total used by the Benchmarking Club includes preserved refunds. The inclusion of preserved refunds of 3,585 increases our reported membership of 134,035 to 137,620.

UNIT COSTS INCLUDING AND EXCLUDING INVESTMENT COSTS

	2016/17	2017/18	2018/19
Total Membership (No.):	134,603	137,620	141,184
Investment management expenses			
Total Cost (£'million)	32.624	44.936	48.471
Sub cost per member (£)	242.37	326.52	343.32
Administration costs			
Total Cost (£'million)	3.033	2.686	2.738
Sub cost per member (£)	22.53	19.52	19.39
Oversight and governance costs			
Total Cost (£'million)	0.911	1.038	2.033
Sub cost per member (£)	6.77	7.54	14.40
Total cost per member (£)	271.67	353.58	377.11

Notes: The oversight and governance costs include additional costs arising as a result of pooling and the forming of the Border to Coast Pensions Partnership.

The benchmarking club excludes certain administrative costs, for example, the Past Service Deficiency element of employer contributions.

Therefore, the costs in the table shown above for pension's administration are higher than those shown in the benchmarking club data.

AGE PROFILE OF FUND MEMBERSHIP AT 31ST MARCH 2019

AGE BAND	MEMBERSHIP TYPE					TOTAL
	ACTIVE	DEFERRED	BENEFICIARY	PENSIONER	UNDECIDED LEAVERS	
<20	508	9	279	0	76	872
20-24	1,897	507	67	0	453	2,924
25-29	2,994	1,813	9	0	612	5,428
30-34	4,307	4,321	3	2	437	9,070
35-39	5,209	5,522	28	10	488	11,257
40-44	5,233	5,355	52	35	445	11,120
45-49	6,583	6,678	82	122	503	13,968
50-54	7,808	8,107	184	372	462	16,933
55-59	6,896	6,993	316	2,973	393	17,571
60-64	3,747	1,981	501	9,362	257	15,848
65-69	648	169	757	10,667	81	12,322
70-74	98	33	1,073	8,998	10	10,212
75-79	0	0	978	4,720	0	5,698
80-84	0	0	1,155	3,207	0	4,362
85-89	0	0	827	1,616	0	2,443
>89	0	0	487	669	0	1,156
	45,928	41,488	6,798	42,753	4,217	141,184

Analysis of our membership profile against other large Scheme funds shows that the Fund has a higher percentage of pensioners and a lower percentage of deferments. Pensioners and dependents require a relatively higher administrative input, whilst deferments are a relatively low administrative input area.

PERFORMANCE INDICATOR FOR PENSIONS PROCESSING

The Pensions Service monitors administration processing against targets based upon the Disclosure Regulations as this shows a more complete picture on the timeliness of service delivery to members. This will include the input from the Fund and all others involved, for example employers, members, HMRC, Department of Work and Pensions, financial advisors and other pension schemes.

In 2018/19, 77% (72% in 2017/18) of the measured processes were completed in line with the Disclosure Regulations. This figure is an improvement on

last year and is now at a level that is higher than the levels that were achieved in the years before the introduction of the New Scheme.

The late release of the new Scheme Regulations and associated guidance, combined with the increased complexity of the new Scheme, initially led to delays in processing and a large backlog of work. We have continued to work on this backlog during and the longer terms trends show that improvements have been made in the proportion of processing being completed within disclosure timescales.



ADDITIONAL VOLUNTARY CONTRIBUTIONS

INTRODUCTION

Whilst the Scheme provides a good benefits package, it is normally possible for a member to increase their benefits.

The Scheme Regulations changed on 1st April 2014 and from this date members can:

- **Pay into the Fund's in-house AVC plan**

An AVC plan can provide extra life assurance as well as allowing members to increase their pension benefits up to the maximum allowable under HM Revenue and Customs rules and the Scheme Regulations.

Subject to the above rules for new AVC plans, it is intended that members can contribute up to 100% of their pay each month and take up to 25% of their in-house AVC fund as a tax-free lump sum at retirement. Contributions must be deducted from pay and tax relief may apply.

- **Take out an Additional Pension Contract**

Again, subject to limits, a member can purchase annual pension up to a maximum of £7,026. This amount is increased each year in accordance with any increase applied to pensions in payment. The contract can be taken with or without a contribution from the employer and can be used to buy extra pension or lost pension arising from authorised unpaid leave of absence. Medical clearance may be required. Subject to the Fund's policy, members may choose to make a one off payment or regular contributions. Tax relief may apply.

All contracts taken out for Added Years, AVCs or Additional Regular Contributions prior to 1st April 2014 are protected and fall under earlier rules.

PRUDENTIAL

The Fund has an AVC plan arranged with Prudential that offers a comprehensive range of fourteen funds.

Regular meetings are held with Prudential to discuss the running of the plan. In the past Prudential has provided educational seminars to members but this service has been withdrawn as part of a modernising programme, with Prudential offering telephone and online support as an alternative.

The Fund carries out an annual review of the AVC provision. The 2018/19 review was undertaken in October 2018 by Hymans Robertson.

The review considered the changing regulatory environment, the provider profile and the fund range. It was concluded that The Prudential should remain as the sole provider.

The Fund has continued to review its position on with-profits investment. This option was closed to new investors following the 2006 review. It has been decided not to take further action in the current investment climate, other than to continue to monitor the position.

Following a consultation exercise in 2016, the Government decided not to allow LGPS members to access their LGPS AVCs under Freedom and Choice provisions in the finalised 2018 Amendment Regulations on the grounds of administrative complexity.

Prudential announced the closure of its lifestyle options in 2019 and the Fund has recently agreed with them the design of a new bespoke LGPS AVC lifestyle option for members, which manages investment risks most effectively.

Any individual members affected will be contacted.

EQUITABLE LIFE

The AVC plan with Equitable Life is closed to new members and transfers.

This is a group scheme with the Fund being the policyholder for individual member investments.

A bulk transfer exercise was conducted in 2003 in the light of advice from legal and financial advisors. This involved the transfer of the majority of members' Equitable Life AVC funds to comparable funds with Prudential.

A very small number of members who have with-profits investments have remained with Equitable Life. This is because it is believed not to be in the individual member's best interests to transfer as the withdrawal penalty applied on transfer may not be made up by future investment returns.

In June 2018 Equitable Life entered into an agreement to transfer the society and its policies to Utmost Life and Pensions (who used to be known as Reliance Life). Proceeds from the sale will be used to increase the capital distribution in the With Profits Fund, which will be discontinued when the transfer to Utmost Life and Pensions takes place.

Equitable Life will keep policy holders up to date with the process during 2019. They will be asked to vote on the transfer in October 2019. This will be followed by consideration of the High Court. If all progresses as planned then the transfer is expected to be implemented in January 2020.

INVESTMENT REPORT

INTRODUCTION

The Investment Office of the Pensions Service manages the investment and financial control of the Fund.

The formal investment objectives are:

- To invest the Fund money in assets of appropriate liquidity to produce income and capital growth that, together with employer and employee contributions, will meet the cost of benefits.
- To keep contributions as low and as stable as possible through effective management of the assets.

INVESTMENT STRATEGY

The investment strategy is derived from asset liability modelling that uses data from the triennial valuations. This examines the Fund's financial position, the profile of its membership, the nature of its liabilities and an analysis of projected returns from differing investment strategies. This exercise is undertaken by the Investment Advisor, Hymans Robertson, based on liability data provided by the Actuary, Aon Hewitt.

The strategy in place in 2018/19 was based on Asset Liability Modelling (ALM) which was carried out in 2016/17, using the liability data from the 2016 valuation. The study concluded that;

- the existing strategy was largely suitable, however
- a 3.0% shift from UK equities to private debt should be implemented. This target allocation was increased to 3.5% during the year, and
- some limited tactical asset allocation positions in the property exposure should be adopted as longer term strategic positions.

It was acknowledged that implementing these changes will take time as they relate to illiquid asset classes. Once the changes from the ALM study have been implemented, the Fund's asset allocation will reflect the strategy of 55.5% in equities, 19.0% in bonds and cash, 12.0% in property including residential, 7.5% in private equity, 3.5% in private debt and 2.5% in infrastructure.

In late 2018/18, on the back of good investment returns following the 2016 valuation, Hymans Robertson was asked to review the investment strategy to establish whether it should be de-risked. The outcome was that no changes were considered necessary at the time, but the issue should be re-considered alongside the next valuation, together with other factors such as the overall level of prudence in the funding strategy.

One approach to de-risking the Fund is already in place. Orphan pension liabilities are backed by index-linked gilts where employers no longer have any active members and a cessation valuation has been carried out.

The 2019 review of the investment strategy has already commenced and is due to be completed during 2019/20. This may result in a number of changes to the current strategy.

During 2018/19 UK equity assets were transferred to Border to Coast, the Fund's investment pooling company. This was the Fund's first transition of assets to Border to Coast and it took place in November 2018. Further transfers are expected in 2019/20 but the detail is dependent of the outcome of the strategy review.



QUOTED EQUITIES AND BONDS

The Fund uses seven external investment managers in relation to its range of quoted equity and bond mandates. In addition, the Fund is also a member of Border to Coast through which pooled assets will be managed.

Each manager is a specialist in the market in which they invest. This broadly based management structure seeks to ensure that investment returns are not overly influenced by the performance of any one manager.

The managers and mandates are set out in the following table:

MANAGER	PORTFOLIO
Under Pooling: Border to Coast	UK Equities
Outside of Pooling: Legal and General	- Indexation - UK Equities - Europe ex UK Equities - US Equities - Emerging Market Equities - Japanese Equities - Asia Pacific ex Japanese Equities - Fundamental Global Equities - UK Index-Linked Gilts - UK Gilts - Emerging Markets Bonds
JP Morgan	Global Equities Emerging Market Equities
BlackRock	UK Equities
Mirabaud	UK Equities
Lazard	Japanese Equities
TT International	Asia Pacific ex Japan Equities
M&G	Corporate Bonds
Janus Henderson	Bonds

PROPERTY

Following the ALM study in 2016/17 the strategic allocation to property was reduced to 12.0%. This is comprised of 6.0% to UK direct commercial property, 1.0% to UK residential property and 5% to global property.

The UK mandate is managed by Aberdeen Standard Investments. This was valued at £408.9 million at the year end, representing 4.7% of the Fund. The underweight position relative to the 6.0% strategic weighting is attributable to a restructuring of the mandate and net disinvestment in 2013/14, and the slow pace of reinvestment due to concerns over pricing in the property market.

The allocation to UK residential property was established in 2016/17. This was initially through a fund managed by Aberdeen Standard Investments. A fund managed by Hearstone was added during 2018/19. At the year end the Fund had £32.2 million, or 0.4% invested in residential property. This is below the 1.0% strategic weighting. The pace on investment continues to be dependent on identifying suitable investment opportunities.

The global property programme had been built up to the target level of 5.0% through investment into funds provided by Partners Group. This programme includes fund of funds, direct and secondary investments. The proportion of the Fund invested through this programme was 3.8% at the year-end, reflecting the strong pace of distributions back to the Fund, and the rise in the total Fund value. This programme was valued at £335.7 million at the year end.

INFRASTRUCTURE

The Fund made its first investment into infrastructure in 2006. A review of our approach in 2010 set an allocation of 2.5%, which was achieved largely through investment in funds offered by Partners Group.

During 2017/18 and 2018/19, the Fund diversified its Infrastructure programme through investments with Infracapital, Pantheon and AMP Capital.

At the year end, the total investment in Infrastructure was valued at £204.9 million, representing 2.3% of the Fund.

PRIVATE EQUITY

The programme is well developed and diversified across providers, geography, industry and vintage years.

The main focus of the programme is investment into fund of funds with HarbourVest and Pantheon. The Fund has also made investments into secondary funds managed by Lexington Partners, Collier Capital and HarbourVest, and into direct and co-investment funds managed by HarbourVest, Pantheon, Capital International, Partners Group and Lexington.

At the year end, £614.2 million was invested in private equity, equal to 7.0% of the Fund. As with the underweight position in global property and infrastructure, the reason is a combination of markets providing good exit opportunities which results in increased levels of distributions back to investors, and a strong rise in the total value of the Fund.

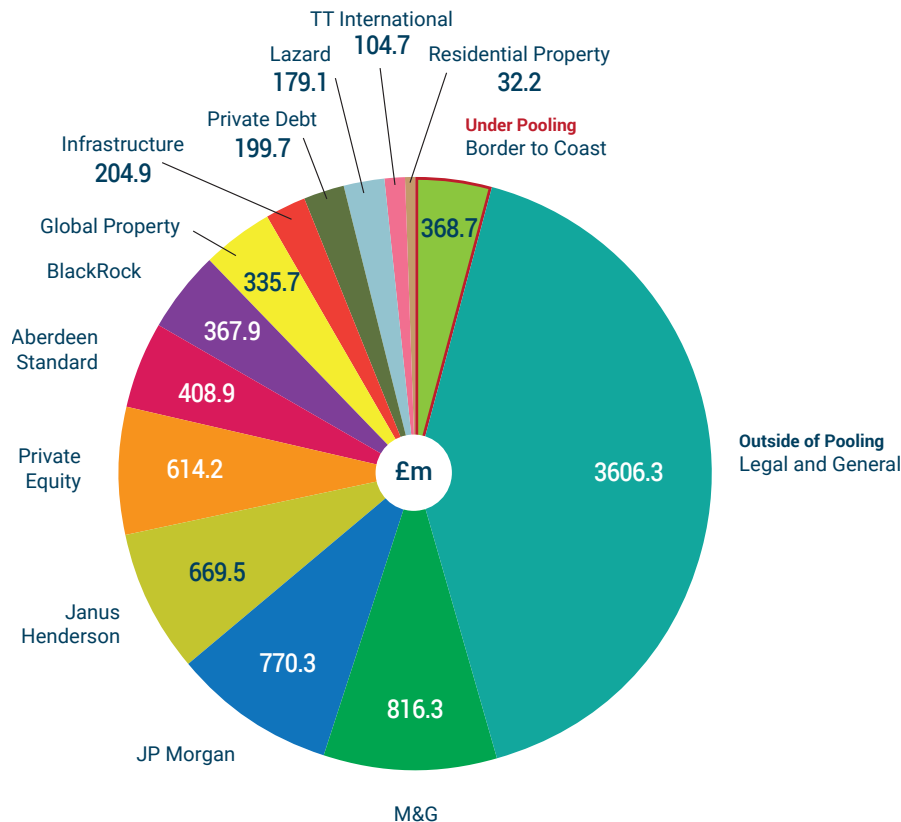
PRIVATE DEBT

The most significant change to the Investment Strategy as a result of the 2016/17 ALM study was the introduction of an allocation to private debt. The target allocation is 3.5%, which is to be funded from a reduction in the allocation to UK equities.

Good progress towards building up this allocation has been made during the year with investments in funds managed by Pemberton Asset Management and HPS Investment Partners. In total, at the year end, the Fund had £199.7 million invested in private debt, being 2.3% of the total value of the Fund.

ASSETS UNDER MANAGEMENT

The value of assets in each manager's mandate and in the alternative investment programmes at the year end is shown below:



INVESTMENT MANAGERS' OBJECTIVES AND RESTRICTIONS

The Pensions Committee has set objectives and restrictions for the investment mandates with the aims of ensuring a prudent approach to investment whilst allowing each manager to implement their natural investment style and process.

In addition to the specific restrictions on each mandate, all managers are required to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The investment managers have been set performance targets, mostly based on appropriate indices, which generally require outperformance over three year rolling periods. Annual downside targets or tracking error targets have also been set.

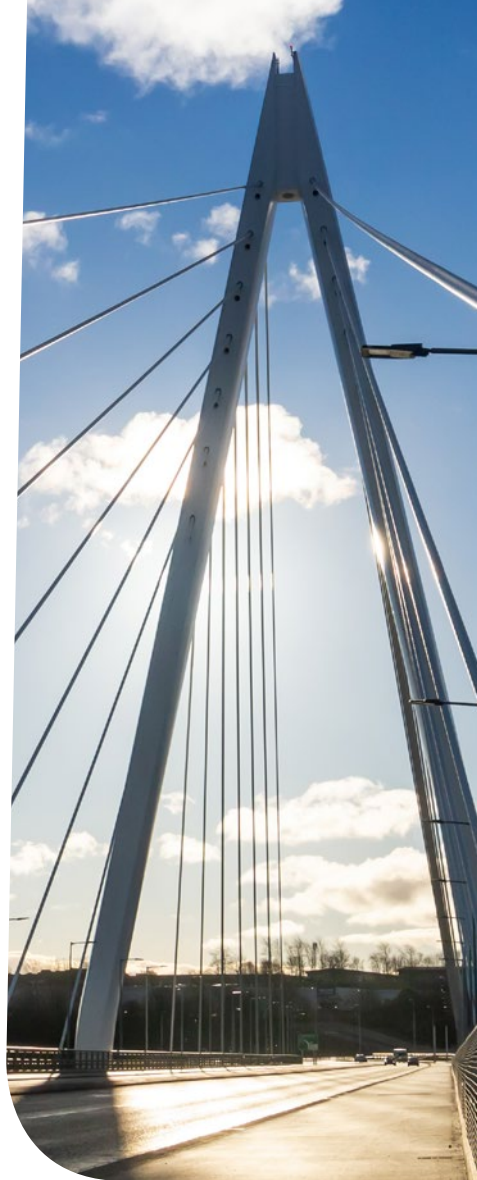
The UK property portfolio has a target based on a long term return of Retail Price Index plus 4%. The UK residential property portfolio has an absolute target return of 7%.

Absolute return targets are in place for the private equity, infrastructure, global property and private debt programmes.

CUSTODY

Northern Trust was appointed in 2002 to provide custody services for the Fund. The service has been market tested and benchmarked regularly to ensure that it remains competitive.

As at March 2019, Northern Trust was providing custody services for approximately £1.3 billion of segregated assets held across three mandates.

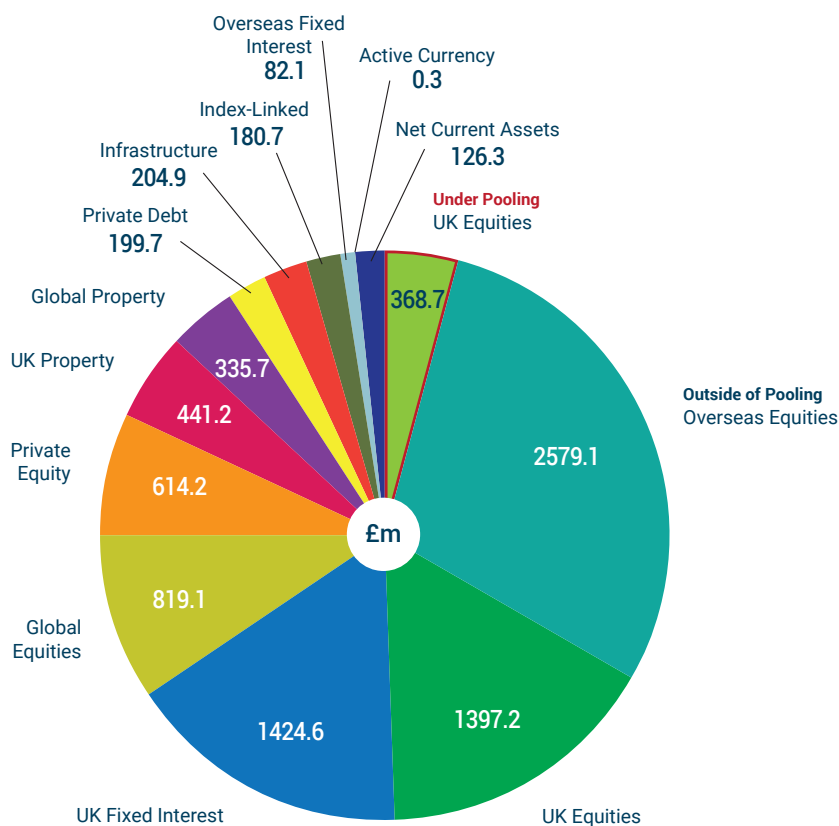


ASSET ALLOCATION

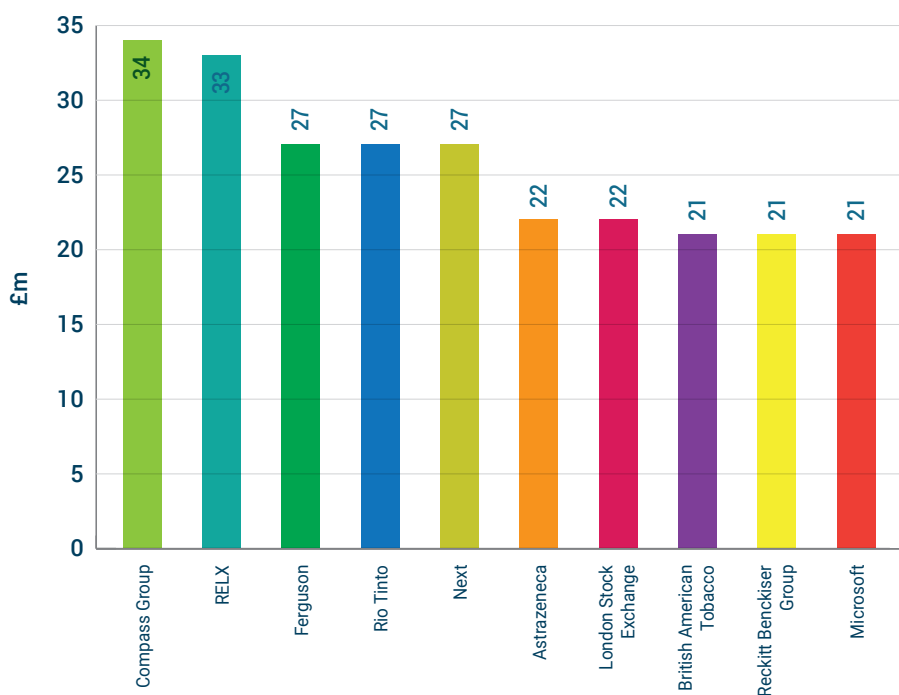
The asset allocation is maintained within pre-determined ranges around the strategic benchmark. Action is considered to bring the Fund back within these ranges when a breach occurs. Legal and General provides management information to assist with this process.

The active managers that invest in more than one market are permitted to take tactical asset allocation decisions within their portfolios. This provides additional scope for managers to outperform their targets.

The asset allocation as at March 2019 is shown below:



The largest ten individual investments in companies are:



PERFORMANCE MEASUREMENT

The Fund has used a fund-specific benchmark for performance measurement since January 2002. The analysis is undertaken by Portfolio Evaluation, an independent specialist performance management company.

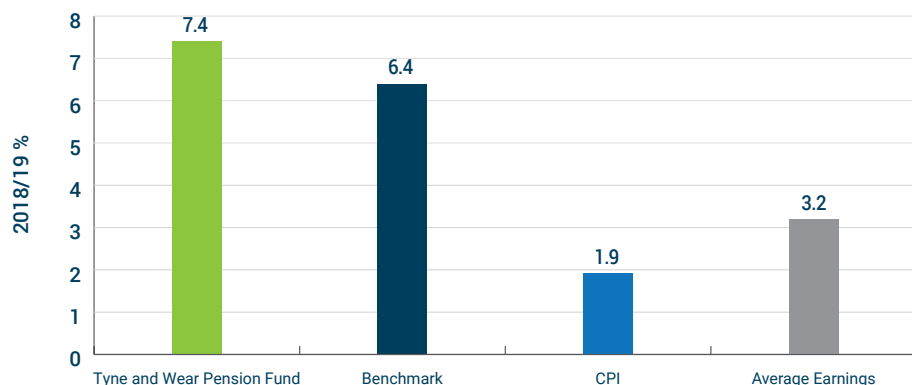
MARKET CONDITIONS AND INVESTMENT RETURNS FOR 2018/19

2018/19 was a year for reasonable returns for UK pension funds. The majority of the major equity markets and other asset classes produced positive returns. The highest returns were produced by US equities at 17.5%. The return from UK equities is of particular importance to UK pension funds, as a significant proportion of assets tend to be invested there. This market returned 6.4%. The only equity market to produce a negative return was Japan which fell by 0.9%.

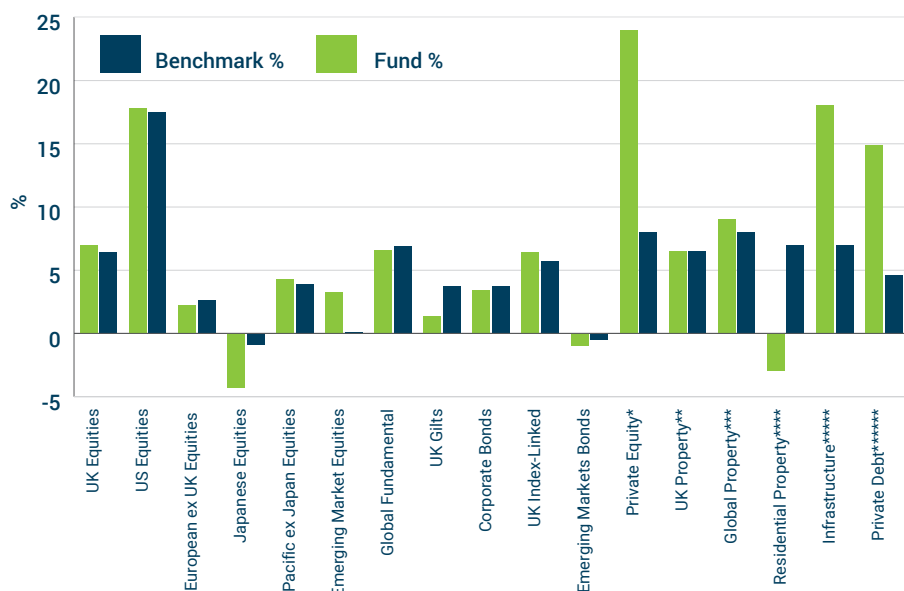
The Fund's total return in 2018/19 year was 7.4%, which was 1.0% above its benchmark return of 6.4%. This level of return reflects the broadly positive performance from financial markets overall, but follows a strong period of performance for markets over the last few years. In the three years since the March 2016 valuation date, the Fund returned 11.4% per annum.

These performance figures reflect updated private markets valuations amounting to an increase of £32 million, over and above the value shown in the Financial Statements. These updated valuations were not available at the time the financial statements were produced. The approach to reporting updated performance is consistent with the approach taken in previous years.

Inflation as measured by the Consumer Prices Index, which has risen in importance as a measure for the Scheme, was up by 1.9% over the year. Average Earnings increased by 3.2%.



The chart below shows the Fund's returns across the investment markets for 2018/19.



- * The return for private equity is shown against an absolute return benchmark of 8% per annum net of fees.
- ** The benchmark for UK commercial is Retail Price Index plus 4% per annum. The market return for property during the year as measured by MSCI for the Medium Life and Pension Fund Universe was 4.5%.
- *** The benchmark for Residential Property an absolute return of 7%
- **** The benchmark for global property assumes that an individual fund will deliver a zero return for the first three years to allow for J-curve. An absolute return benchmark of 8% per annum net of fees is then assumed.
- ***** The benchmark for infrastructure is shown against an absolute return benchmark of 7% per annum net of fees.
- ***** The benchmark for private debt is shown against an absolute return benchmark of 5% per annum net of fees. Investment commenced during the year so the benchmark reflects the part year position.

The overall returns from the active equity assets during the year, were marginally positive whilst the returns from bonds were overall negative. The main driver of returns was the private markets programmes.

The returns from the passive strategies were satisfactory.

The return from the private equity programme is measured against an absolute return benchmark of 8% per annum net of fees. This long term benchmark has been adopted to seek to reduce the volatility of returns relative in absolute terms. It is believed that this approach is more appropriate than the use of an index based benchmark. The positive 24.0% return is well above the 8% benchmark and the longer term return expected from global equities.

The UK property market produced a positive return of 6.5% but was in line with the RPI based benchmark of 6.5%. During the year the market return from property as measured by the MSCI Medium Life and Pension Fund Universe was 4.5%.

The return from the infrastructure programme is measured against an absolute return benchmark of 7% per annum net of fees. This long term benchmark has been adopted to seek to reduce the volatility of returns in absolute terms. It is believed that this approach is more appropriate than the use of an index based benchmark. The positive 18.0% return is comfortably above the 7% benchmark.

The infrastructure programme is a combination of funds run by Partners Group that were introduced from mid 2010 and investments in direct funds managed by Infracapital, Pantheon and AMP Global. The return is above benchmark for the year and also since the inception of the programme.

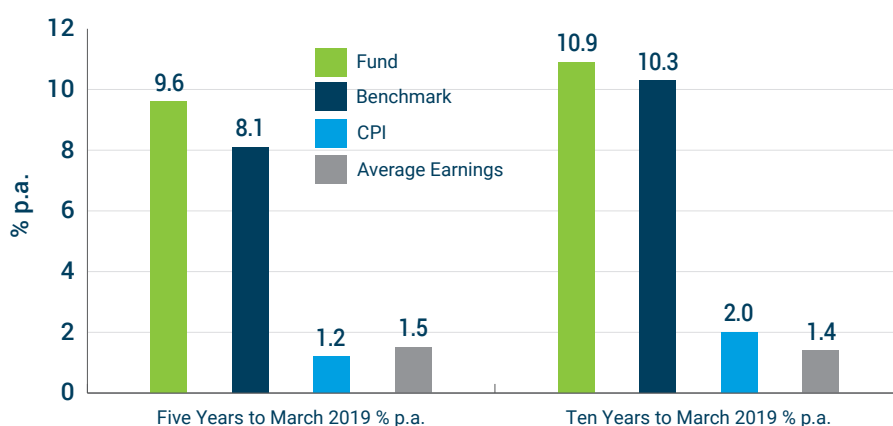
The global property programme was introduced in mid 2010 and is comprised of funds run by Partners Group. It has outperformed its benchmark for the year and since inception.

The performance figures for residential property and private debt are shown for completeness but very little reliance can be placed on these performance numbers to date due to the extremely short period that these investment programmes have been in place.

LONGER TERM PERFORMANCE

Pension fund returns are generally assessed over at least five year periods. This is to avoid taking too short term a view of investment performance, bearing in mind market cycles.

The chart below shows the Fund's annual returns over five year and ten year periods against the Consumer Prices Index and Average Earnings.

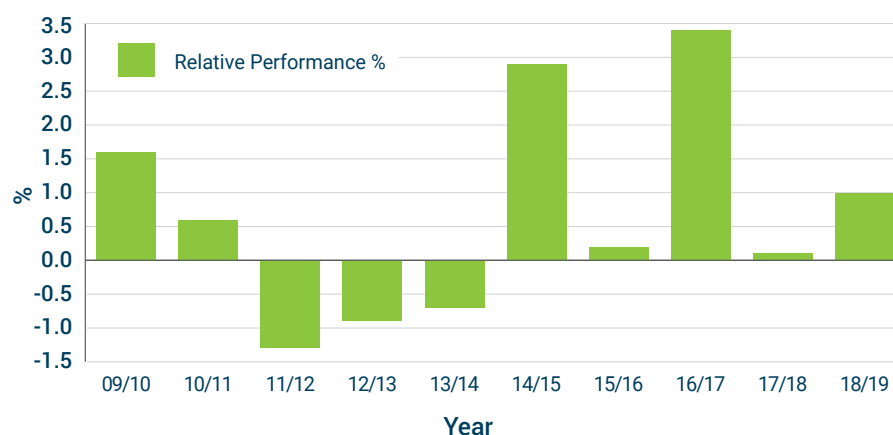
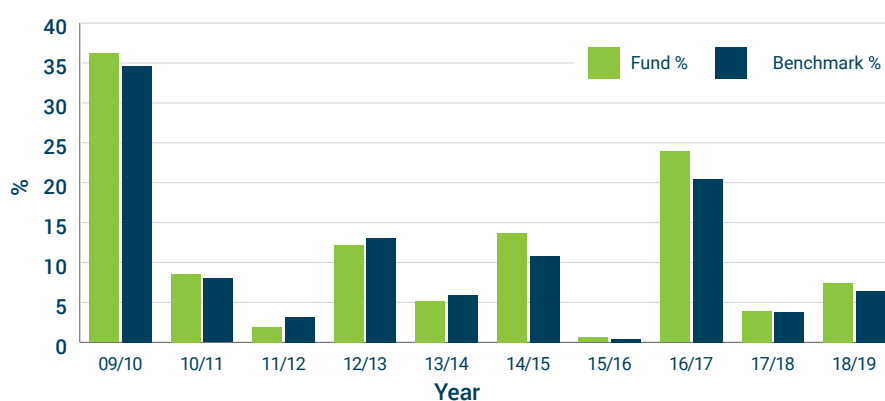


The five year return is 9.6% per annum and is above the benchmark return of 8.1% per annum. The ten year return is 10.9% per annum and is also above the benchmark return of 10.3% per annum.

The returns for both periods are well above the increases in the Consumer Prices Index and in Average Earnings.

ANNUAL PERFORMANCE OVER TEN YEARS

The annual performance of the Fund over ten years is shown in the following charts:



The Fund has now outperformed its benchmark for each of the last five years. This is extremely pleasing as it followed a period of three years of underperformance.

LONGER TERM PERFORMANCE OVER THE VARIOUS ASSET CLASSES

The chart below shows the Fund's returns over the main investment markets for the three and five year periods up to 31 March 2019.

The Fund is unable to report performance over the individual asset classes for the ten year period due to changes in the Fund's investment structure and benchmarks during that period.

FUND	THREE YEARS		FIVE YEARS	
	FUND %	BENCHMARK %	FUND %	BENCHMARK %
Fund	11.4	10.0	10.0	8.1
UK Equities	9.9	9.5	6.7	6.1
US Equities	17.8	17.1	14.5	15.8
European ex UK Equities	11.5	11.0	7.3	7.1
Japanese Equities	12.9	12.3	9.8	11.7
Pacific ex Japan Equities	17.0	13.8	12.5	10.6
Emerging Market Equities	16.9	14.8	11.9	9.3
Bonds	5.3	4.9	5.6	5.5
UK Gilts	1.2	3.6	5.2	5.5
Corporate Bonds	5.4	4.7	5.8	5.4
UK Index-Linked	10.5	9.1	11.1	9.9
Private Equity*	18.9	8.0	17.7	8.0
UK Property**	9.9	7.1	10.5	6.3
Global Property***	10.3	7.1	13.4	5.6
Infrastructure****	18.0	7.0	19.8	6.3

* The return for private equity is shown against an absolute return benchmark of 8% per annum net of fees.

** The benchmark for UK property is Retail Price Index plus 4% per annum.

*** The benchmark for global property assumes that an individual fund will deliver a zero return for the first three years to allow for J-curve. An absolute return benchmark of 8% per annum net of fees is then assumed.

**** The benchmark for infrastructure assumes that an individual fund will deliver a zero return for the first three years to allow for J-curve. An absolute return benchmark of 7% per annum net of fees is then assumed.

The returns from the various equity classes have been mixed but generally good over the three and five year periods.

Overall the Fund's equities and bonds have produced good returns and have added value at the total Fund level. However, the main driver to the Fund's good returns over the three and five years has been the alternatives programmes.

The private equity returns of 18.9% per annum for three years and 17.7% per annum for five years are ahead of the benchmark of 8.0%.

The UK property portfolio has performed well against its Retail Prices Index based benchmark over both the three year and five year periods.

Performance for the global property programme over three and five years remains strong against the absolute return based benchmark.

Returns for the infrastructure programme were significantly above the absolute return based benchmark for both the three and five year periods.

MANAGEMENT EXPENSES

The Chartered Institute of Public Finance and Accountancy (CIPFA) issues recommended accounting guidance on the production of the Pension Fund Report and Accounts. Best practice guidance is that Investment Management Expenses should not reflect fees and expenses that are incurred by underlying investment vehicles, invested in by other vehicles. The Fund has no control over these underlying investment vehicles, the costs of which CIPFA refers to as “Tier 2” fees and expenses.

This is typically seen in private market fund of fund investments. The figures included below under tier 2 fees have been calculated from information supplied by each of the Fund's investment managers.

CIPFA guidance is as the Fund has no overall control over “tier 2” expenses, they should be omitted from the Investment Management Expenses section included within the financial accounts of the Fund. Rather, they should be included for information purposes within this section of the Annual Report.

The table below shows both the Investment Management Expenses, as shown in the accounts, and the “Tier 2” fees and expenses excluded from the accounts.

31 March 2018 £m		Fund Account note	31st March 2019 £m
44.936	Investment Management Expenses	11	48.471
39.563	Tier 2 Fees and Expenses		30.656
84.499	Total Investment Management Expenses		79.127

The table shows that the “Tier 2” fees and expenses for 2018/19 are £30.656 million (£39.563 million for 2017/18). This gives an overall cost for Investment Management Expenses of £79.127 million for 2018/19 (£84.499 million for 2017/18). The decrease from the previous year relates almost entirely to the Fund's private market investments.

POOLING OF INVESTMENTS

During 2017/18 the Fund, along with eleven other local authority pension funds created an investment management company called Border to Coast Pensions Partnership Limited.

The intention over time is for this company to assume responsibility for the day to day management of the Fund's assets. This will include the appointment and monitoring of the performance of the external investment managers.

The Pension Fund will retain responsibility for setting the investment strategy and asset allocation and will monitor the performance of Border to Coast.

Set up costs have been shared between the twelve Border to Coast partner funds, including the Tyne and Wear Pension Fund. The set up phase commenced in late 2016/17 and came to an end in the first quarter of 2018/19. Border to Coast's investment operations commenced in July 2019.

The set up costs incurred in 2018/19 and since the start of the project are shown in the table below;

Set Up Costs	2018/19			Since Inception
	Direct £'000	Indirect £'000	Total £'000	Cumulative £'000
Recruitment	0	0	0	17
Legal	0	0	0	27
Procurement	0	0	0	36
Other Support Costs	0	0	0	2
Staff Costs	0	0	0	62
Other Costs	239	0	239	264
Total Set Up Costs	239	0	239	408

In addition to these setup costs there were share purchase costs for two classes of shares. A £1 Class A share was acquired by the Council's representing its ownership stake in Border to Coast, and is held at cost.

£833,000 of Class B shares were also acquired, representing the Fund's contribution to Border to Coast's regulatory capital requirement, as an investment company regulated by the Financial Conduct Authority. These Class B shares are treated as an investment.

As at the year end, there had only been one transition to Border to Coast, being UK equity assets previously managed by Mirabaud. This took place in November 2018. At the year end the assets under management at Border to Coast were valued at £368.7 million.

Whilst Border to Coast only became operational in 2018/19, and to date only one Tyne and Wear mandate has transitioned, the Fund has been able to deliver a reasonable level of savings since 2016 which can be attributable to the pooling initiative. These are largely the result of fee re-negotiations with investment managers. To date there are no fee savings from assets that have transferred to Border to Coast.

A significant proportion of the Fund's assets will transfer to Border to Coast in 2019/20 and over the following two years. The Fund's passively managed investments will remain outside of the pooling arrangement because the legal structure in which they are held (life policies) is considered to be the most cost effective currently available.

The Fund has, and will continue to benefit from collaborative procurement with other funds on these passive investments.

The Fund's investments in closed ended funds (private markets) will remain outside of the Fund for the remaining life of these investment vehicles. However, once Border to Coast has developed its capability and offering in private markets, new investments will be made through the pooling company.

The costs and savings which the Fund believes can be attributable to pooling since the inception of this initiative are shown in the table below. Where the Fund has budgeted for costs (either set up or operational) which relate to pooling and savings, these are also shown.

	2017/18				2018/19			
	Actual		Budget		Actual		Budget	
	In Year £'000	Since Inception Cumulative to date £'000	In Year £'000	Since Inception Cumulative to date £'000	In Year £'000	Since Inception Cumulative to date £'000	In Year £'000	Since Inception Cumulative to date £'000
Set up costs	144	169	450	450	239	408	0	450
Ongoing operational costs	0	0	0	0	949	949	936	936
Transition Costs	0	0	0	0	1,825	1,825	2,918	2,918
Fee Savings	-1,046	-1,404	-120	-240	-2,716	-4,120	-1,958	-2,198
Net cost/(saving)	-902	-1,235	330	210	297	-938	1,896	2,106

Although a net saving is shown in the table above, it is expected that there will be significant transition costs in the next few years, so that the net position is forecast to turn negative for a period.

The pooling proposal approved by Government in 2016 included a forecast of costs and savings. This showed that setup and transition costs were expected to be recovered over a six to seven year period. A reassessment of the position at the 2018/19 financial year end concluded that this remains the base case.

It should be noted that the Fund is likely to be making changes to its investment strategy in 2019/20, which will result in a movement of assets and transition costs. This activity will also take account of asset movements in relation to pooling.

A comparison of the performance and cost of investments held directly and through Border to Coast will be provided in the 2019/20 Annual Report. It is too early to provide such comparisons as at 31st March 2019.

INVESTMENT POLICIES

INVESTMENT PRINCIPLES

In 2008, HM Treasury introduced six Investment Principles that replaced the original ten Principles from the Myners Report in 2001.

The new Principles were launched in October 2008. HM Treasury and the Department for Work and Pensions jointly commissioned the Pensions Regulator to oversee an Investment Governance Group that was given the task of implementing the new Principles across all UK pension funds.

An Investment Governance Sub-Group for the Local Government Pension Scheme, which included representation from Government in what is now known as the Ministry of Housing, Communities and Local Government (MHCLG) and from the Chartered Institute of Public Finance and Accountancy (CIPFA), considered how the Scheme could fit with the new Principles.

The Pensions Panel of CIPFA issued MHCLG endorsed guidance on the key issues for compliance with the new Principles. This was published in mid December 2009 in a document called "Investment Decision-Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles".

At that time each administering authority was required by Regulation to set out in its Statement of Investment Principles the extent to which the authority's policy complies with the guidance. To the extent that it does not comply with the guidance, an authority must also give the reasons for that non-compliance in

its Statement. MHCLG stated that it would keep the guidance under review and would reissue it, as necessary, in the light of developments.

Whilst the Statement of Investment Principles has now been replaced by the Investment Strategy Statement and the requirement to state compliance no longer applies, the Fund has decided to continue to do this as it is considered to be best practice.

The Pensions Committee has benchmarked its practices and procedures against the guidance and has concluded that the Fund is compliant with the six Principles. The position is outlined below:

PRINCIPLE 1 – EFFECTIVE DECISION MAKING	The Fund has a governance structure and a Training Policy and Programme in place that ensures that: • Decisions are taken by persons with the skills, knowledge, advice and resources necessary to make them effectively and to monitor their implementation. • There is the necessary expertise to evaluate and challenge advice, and manage conflicts of interest.
PRINCIPLE 2 – CLEAR OBJECTIVES	Asset liability modelling, informed by the triennial valuation data and report, is applied to set an investment objective for the Fund that takes account of its liabilities, the potential impact on local tax payers, the strength of the covenant for non local authority employers, and the attitude to risk of the administering authority and employers. The outcome of the modelling and the resultant investment management strategy are clearly communicated to advisors and investment managers.
PRINCIPLE 3 – RISK AND LIABILITIES	The investment strategy takes account of the form and structure of liabilities. This includes the implications for local tax payers, the strength of covenant of employers, default risk and longevity risk.
PRINCIPLE 4 – PERFORMANCE ASSESSMENT	Arrangements are in place for the formal measurement of performance of the investments, investment managers and advisors. The Pensions Committee undertakes an annual assessment of its effectiveness as a decision-making body. It also assesses the effectiveness of its investment advisors and the Fund's Officers. The Local Pension Board also undertakes a similar assessment.
PRINCIPLE 5 – RESPONSIBLE OWNERSHIP	The Fund: • Has adopted and requires its investment managers to adopt the principles contained in the UK Stewardship Code. • Includes a statement on its policy on responsible ownership in its Investment Strategy Statement and Corporate Governance Policy. • Reports annually to members on the discharge of such responsibilities.
PRINCIPLE 6 – TRANSPARENCY AND REPORTING	The Fund's policy documents, in particular the Governance Compliance Statement, Communication Policy Statement and Investment Strategy Statement demonstrate how it: • Acts in a transparent manner, communicating with stakeholders on issues relating to the management of investment, its governance and risks, including performance against stated objectives. • Provides regular communication to members.

THE INVESTMENT STRATEGY STATEMENT

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, came into force on 1st November 2016, replacing the 2009 Regulations. The Regulations require the administering authority to prepare, maintain and publish an Investment Strategy Statement (ISS). This replaces the Statement of Investment Principles, which was a requirement under the previous Regulations.

The ISS sets out the decisions that have been taken on investment policies and describes the Fund's investments and investment strategy. The latest statement was approved by the Pensions Committee in June 2018. It may be viewed on the Fund's website at <http://www.twpf.info/CHttpHandler.ashx?id=32906&p=0>

The ISS provides evidence that administering authorities have considered the suitability of their Fund's investment policy and the approach to implementing the policy.

The Regulations require the ISS to cover the policy on the following areas:

- a requirement to invest money in a wide variety of investments
- the authority's assessment of the suitability of particular investments and types of investments
- the authority's approach to risk, including the ways in which risks are to be measured and managed
- the authority's approach to pooling investments, including the use of collective investment vehicles and shared services
- the authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments
- the authority's policy on the exercise of rights (including voting rights) attaching to investments

The Pensions Committee ensures that the ISS is updated annually, or more frequently if there are material changes to the Fund's arrangements.

CORPORATE GOVERNANCE AND VOTING

The Committee believes that good corporate governance and the informed use of voting rights are an integral part of the investment process that will improve the performance of the companies in which the Fund is invested.

The Fund's approach is set out in the Corporate Governance Policy which was most recently reviewed and approved by the Committee in November 2018.

The Policy may be viewed on the Fund's website at <http://www.twpf.info/CHttpHandler.ashx?id=12636&p=0>

Voting rights are regarded as an asset that needs managing with the same duty of care as any other asset. The use of these rights is essential to protect the interests of the organisations participating in and the beneficiaries of the Fund.

It is important that this process is carried out in an informed manner. For this reason, it is believed that the investment managers are best placed to undertake it.

Each manager is required to prepare a policy on corporate governance and on the use of voting rights.

This policy has to provide for:

- The approach towards UK quoted companies to take account of the principles contained in the UK Corporate Governance Code and the UK Stewardship Code.
- With regard to companies outside the UK, a manager to use its best efforts to apply the principles of the UK Stewardship Code. Other national or international standards must also be taken into account.
- The policy towards unquoted companies to be consistent with the approach adopted for quoted companies, to the extent that this is practicable.
- Voting rights to be exercised in a manner that establishes a consistent approach to both routine and exceptional issues, in order that company directors fully understand the manager's views and intentions.

Whilst the Committee requires each manager to exercise voting rights in accordance with their individual policy, it retains the right to direct the manager in respect of any particular issue. In particular, a manager must seek direction from the Fund when a conflict of interest arises and when the Fund is involved in a class action.

Each manager is required to:

- Report any changes to their policy to the Fund for approval.
- Provide quarterly reports that set out how their policy has been implemented and their voting record.

The Fund votes globally for its segregated equity holdings. The holdings in companies in pooled funds are voted where the manager makes this possible.

An analysis of the Fund's Global ex UK and UK only voting record (including pooled funds) for 2018/19 is shown below:

	GLOBAL EX UK	UK ONLY
Annual General Meetings	2,604	735
Extraordinary General Meetings	633	159
Resolutions	38,506	13,074
Votes For	32,446	12,541
Votes Against	5,893	527
Abstentions	138	6
Votes Not Cast	29	0

The table shows that the Fund supported management on the majority of resolutions.

A resolution was opposed or there was an abstention on 6,564 occasions. The most common reasons for this were:

- The lack of independence of non-executive directors and the length of directors' contracts.
- Overly generous executive compensation packages for mediocre performance.
- Concerns about a reduction in shareholders' rights, such as the issue of new shares without pre-emptive rights and an increase in authorised capital weakening current holdings.
- Concerns over the resolutions being proposed by shareholders.
- Concerns on plans to buy or merge with competitors.

The table shows that there were 29 resolutions where votes were not cast.

For 19 of these resolutions, the votes were not cast as the country practice requires the holdings to be re-registered prior to voting. Shareholders are reluctant to vote due to the time taken to re-register shares which may result in these shares being unavailable for sale.

For a further 8 of these resolutions, the votes were not cast due to a practice called share-blocking. This is where shares cannot be sold until after the annual meeting if a vote has been cast by a shareholder. Therefore, shareholders are understandably reluctant to vote on non-contentious issues if this will prevent them from selling at any time.

Those resolutions not voted for share-blocking or re-registration reasons remain subject to review before a decision is taken on whether to vote. It should be noted that these practices do not occur in the UK and are diminishing elsewhere.

Both of the remaining two cases are where shareholders had to choose between various slates of director candidates at Italian companies. Upon selecting one slate, shareholders automatically cannot vote on the others.

The Fund is a member of the Local Authority Pension Fund Forum. This is a voluntary association of seventy six local authority pension funds that exists to promote the investment interest of the funds, and to maximise influence as shareholders in promoting corporate social responsibility and high standards of corporate governance among the companies invested in.





RESPONSIBLE INVESTMENT

The Fund's Investment Strategy Statement and Corporate Governance Policy cover the extent to which social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

This is an important issue and the Fund takes its responsibility in this area very seriously.

The active managers are required to include consideration of these issues as an integral part of their investment process and corporate governance policy and to act accordingly where such issues may have a financial impact on investment.

Part of the Fund's assets is invested on a passive basis. The passive manager is not required to take account of such issues in the selection, non-selection, retention and realisation of investments but is required to consider them in its corporate governance policy and to act accordingly where these may have a financial impact on investment.

The managers are required to report on the implementation of this policy in their quarterly performance report. The subject is regularly covered in meetings with managers.

POOLING OF INVESTMENTS

The pooling arrangement with Border to Coast Pensions Partnership Limited has provided an opportunity for the Fund to strengthen its approach to Responsible Investment.

Border to Coast has approved and published its Responsible Investment Policy and a Corporate Governance and Voting Guidelines, which together describe the high level policy framework within which it will operate. Both documents have been drawn up after reviewing the policies of each of the twelve partner funds investing in Border to Coast as well as examples of best practice elsewhere. They reflect the highest standards across each fund, and seek to raise existing standards through the more effective use of collective resources.

The Responsible Investment Policy and a Corporate Governance and Voting Guidelines are consistent with the Fund's Corporate Governance Policy and approach to social, environmental and corporate governance issues more generally.

From the perspective of the Fund, the most obvious benefit and difference will be the additional resource within Border to Coast. This is a significant positive given that these issues are increasing in importance. An external engagement and proxy voting advisor is likely to be appointed to assist in this area.

Border to Coast will appoint external managers to manage the Fund's assets, but will exercise rights on investments, including voting shares, rather than delegating this function to the investment managers.

The Fund's Corporate Governance Policy will be updated to reflect pooling arrangements as they are implemented. Asset transfers commenced during 2018/19.

FINANCIAL STATEMENTS

FUND ACCOUNT FOR THE YEAR ENDED

31st March 2018 £m		Note	31st March 2019 £m
	Dealings With Members, Employers and Others Directly Involved in the Fund		
(344.866)	Contributions	7	(254.754)
(13.209)	Transfers In from Other Pension Funds	8	(8.387)
(358.075)			(263.141)
286.251	Benefits Payable	9	303.449
22.271	Payments To and On Account of Leavers	10	8.909
308.522			312.358
(49.553)	Net (additions)/withdrawals from dealings with members		49.217
48.660	Management Expenses	111	53.242
(0.893)	Net (additions)/withdrawals including fund management expenses		102.459
	Returns on Investments		
(88.872)	Investment Income	12	(88.112)
0.778	Taxes on Income	12	0.340
(234.857)	Profits on Disposal of Investments and Changes in the Market Value of Investments	14b	(528.261)
(322.951)	Net Returns on Investments		(616.033)
(323.844)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(513.574)
7,950.644	Net Assets of the Fund at 1 April		8,274.488
8,274.488	Net Assets of the Fund at 31 March		8,788.062

NET ASSETS STATEMENT FOR THE YEAR ENDED

31st March 2018 £m		Note	31st March 2019 £m
8,282.188	Investment Assets	12a	8,780.625
(8.371)	Investment Liabilities	12a	(6.845)
8,273.817	Total Net Investments		8,773.780
23.056	Current Assets	15	22.758
(22.385)	Current Liabilities	15	(8.476)
8,274.488	Net Assets of the Fund Available to Fund Benefits as at 31 March		8,788.062

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Fund. They do not take account of obligations to pay pensions and benefits that fall due after the year end. The actuarial position of the Fund, which does take account of such obligations, is dealt with in a statement prepared by the Actuary on pages 81 and 82.

The actuarial present value of promised retirement benefits is disclosed at Note 26 which has been compiled under IAS26 and, as such, is based on different assumptions.

We certify that the financial statements along with the notes to the financial statements for the year ended 31 March 2019 set out in pages 52 to 83 present fairly the financial position of the Tyne and Wear Pension Fund as at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.



Ian Bainbridge
Head of Pensions
September 2019



Stuart Reid
Corporate Director Business and Resources
(Section 151 Officer)
September 2019

The financial statements were approved by the Pensions Committee at its meeting on 26th September 2019.



Councillor Eileen Leask
Chair of the Pensions Committee



NOTES TO THE TYNE AND WEAR PENSION FUND FINANCIAL STATEMENTS

1. DESCRIPTION OF THE TYNE AND WEAR PENSION FUND

a) General

The Tyne and Wear Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by South Tyneside Council ('the Council').

It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the Council, four other local authorities within the Tyne and Wear area, scheduled bodies and admitted employers in the Fund. Teachers, police officers and fire fighters are not included as they come within other national pension schemes.

These benefits include retirement pensions, early payment of benefits on medical grounds and the payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1 April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index (CPI).

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The LGPS Regulations 2013 (as amended).
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).
- The LGPS (Management and Investment of Funds) Regulations 2016.

b) Pensions Committee

The Council has delegated the management of the Fund to the Pensions Committee (the Committee) which decides on the investment policy most suitable to meet the liabilities of the Fund and has ultimate responsibility for the investment policy.

The Committee takes advice from the Fund's officers, investment advisor, investment managers and the actuary.

The Committee has eighteen members. The Council nominates eight members and the other four councils within the County area nominate one member each. The trades unions and the employers collectively nominate three members each, who sit on the Committee in an advisory capacity.

c) Local Pension Board

The Council has established a Local Pension Board to assist with the effective and efficient management of the Fund. The Board consists of eight voting members, four member representatives and four employer representatives.

d) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside of the Scheme.

Employers participating in the Tyne and Wear Pension Fund include:

- Scheduled bodies, which are local authorities or similar bodies whose staff are automatically entitled to be members of the Fund, and
- Admitted bodies, which are organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary and charitable organisations and private contractors that are undertaking a local authority function following an outsourcing to the private sector.

The membership numbers of the Fund are summarised below. Further details on membership are available within this Annual Report:

	31 March 2018	31 March 2019
Number of Employers Within the Fund	260	265
Number of Employees in Fund		
South Tyneside Council	3,738	4,093
Other Employers	41,727	41,835
Total	45,465	45,928
Number of Pensioners		
South Tyneside Council	5,039	5,178
Other Employers	42,448	44,373
Total	47,487	49,551
Deferred Pensioners		
South Tyneside Council	4,452	4,380
Other Employers	36,631	37,108
Total	41,083	41,488

e) Funding

The Fund is financed by contributions from employees, the Council and all other employers within the Fund, as well as from capital growth and interest and dividends on the Fund's investments. Contributions from active members of the Fund are set in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2019. Employers pay contributions based on triennial funding valuations carried out by the Fund's Actuary. The last valuation was at 31 March 2016, with the next being undertaken as at 31 March 2019.

f) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table.

	SERVICE PRE 1 ST APRIL 2008	SERVICE POST 31 ST MARCH 2008
PENSION	Each year worked is worth 1/80th x final pensionable salary.	Each year worked is worth 1/60th x final pensionable salary.
LUMP SUM	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is re-rated annually in line with the Consumer Prices Index. There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

g) Investment Strategy Statement

The LGPS (Management and Investment of Funds) Regulations 2016 require an administering authority to prepare and review from time to time a written statement recording the investment policy of a fund.

The Committee approved the Investment Strategy Statement at its meeting in June 2018. This can be viewed on the Fund's website using the link below.

<http://www.twpf.info/CHttpHandler.ashx?id=32906&p=0>

The Committee has delegated the management of the Fund's investments to external investment managers (see note 18) which are appointed in accordance with the LGPS (Management and Investment of Funds) Regulations 2016. The managers' activities are specified in investment management agreements and are monitored on a quarterly basis.

2. BASIS OF PREPARATION

The financial statements summarise the Fund's transactions for the financial year 2018/19 and its position as at 31 March 2019. The accounts have been prepared following the "Code of Practice on Local Authority Accounting in the United Kingdom 2018/19" (The Code), which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take into account obligations to pay pensions and benefits payable after the end of the financial year.

The accounts have been prepared on a going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts have been prepared on an accruals basis. The exception to this practice is Transfer Values which are recognised when cash is transferred.

Fund Account – Revenue Recognition

a. Contribution Income

Normal contributions, from both members and employers, are accounted for on an accruals basis in the payroll period for which they relate. The percentage rate payable by the employers is determined by the Actuary, whilst the rate payable by employees is set within the LGPS Regulations. Contributions due as at 31 March 2019 have been accrued.

Employer deficit funding contributions are accounted for on the due dates set by the Actuary or on receipt if earlier than this date.

Employer strain on the fund and any augmentation contributions are accounted for in the period in which the liability arises. Any amount due in the year but still outstanding at the year-end has been accrued.

b. Transfer Values

Transfer values represent the amounts receivable or payable in respect of members who have either joined or left the Fund during the financial year. These have been calculated in accordance with the LGPS Regulations 2013.

Individual transfers either in or out have been accounted for in the period in which they were paid or received.

Transfers in from members wishing to use the proceeds from their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis within Transfers In.

Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c. Investment Income

Interest Income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition.

Dividend Income

Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received at the year-end is disclosed in the Net Assets Statement as a current financial asset.

Distributions from Pooled Funds

Distributions from pooled funds are recognised on the date of issue. Any amount not received at the year-end is disclosed in the Net Assets Statement as a current financial asset.

Property related Income

Property related income consists primarily of rental income.

Rental income from operating leases on properties owned by the Fund is recognised on a straight line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the rental income over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

Movement in the Net Market Value of Investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

d. Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e. Taxation

The Fund is a registered public sector scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Any tax that is irrecoverable is accounted for as a fund expense as it arises.

f. Management Expenses

The Fund discloses its pension fund management expenses in accordance with CIPFA guidance "Accounting for Local Government Pension Scheme Management Expenses (2016)."

Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staffing costs associated with oversight and governance are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment Management Expenses

Investment management expenses payable as at 31 March 2019 have been accrued. Performance related fees, where applicable, have not been accrued at that date as they are not deemed to be earned until the end of the performance period when they are calculated and agreed.

Net Assets Statement

g. Financial Assets

Investment in Border to Coast Ltd

The Funds shareholding in BCPP Ltd comprises Class A and B shares and these are valued at transaction cost. The Class A share is valued at £1 and reflects the ownership stake in the company, whilst the Class B shares represent the Funds contribution to the company's regulatory capital requirement.

All other financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes a party to the purchase of the asset. From this date, any gains and losses arising from changes in the fair value of assets are recognised in the Fund Account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see note 12). For the purposes of disclosing levels of fair value hierarchy, the Fund has used the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h. Freehold and Leasehold Properties

Properties are shown as valued at the year-end date. The valuers are Fellows of the Royal Institute of Chartered Surveyors from Savills. No depreciation is provided on freehold buildings or long leasehold properties, in accordance with The Royal Institute of Chartered Surveyors Valuation Standards 9th Edition.

i. Foreign Currency Transactions

Foreign income received during the year has been converted into Sterling at the exchange rate at the date of transaction. Amounts outstanding at the year-end have been valued at the closing exchange rates at the year-end date.

End of year investment and foreign currency balances have been converted into Sterling at the closing exchange rates at the year-end date.

j. Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

k. Outstanding Commitments

The Fund has made commitments to investments which are not included in the accounts of the Fund until the monies have been drawn down by the relevant manager. These are shown in note 23.

l. Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and also includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in their valuations.

m. Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and other relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement. (Note 26)

n. Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVCs) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed The Prudential Assurance Company as its current AVC provider. AVCs are paid to The Prudential Assurance Company by employers and are specifically for providing additional benefits for the individual contributors. Each AVC contributor receives an annual statement showing the value of their account and any movements during the year.

In accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, AVCs are not included in the accounts but are disclosed only as a note. (Note 17)

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Directly held property Valuation

The Fund's UK property is included at a value derived by the valuers based on assumptions made by them in accordance with The Royal Institute of Chartered Surveyors Valuation Standards 9th Edition. The actual valuation of each property will only be known when the Fund sells the property on the open market.

Unquoted Private Investments

Private investments such as private equity, infrastructure, global property and private debt are valued at fair value in accordance with guidelines issued by the British Venture Capital Association. These are based on the Private Equity Valuation Guidelines in the US and the International Private Equity and Venture Capital Valuation Guidelines outside the US as adopted by the British Venture Capital Association in the UK and the valuation principles of IFRS and US GAAP.

As none of these are publicly listed, there is some estimation involved in the valuation, the total of which will only be completely known on the sale of the asset. As a result, there is a risk that current valuations may be under or over stated in the accounts.

Pension Fund Liability

The pension fund liability is calculated every three years by the appointed actuary. Assumptions underpinning the valuations are agreed with the actuary. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Statement of Accounts contains estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. As actual results cannot be predicted with certainty, they could be materially different from the assumptions and estimates.

The items in the Net Assets Statement at 31 March 2019 for which there is significant risk of material adjustment in the forthcoming year are as follows:

ITEM	UNCERTAINTIES	EFFECT IF ACTUAL RESULTS DIFFER FROM ASSUMPTIONS
PRIVATE EQUITY, INFRASTRUCTURE AND GLOBAL PROPERTY (NOTE 14 AND NOTE 18)	Private equity, infrastructure, global property and private debt investments are based on valuations provided by the manager of the funds in which the Fund has invested. These are based on the Private Equity Valuation Guidelines in the US and the International Private Equity and Venture Capital Valuation Guidelines outside the US as adopted by the British Venture Capital Association in the UK and the valuation principles of IFRS and US GAAP. These investments are not publicly listed and as such there is a degree of estimation in their valuation.	The Fund has a total of £614.227million included for private equity, £204.943million for infrastructure, £335.728million for global property investments and £199.714 million for private debt. Based on the sensitivity numbers included in note 13 there is a possibility that this could be under or over stated in the accounts by £82.306 million, £19.675 million, £34.244 million and £11.983million respectively.
ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS (NOTE 26)	Estimation of the net liability to pay pensions depends on a number of judgements, for example in relation to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected returns on pension fund assets. The Fund employs an Actuary to provide expert advice on these assumptions.	The judgements mentioned are all under review. Therefore there is a possibility that the valuation of £8,657.300 million in Note 25 for the "actuarial present value of the promised retirement benefits" could be under or overstated.
FREEHOLD AND LEASEHOLD PROPERTY	Valuation techniques are used to determine the carrying amount of directly held freehold, leasehold and residential property. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the value of property.	Based on the sensitivity number included in note 13 there is a possibility that the fair value for property of £408.925 million could increase or decrease by £14.721 million. Similarly residential property held in funds totalling £32.277 million could increase or decrease by £1.162 million

6. EVENTS AFTER THE REPORTING DATE

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

There has been no such event that needs to be reported.

7. CONTRIBUTIONS

31st March 2018		31st March 2019		
£m	£m	By Category	£m	£m
	(53.781)	Employees' contributions		(55.315)
		Employers' contributions		
(147.929)		Normal contributions	(153.577)	
(143.156)		Deficit recovery contributions	(45.862)	
	(291.085)	Total employers' contributions		(199.439)
	(344.866)	Total Contributions Receivable		(254.754)

The contributions can be analysed by type of member body as follows:

31st March 2018 £m	By Authority	31st March 2019 £m
(40.197)	South Tyneside Council (Administering Authority)	(16.866)
(186.269)	Other Metropolitan Councils	(121.546)
(79.041)	Other Part 1 Scheduled Bodies	(72.315)
(8.142)	Part 2 Scheduled Bodies	(13.212)
(31.217)	Admitted Bodies	(30.815)
(344.866)	Total Contributions Receivable	(254.754)

8. TRANSFERS IN FROM OTHER PENSION FUNDS

31st March 2018 £m	By Category	31st March 2019 £m
(13.209)	Individual Transfers	(8.387)
(13.209)	Total Transfers in From Other Pension Funds	(8.387)

There was no group transfers payments received during 2017/18 or 2018/19.

A group of employees, deferred and actual pensioners transferred to the Fund from Worcestershire Pension Fund during the 2014/15 financial year, in relation to the transfer of Kidderminster College to Newcastle College.

Similarly a group of employees, deferred and actual pensioners transferred to the Fund from Cumbria Pension Fund during the 2017/18 financial year, in relation to the transfer of Carlisle College to Newcastle College

A further group of employees, deferred members and actual pensioners transferred to the Fund from Northumberland County Council Pension Fund during March 2019, in relation to the transfer of Northumberland College to Sunderland College.

The Fund at this time does not have a value for the assets to be transferred and has therefore not included an amount in the accounts accordingly.

9. BENEFITS PAYABLE

31st March 2018 £m	By Category	31st March 2019 £m
242.172	Pensions	254.476
48.531	Commutations and Lump Sum Retirement Benefits	51.310
5.936	Lump Sum Death Benefits	8.025
(10.388)	Recharges Out	(10.362)
286.251	Total Benefits Payable	303.449

The recharges out figure relates to pension enhancements approved by employers over the years which the Fund pays on the employers' behalf and reclaims on a regular basis from the employer. Details of the payments made can be found in note 17.

The payments can be analysed by type of member body as follows:

31st March 2018 £m	By Authority	31st March 2019 £m
27.411	South Tyneside Council (Administering Authority)	27.637
170.117	Other Metropolitan Councils	181.583
46.886	Other Part 1 Scheduled Bodies	50.634
9.248	Part 2 Scheduled Bodies	9.998
32.589	Admitted Bodies	33.597
286.251	Total Benefits Payable	303.449

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31st March 2018 £m	By Category	31st March 2019 £m
19.459	Individual Transfers to Other Schemes	8.285
0.565	Refunds to Members Leaving Service	0.625
2.201	Group Transfers	0.000
0.046	State Scheme Premiums	(0.001)
22.271	Payments to and on Account of Leavers	8.909

There was a group transfer of some staff from Newcastle College to Manchester College totalling £2.201 million during 2017/18. There was no group transfer out of the Fund during 2018/19.

11. MANAGEMENT EXPENSES

Office expenses and other overheads have also been charged. The table below shows a breakdown of the management expenses incurred during the year:

31st March 2018 £m		31st March 2019 £m
2.686	Administrative Costs	2.738
44.936	Investment Management Expenses	48.471
1.038	Oversight and Governance Costs	2.033
48.660	Management Expenses	53.242

This analysis of the costs of managing the Fund during the period has been prepared in accordance with CIPFA guidance, "Accounting for Local Government Pension Scheme Management Expenses (2016)."

The investment management expenses can be further analysed as follows:

31st March 2018 £m		31st March 2019 £m
20.630	Management and Custody Fees	22.517
9.003	Performance Fees	11.821
11.666	Expenses charged within pooled vehicles	8.704
3.637	Transaction Costs	5.429
44.936	Investment Management Expenses	48.471

While Management Fees include costs relating to the management of directly held property they do not include costs relating to the property portfolio which under IAS 40 "Investment Property" should be capitalised and not expensed.

12. INVESTMENT INCOME

31st March 2018 £m		31st March 2019 £m
(45.912)	Income from Equities	(41.921)
(1.722)	Income from Bonds	(1.983)
(19.620)	Property Rents (Further breakdown in note below)	(20.571)
(19.419)	Pooled Investments - Unit Trusts and other managed funds	(21.378)
(1.540)	Interest on Cash Deposits	(1.925)
(0.659)	Other	(0.334)
(88.872)	Total before taxes	(88.112)
0.778	less Non-recoverable Tax	0.340
(88.094)	Total Investment Income	(87.772)



NET RENTS FROM PROPERTIES

Net rents from properties can be analysed further, as follows:

31st March 2018 £m		31st March 2019 £m
(19.558)	Rental Income	(20.461)
(0.062)	Direct Operating Expenses/(Income)	(0.110)
(19.620)	Net Income	(20.571)

The above disclosures have been reduced by a credit loss allowance of 5% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This is based on the Fund's own historic experience and from advice from the Fund's property manager based on their experience from similar properties.

13. INVESTMENTS

31st March 2018 £m		31st March 2019 £m
	Investment Assets	
	With Border to Coast	
0.000	Equities	369.690
	Without Border to Coast	
65.921	Bonds	95.835
1,705.179	Equities	1,034.751
80.233	Index-Linked Securities	70.204
5,771.295	Pooled Investment Vehicles	6,693.790
366.230	Properties	408.925
1.066	Derivative Contracts	1.676
276.564	Cash Deposits	94.006
15.700	Other Investment Balances	11.748
8,282.188	Total Investment Assets	8,780.625
	Investment Liabilities	
(2.580)	Derivative Contracts	(2.166)
(5.791)	Other Investment Balances	(4.679)
(8.371)	Total Investment Liabilities	(6.845)
8,273.817	Net Investment Assets	8,773.780

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

2018/19	Market value 1st April 2018 £m	Purchases at Cost & Derivative Payments £m	Sales Proceeds & Derivative Receipts £m	Change in Market Value During the Year £m	Market Value 31st March 2019 £m
Bonds	65.921	351.451	(322.855)	1.318	95.835
Equities	1,705.179	820.571	(1,187.313)	66.004	1,404.441
Index-Linked Securities	80.233	178.430	(193.017)	4.558	70.204
Pooled Investment Vehicles	5,771.295	880.169	(398.998)	441.324	6,693.790
Properties	366.230	37.389	-	5.306	408.925
Derivative Contracts	(1.514)	5.602	(9.933)	5.355	(0.490)
	7,987.344	2,273.612	(2,112.116)	523.865	8,672.705
Cash Deposits	276.564	-	(187.302)	4.744	94.006
Other Investment Balances	9.909	2.174	(4.666)	(0.348)	7.069
Total investments	8,273.817	2,275.786	(2,304.084)	528.261	8,773.780

2017/18	Market value 1st April 2017 £m	Purchases at Cost & Derivative Payments £m	Sales Proceeds & Derivative Receipts £m	Change in Market Value During the Year £m	Market Value 31st March 2018 £m
Bonds	55.122	252.471	(240.339)	(1.333)	65.921
Equities	2,256.412	714.701	(1,348.568)	82.634	1,705.179
Index-Linked Securities	87.459	221.314	(229.724)	1.184	80.233
Pooled Investment Vehicles	5,018.045	1,034.001	(422.681)	141.930	5,771.295
Properties	340.300	31.947	(35.225)	29.208	366.230
Derivative Contracts	(1.242)	7.911	(2.384)	(5.799)	(1.514)
	7,756.096	2,262.345	(2,278.921)	247.824	7,987.344
Cash Deposits	169.341	119.842	-	(12.619)	276.564
Other Investment Balances	8.647	6.677	(5.067)	(0.348)	9.909
Total investments	7,934.084	2,388.864	(2,283.988)	234.857	8,273.817

31st March 2018 £m		31st March 2019 £m
	Bonds	
65.921	UK Public Sector	83.882
0.000	Sterling Non-UK Public Sector	11.953
65.921	Total Bonds	95.835
	Equities	
734.288	UK Quoted	398.677
0.000	UK Unquoted	0.833
689.029	Overseas Quoted	777.118
281.862	Overseas Unquoted	227.813
1,705.179	Total Equities	1,404.441
	Index-Linked Securities	
80.233	UK Public Sector	68.810
0.000	Sterling Non-UK Public Sector	1.394
80.233	Total Index-Linked Securities	70.204
	Pooled Investment Vehicles	
0.287	Unit Trusts	0.299
4,122.476	Unitised Insurance Policies	4,253.898
1,648.532	Other Managed Funds	2,439.593
5,771.295	Total Pooled Investment Vehicles	6,693.790
	Properties	
359.330	Freehold	408.925
6.900	Long Leasehold	0.000
366.230	Total Properties	408.925
	Derivative Contracts	
(1.514)	Forward Foreign Currency Contracts	(0.492)
0.000	Futures	0.002
(1.514)	Total Derivative Contracts	(0.490)
	Cash Deposits	
179.777	Sterling	79.753
96.787	Foreign Currency	14.253
276.564	Total Cash Deposits	94.006
	Other Investment Balances	
5.021	Outstanding Trades	0.839
8.615	Outstanding Dividends & Tax Recoveries	8.261
2.064	Debtors	2.648
(5.791)	Creditors	(4.679)
9.909	Total Other Investment Balances	7.069
8,273.817	Total Investments	8,773.780

14. FINANCIAL INSTRUMENTS

a. Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The table below analyses the carrying amounts of financial assets and liabilities. The tables also include current assets and liabilities which are not included in note 13 above. No financial assets have been reclassified during the financial year.

31st March 2018				31st March 2019		
Designated as Fair Value Through Profit and Loss £m	Loans and Receivables £m	Financial Liabilities at Amortised Cost £m		Designated as Fair Value Through Profit and Loss £m	Loans and Receivables £m	Financial Liabilities at Amortised Cost £m
			Financial Assets			
65.921	0.000	0.000	Bonds	95.835	0.000	0.000
1,705.179	0.000	0.000	Equities	1,404.441	0.000	0.000
80.233	0.000	0.000	Index-Linked Securities	70.204	0.000	0.000
5,771.295	0.000	0.000	Pooled Investment Vehicles	6,693.790	0.000	0.000
1.066	0.000	0.000	Derivative Contracts	1.676	0.000	0.000
366.230	0.000	0.000	Properties	408.925	0.000	0.000
0.000	276.564	0.000	Cash Deposits	0.000	94.006	0.000
0.000	13.636	0.000	Other Investment Balances	0.000	9.100	0.000
0.000	25.120	0.000	Debtors	0.000	25.406	0.000
7,989.924	315.320	0.000	Total Financial Assets	8,674.871	128.512	0.000
			Financial Liabilities			
(2.580)	0.000	0.000	Derivative Contracts	(2.166)	0.000	0.000
0.000	0.000	0.000	Other Investment Balances	0.000	0.000	0.000
0.000	0.000	0.000	Borrowings	0.000	0.000	0.000
0.000	0.000	(28.176)	Creditors	0.000	0.000	(13.155)
(2.580)	0.000	(28.176)	Total Financial Liabilities	(2.166)	0.000	(13.155)
7,987.344	315.320	(28.176)	Total Assets	8,672.705	128.512	(13.155)

b. Net Gains and Losses on Financial Instruments

31st March 2018 £m		31st March 2019 £m
	Financial Assets	
249.157	Fair Value Through Profit and Loss	528.609
	Financial Liabilities	
(14.300)	Fair Value Through Profit and Loss	(0.348)
234.857	Total	528.261

c. Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments carried at fair value has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments are level 1 where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Assets in this level are comprised of quoted equities, quoted fixed interest securities, quoted index linked securities and unit trusts. Also included within this level are receivables and liabilities where the amount is known even where these are not quoted on active markets.

Listed investments are shown at bid prices. The bid value is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available, for example where valuation techniques are used to determine fair value and where the techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the value on the instrument is not based on observable market data.

Such instruments represent the Fund's private market investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Within this level are UK property valued independently by professional valuers' and instruments which represent the Fund's private market investments. These are valued using various valuation techniques that require significant judgement in determining assumptions. The Fund's private markets investments include private equity, private real estate, private infrastructure funds and private debt.

The values of the investments in private market funds are based on valuations provided by the investment manager of the funds in which the Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Guidelines and the valuation principles of IFRS and US GAAP. Valuations are undertaken using a mixture of a 31st March 2019 valuation and a 31st December 2018 valuation adjusted for cash flows and rolled forward to 31st March 2019 as appropriate.

The following table provides an analysis of the financial assets and liabilities of the Fund into levels 1 to 3 at fair value.

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Value at 31st March 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	1,367.667	5,523.360	1,374.919	8,265.946
Non-financial assets through Profit a Loss	0.000	0.000	408.925	408.925
Loans and Receivables	128.512	0.000	0.000	128.512
Total Financial Assets	1,496.179	5,523.360	1,783.844	8,803.383
Financial Liabilities				
Financial Liabilities at Fair Value Through Profit and Loss	0.000	(2.166)	0.000	(2.166)
Financial Liabilities at Amortised cost	(13.155)	0.000	0.000	(13.155)
Total Financial Liabilities	(13.155)	(2.166)	0.000	(15.321)
Net Financial Assets	1,483.024	5,521.194	1,783.844	8,788.062

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Value at 31st March 2018	Level 1 restated * £m	Level 2 restated * £m	Level 3 restated * £m	Total restated * £m
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	1,598.386	5,002.170	1,023.138	7,623.694
Non-financial assets through Profit and Loss	0.000	0.000	366.230	366.230
Loans and Receivables	315.320	0.000	0.000	315.320
Total Financial Assets	1,913.706	5,002.170	1,389.368	8,305.244
Financial Liabilities				
Financial Liabilities at Fair Value Through Profit and Loss	0.000	(2.580)	0.000	(2.580)
Financial Liabilities at Amortised cost	(28.176)	0.000	0.000	(28.176)
Total Financial Liabilities	(28.176)	(2.580)	0.000	(30.756)
Net Financial Assets	1,885.530	4,999.590	1,389.368	8,274.488

Reconciliation of Fair Value Measurement within Level 3

2018/19	Market value 1st April 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains (losses)	Realised gains (losses)	Market value 31st March 2019
Asset type	£m	£m	£m	£m	£m	£m
Private Equity	522.369	161.693	(196.605)	40.860	73.107	601.424
Investment in BCPP	0.000	0.833	0.000	0.000	0.000	0.833
Infrastructure	141.073	55.031	(17.550)	21.351	5.038	204.943
Global Property	343.424	38.857	(84.366)	33.000	4.813	335.728
UK Residential Property	16.272	17.486	(0.835)	(0.646)	0.000	32.277
UK Direct Property	366.230	37.389	0.000	5.306	0.000	408.925
Private Debt	0.000	188.011	(1.990)	13.693	0.000	199.714
Total	1,389.368	499.300	(301.346)	113.564	82.958	1,783.844

Sensitivity of assets valued at level 3

In consultation with its performance and risk advisors, the Fund has carried out an analysis of historic data and current movements in expected investment returns during the financial year. It has been determined that the asset values are likely to be accurate to within the following ranges and the Fund has set out below the consequent potential impact on the closing values of investments held at 31 March 2019.

Asset Type	Assessed Valuation Range (+/-)	Value at 31st March 2019	Value on increase £m	Value on decrease £m
Private Equity	13.4	601.424	682.015	520.833
Investment in BCPP	0.0	0.833	0.833	0.833
Infrastructure	9.6	204.943	224.618	185.268
Global property	10.2	335.728	369.972	301.484
Private Debt	6.0	199.714	211.697	187.731
UK Residential Property	3.6	32.277	33.439	31.115
UK Direct Property	3.6	408.925	423.646	394.204
Total		1,783.844	1,946.220	1,621.468

15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's investment objective is:

- To invest in assets of appropriate liquidity to produce income and capital growth that, together with employer and employee contributions, will meet the cost of benefits; and
- To keep contributions as low and as stable as possible through effective management of the assets.

The Fund's primary long term risk is that it will be unable to meet its liability to pay the promised benefits to members from the assets that it holds.

Therefore, the Fund seeks to maximise the investment return, whilst minimising the risk of loss. There is a well-diversified investment structure in place that aims to reduce the risks arising from price, interest rate and currency movements, from manager risk and from credit risk, to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there are sufficient funds to meet the forecast cash flows.

The Pensions Committee is responsible for the management of risk. A summary of the approach to monitoring and controlling risk is set out in the Statement of Investment Principles.

The analysis in the tables in this section is on a "look through" basis. This differs from the analysis in note 13 which is compiled under accounting standards.

Market Risk

Market risk is the risk of loss from changes to equity prices, interest rates, foreign exchange rates and credit spreads. The Fund is exposed to this risk through its investment activities, particularly through its equity holdings.

The objective of the Fund's risk management process is to identify, manage and control market risk exposure within acceptable parameters, whilst maximising the return on investment.

In general, the Fund manages excessive volatility in market risk by diversifying the portfolio in terms of geographic and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Risk on individual securities may also be managed by the use of equity futures and exchange traded options contracts at individual investment manager level.

Other Price Risk

Other price risk is the risk that the value of an investment will change as a result of changes in market prices, whether these changes are caused by factors specific to the individual investment or its issuer or to other factors that affect all such instruments in the market.

The Fund is exposed to share and derivative price risk arising from investments held for which the future price is uncertain. All investments present a risk of loss of capital which is limited, in general, to the fair value amount carried in the Fund's accounts, with the exception of any share sold "short" where the potential loss is unlimited.

Investment managers manage this risk on behalf of the Fund through diversification and selection of securities and other financial instruments. Each manager's process and portfolio is monitored by the Fund to ensure it is within the limits specified in their management agreement.

Other Price Risk – Sensitivity Analysis

In consultation with its performance and risk advisors, the Fund has carried out an analysis of historic data and movements in expected investment returns during the financial year. It has been determined that the following movements in market price risk are reasonably possible for the 2019/20 financial year. The equivalent movements from 2018/19 are also shown.

Asset Type	Potential Market Movements (+/-) reported in 2018/19 %	Potential Market Movements (+/-) reported in 2019/20 %
UK Equities	9.3	9.3
Overseas Equities	11.7	11.3
Global Equities	10.3	10.1
UK Bonds	6.5	6.3
Overseas Bonds	13.6	13.1
Index-Linked Securities	12.8	12.4
UK Property	3.5	3.6
Overseas Property	10.7	10.2
Private Equity	12.0	13.4
Infrastructure Funds	10.6	9.6
Private Debt	0.0	6.0
Cash	0.0	0.0

The potential price changes highlighted above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign exchange rates and interest rates, remain unchanged.

Had the market price of the Fund's investments increased or decreased in line with the above table, the change in the net assets available to pay benefits is as shown in the table below. The comparable figures for the previous year are also shown.

Asset Type	Value at 31st March 2019 £m	Percentage Change %	Value on Increase £m	Value on Decrease £m
UK Equities	1,765.932	9.3	1,930.164	1,601.700
Overseas Equities	2,579.141	11.3	2,870.584	2,287.698
Global Equities	819.083	10.1	901.810	736.356
UK Bonds	1,424.625	6.3	1,514.376	1,334.874
Overseas Bonds	82.087	13.1	92.840	71.334
Index-Linked Securities	180.680	12.4	203.084	158.276
UK Property	441.202	3.6	457.085	425.319
Overseas Property	335.728	10.2	369.972	301.484
Private Equity	614.227	13.4	696.533	531.921
Infrastructure	204.943	9.6	224.618	185.268
Private Debt	199.714	6.0	211.697	187.731
Active Currency	0.299	0.0	0.299	0.299
Cash and Cash Equivalents	117.509	0.0	117.509	117.509
Forward Currency Contracts	(0.492)	0.0	(0.492)	(0.492)
Futures	0.002	0.0	0.002	0.002
Investment Income Due	8.261	0.0	8.261	8.261
Amounts Due for Sales	6.406	0.0	6.406	6.406
Amounts Payable for Purchases	(5.567)	0.0	(5.567)	(5.567)
Total	8,773.780		9,599.181	7,948.379

Asset Type	Value at 31st March 2018 £m	Percentage Change %	Value on Increase £m	Value on Decrease £m
UK Equities	1,782.425	9.3	1,948.191	1,616.659
Overseas Equities	2,377.208	11.7	2,655.341	2,099.075
Global Equities	768.874	10.3	848.068	689.680
UK Bonds	1,362.632	6.5	1,451.203	1,274.061
Overseas Bonds	82.858	13.6	94.127	71.589
Index-Linked Securities	184.727	12.8	208.372	161.082
UK Property	382.502	3.5	395.890	369.114
Overseas Property	343.424	10.7	380.170	306.678
Private Equity	534.220	12.0	598.326	470.114
Infrastructure Funds	141.073	10.6	156.027	126.119
Active Currency	0.287	0.0	0.287	0.287
Cash and Cash Equivalents	301.465	0.0	301.465	301.465
Forward Currency Contracts	(1.514)	0.0	(1.514)	(1.514)
Investment Income Due	8.615	0.0	8.615	8.615
Amounts Due for Sales	48.183	0.0	48.183	48.183
Amounts Payable for Purchases	(43.162)	0.0	(43.162)	(43.162)
Total	8,273.817		9,049.589	7,498.045

Interest Rate Risk

The Fund invests in financial assets to obtain a return on the investment. These investments are subject to interest rate risk, which represents the risk that the fair value of future cash flows will fluctuate because of changes in market interest rates.

The Fund's direct exposures to interest rate movements as at 31 March 2018 and 31 March 2019 are set out below. These represent the interest rate risk based on underlying financial assets at fair value.

	At 31st March	
Asset Type	2018 £m	2019 £m
Cash and Cash Equivalents	301.465	117.509
Bonds	1,445.490	1,506.712
Index-Linked Securities	184.727	180.680
Total	1,931.682	1,804.901

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets held to pay benefits. Bond instruments tend to fall in value when interest rates rise and rise in value when interest rates fall.

The following table shows the Fund's asset values that have direct exposure to these rate movements. It also shows the effect that a 100bp (1.0%) increase or decrease in the asset value would have on these assets. The comparable figures for the previous year are also shown.

	Asset Value at 31st March 2019	Value on Increase +1%	Value on Decrease -1%
Asset Type	£m	£m	£m
Cash and Cash Equivalents	117.509	118.684	116.334
Bonds	1,506.712	1,521.779	1,491.645
Index-Linked Securities	180.680	182.487	178.873
Total	1,804.901	1,822.950	1,786.852

	Asset Value at 31st March 2018	Value on Increase +1%	Value on Decrease -1%
Asset Type	£m	£m	£m
Cash and Cash Equivalents	301.465	304.480	298.450
Bonds	1,445.490	1,459.945	1,431.035
Index-Linked Securities	184.727	186.574	182.880
Total	1,931.682	1,950.999	1,912.365

The following table shows the Fund's asset values that have direct exposure to these rate movements. It also shows the reasonable change predicted on the net asset value of a 1% movement in interest rates up or down. The comparable figures for the previous year are also shown.

	Value at 31st March 2019	Reasonable change predicted	Value on Increase -1% rate change	Value on Decrease +1% rate change
Asset Type	£m	%	£m	£m
Cash and Cash Equivalents	117.509	0.0	117.509	117.509
Bonds	1,506.712	6.3	1,601.635	1,411.789
Index-Linked Securities	180.680	12.4	203.084	158.276
Total	1,804.901		1,922.228	1,687.574

	Value at 31st March 2018	Reasonable change predicted	Value on Increase -1% rate change	Value on Decrease +1% rate change
Asset Type	£m	%	£m	£m
Cash and Cash Equivalents	301.465	0.0	301.465	301.465
Bonds	1,445.490	8.3	1,565.466	1,325.514
Index-Linked Securities	184.727	10.1	203.384	166.070
Total	1,931.682		2,070.315	1,793.049

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates. The Fund is exposed to this risk on investments denominated in any currency other than Sterling. The Fund holds both monetary and non-monetary assets denominated in overseas currencies.

The following table shows the Fund's currency exposures as at 31 March 2018 and at 31 March 2019:

	Asset Value at 31st March	
Asset Type	2018 £m	2019 £m
Overseas Fixed Interest	82.858	82.087
Overseas Quoted Equities	3,146.082	3,606.237
Overseas Unquoted Equities	281.862	227.813
Overseas Pooled Investment Vehicles	628.662	684.830
Forward Currency Contracts	(1.514)	(0.492)
Overseas Currency	113.880	28.455
Total	4,251.830	4,628.930

Currency Risk – Sensitivity Analysis

Following an analysis of historical data that was carried out in consultation with the investment performance and risk adviser, the Fund considers the likely volatility associated with foreign exchange to be 13%, this is the same as in 2017/18. The following table shows the impact of a 13% increase or decrease in the net asset value of those assets exposed to currency risk. The value of the Fund's assets in Sterling terms will increase as Sterling weakens and decrease as Sterling strengthens.

The comparable figures for the previous year are also shown.

	Value at 31st March 2019	Potential change	Potential market movement	Value on increase	Value on decrease
Asset Type	£m	%	£m	£m	£m
Overseas Fixed Interest	82.087	13	10.671	92.758	71.416
Overseas Quoted Equities	3,606.237	13	468.811	4,075.048	3,137.426
Overseas Unquoted Equities	227.813	13	29.615	257.428	198.198
Overseas Pooled Investment Vehicles	684.830	13	89.027	773.857	595.803
Forward Currency Contracts	(0.492)	13	(0.063)	(0.555)	(0.429)
Overseas Currency	28.455	13	3.699	32.154	24.756
Total	4,628.930		601.760	5,230.690	4,027.170

	Value at 31st March 2018	Potential change	Potential market movement	Value on increase	Value on decrease
Asset Type	£m	%	£m	£m	£m
Overseas Fixed Interest	82.858	13	10.771	93.630	72.086
Overseas Quoted Equities	3,146.082	13	408.991	3,555.073	2,737.091
Overseas Unquoted Equities	281.862	13	36.642	318.504	245.220
Overseas Pooled Investment Vehicles	628.662	13	81.726	710.388	546.936
Forward Currency Contracts	(1.514)	13	(0.197)	(1.711)	(1.317)
Overseas Currency	113.880	13	14.804	128.684	99.076
Total	4,251.830		552.738	4,804.568	3,699.092

Manager Risk

Manager risk is the risk that the manager does not invest in a manner required by the Fund. This is controlled through the investment objectives and restrictions in each manager's agreement and through the ongoing monitoring of the managers.

The investment managers hold a diversified portfolio of investments that reflect their views, relative to their respective benchmarks. The Pension Committee has considered and addressed the risk of underperformance by any single investment manager by appointing a range of investment managers.

Credit Risk

Credit risk is the risk that the counterparty to a transaction or investment fails to discharge its obligation and the Fund incurs a financial loss. Investments are usually valued by the market after this risk has been taken into account.

To this end, almost all of the Fund's investment portfolio is exposed to some level of credit risk, with the exception being derivatives where the risk equals the net market value of a positive derivative.

The Fund seeks to minimise this risk by investing in and through high quality counterparties, brokers and financial institutions. In addition to these the Fund also lends money to local authorities which it deems to be rated at AA, the same as the UK Government which is the guarantor should any local authority fail to meet its obligations.

Contractual credit risk is represented by the net payment or receipt outstanding and the cost of replacing the derivative position in the event of a default.

The Fund's cash holding under its internal treasury management arrangements as at 31 March 2019 was £68.340 million (£141.220 million as at 31 March 2018). The Fund sets its credit criteria in consultation with the Council's Treasury Management Advisor, Link Asset Services. Deposits are only made with AAA rated money market funds and with banks and financial institutions that meet the Fund's credit criteria and are included on Link Asset Services' listing of approved institutions.

The internally managed cash was held with the following institutions:

	Rating	Value as at 31st March 2018 £m	Value as at 31st March 2019 £m
Money Market Funds			
Aberdeen Standard	AAA	14.500	14.570
Legal & General	AAA	14.500	4.650
Federated	AAA	12.010	1.510
Insight	AAA	10.600	0.300
Bank Deposit Accounts			
Lloyds Bank	A+	6.610	2.310
Helaba	A+	0.000	10.000
Sumitomo	A	5.000	5.000
Australia and New Zealand	AA-	0.000	5.000
Bank of Scotland	A+	10.000	0.000
Santander	A	5.000	0.000
Goldman Sachs	A	5.000	0.000
Local Authorities			
Thurrock Council		10.000	5.000
West Dunbartonshire Council		0.000	5.000
East Dunbartonshire Council		0.000	5.000
Surrey County Council		0.000	5.000
London Borough of Barking and Dagenham		0.000	5.000
Leeds City Council		15.000	0.000
Plymouth City Council		5.000	0.000
North Lincolnshire Council		5.000	0.000
Redcar and Cleveland Borough Council		5.000	0.000
Cherwell District Council		5.000	0.000
Birmingham City Council		5.000	0.000
Isle of Anglesey County Council		5.000	0.000
Blaenau Gwent County Borough Council		3.000	0.000
Total		141.220	68.340

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due. This is controlled by estimating the net benefit outgo or inflow and ensuring that sufficient cash balances are available.

Weekly forecasts are carried out to understand and manage the timing of the Fund's cash flows.

The Fund takes steps to ensure that it has adequate cash resources to meet its commitments and has immediate access to cash.

All financial liabilities are due within twelve months of the 31 March 2019.

16. CURRENT ASSETS AND LIABILITIES

31st March 2018 £m		31st March 2019 £m
	Current Assets	
4.812	Contributions Due - Members	6.167
16.623	Contributions and Recharges Due - Employers	15.718
1.621	Sundry Debtors	0.873
23.056	Total Current Assets	22.758
	Current Liabilities	
(1.859)	Unpaid Benefits	(1.605)
(20.526)	Sundry Creditors	(6.871)
(22.385)	Total Current Liabilities	(8.476)



17. AGENCY SERVICES

The Fund pays discretionary awards to the former employees of a number of employers. The amounts paid are included in the Pensions paid line in note 8 and then deducted as a recharge as these amounts are fully reclaimed from the employer bodies. The sums for each employer are disclosed below.

2017/18 £000	Payments on Behalf of:	2018/19 £000
2,487	Newcastle City Council	2,488
2,099	Sunderland City Council	2,098
1,951	Gateshead Council	1,958
1,793	North Tyneside Council	1,789
806	South Tyneside Council	798
374	Nexus	350
237	Newcastle International Airport	238
228	Police and Crime Commissioner for Northumbria	229
71	Tyne and Wear Residuary Body	66
55	Tyne and Wear Fire and Rescue Service	56
49	University of Sunderland	50
49	The Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority	49
39	Northumbria University	40
17	Workshops for the Adult Blind	17
15	Assessment and Qualifications Alliance	15
10	Newcastle College	10
10	Northern Council for Further Education	9
8	Association of North East Councils	9
8	Newcastle Theatre Royal Trust	9
7	One North East	7
7	Wearside College	7
7	Northumbria Tourist Board	7
6	Benton Grange School	7
6	Gateshead Magistrates' Courts	6
5	Gateshead College	5
4	Sunderland Magistrates' Courts	5
4	North Tyneside Disability Advice	4
4	South Tyneside Magistrates' Courts	4
4	Sunderland Empire Theatre Trust	4
3	Higher Education Funding Council for England	3
3	Monkwearmouth College	3
3	North East Regional Employers Organisation	3
3	South Tyneside Homes	3
3	Tyne and Wear Development Company Limited	3
3	City of Sunderland College	3
2	Wallsend Hall Enterprises Limited	3
2	Catholic Care North East	2
2	North Tyneside College	2
2	North Tyneside Magistrates' Courts	2
1	Age Concern Newcastle	1
1	Tyne and Wear Enterprise Trust	1
10,388	Total Agency Services	10,363

In addition to this service for employers within the Fund, from February 2018 the Fund has taken over the administration of the Northumberland County Council Pension Fund. The agreement is that the Fund is reimbursed for all pension costs it pays out on their behalf.

18. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The Fund offers two types of AVC arrangements.

Additional periods of membership can be purchased within the LGPS, with the contributions being invested as part of the Fund's assets.

In addition, the Pensions Committee appointed Equitable Life Assurance Society in 1989 and The Prudential Assurance Company in 2001 for the investment of other AVCs specifically taken out by Fund members. Contributions to these external providers are invested separately from the Fund's own assets on a money purchase basis. In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, these amounts are not credited to the Fund and as such are excluded from the Fund's accounts.

Equitable Life has experienced financial difficulties arising from some of its financial products that carry guaranteed returns. With the exception of existing life cover policies, the Fund has closed its AVC plan with Equitable Life to new members, contributions from existing members and transfers. A significant proportion of investors in funds operated by Equitable Life have had their own balances transferred to The Prudential Assurance Company. The Fund continues to monitor the position of the remaining investors with Equitable Life.

During 2018/19, £2.426 million of contribution income was received into the AVC funds provided by The Prudential (£2.224 million during 2017/18). As at 31 March 2019, these funds were valued at £13.887 million (£12.313 million as at 31 March 2018).

During 2018/19, £0.006 million of contribution income was received into the AVC funds provided by Equitable Life (£0.001 million during 2017/18). As at 31 March 2019, these funds were valued at £0.019 million (£0.055 million as at 31 March 2018).

The funds are valued on a bid basis by each of the providers and take no account of accruals.

19. ANALYSIS OF INVESTMENTS OVER MANAGERS

The market value of the investments in the hands of each manager was:

31st March 2018			31st March 2019	
£m	%		£m	%
		Investment Managers		
		Investments Managed by Border to Coast		
-	0.0%	UK Alpha Fund	368.690	4.2%
-	0.0%		368.690	4.2%
		Investment Managed outside of the Pool		
366.230	4.4%	Aberdeen Property Investors	408.925	4.7%
340.016	4.1%	BlackRock	367.910	4.2%
658.385	8.0%	Henderson Global Investors	669.469	7.6%
704.221	8.5%	JP Morgan Asset Management	770.342	8.8%
190.197	2.3%	Lazard Asset Management	179.063	2.0%
3,495.464	42.2%	Legal and General Investment Management	3,606.308	41.1%
787.819	9.5%	M&G Investments	816.278	9.3%
100.655	1.2%	TT International	104.724	1.2%
342.205	4.1%	Mirabaud Investment Management	-	0.0%
0.287	0.0%	Active Currency	0.299	0.0%
533.838	6.5%	Private Equity	614.228	7.0%
141.073	1.7%	Infrastructure	204.943	2.3%
343.424	4.2%	Global Property	335.728	3.8%
16.272	0.2%	Residential Property	32.277	0.4%
-	0.0%	Private Debt	199.714	2.3%
253.731	3.1%	Managed In-House	94.882	1.1%
8,273.817	100.0%		8,405.090	95.8%
8,273.817	100.0%	Total Investments	8,773.780	100.0%

20. DERIVATIVES

The Fund has used a number of derivative instruments as part of its investment strategy and to assist with efficient portfolio management.

Futures

The Fund held a number of futures contracts as at 31 March 2019 to assist investment managers in their asset allocation. Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic Exposure	Market Value at 31st March 2018	Economic Exposure	Market Value at 31st March 2019
Assets		£m	£m	£m	£m
UK Fixed Interest	Less Than One Year	0.000	0.000	(2.329)	0.002
Net Futures		0.000	0.000	(2.329)	0.002

Forward Currency Contracts

The Fund has used Forward Currency Contracts to hedge the currency exposure on certain overseas investments. As at 31 March 2019, the Fund held nineteen positions in foreign currency that together showed an unrealised loss of £0.492 million, as shown in the table below:

Type of Forward Foreign Currency Contracts				
Settlement	Type of Contract	Currency Bought	Currency Sold	Market Value £m
Three month	Over the Counter	Sterling	Australian Dollar	0.065
Three month	Over the Counter	Sterling	Danish Krone	0.085
Three month	Over the Counter	Sterling	Euro	1.260
Three month	Over the Counter	Sterling	Hong Kong Dollar	0.011
Three month	Over the Counter	Sterling	Norwegian Krone	0.075
Three month	Over the Counter	Sterling	US Dollar	0.103
Three month	Over the Counter	Sterling	Yen	0.037
Three month	Over the Counter	Swiss Franc	Sterling	0.005
Three month	Over the Counter	US Dollar	Sterling	0.029
Three month	Over the Counter	Yen	Sterling	0.004
Loss/Liability Value as at 31st March 2019				1.674
Three month	Over the Counter	Sterling	Australian Dollar	(0.318)
Three month	Over the Counter	Sterling	Canadian Dollar	(0.228)
Three month	Over the Counter	Sterling	Euro	(0.258)
Three month	Over the Counter	Sterling	Hong Kong Dollar	(0.098)
Three month	Over the Counter	Sterling	US Dollar	(0.098)
Three month	Over the Counter	Sterling	Yen	(1.050)
Three month	Over the Counter	Euro	Sterling	(0.002)
Three month	Over the Counter	Swiss Franc	Sterling	(0.002)
Three month	Over the Counter	US Dollar	Sterling	(0.112)
Profit/Asset Value as at 31st March 2019				(2.166)
Net Forward Currency Contracts at 31st March 2019				(0.492)

These were settled at a loss of £0.772 million early in the 2019/20 financial year.

21. SECURITIES LENDING

The Fund operates a securities lending programme through its custodian, Northern Trust. Securities totalling £87.870 million were out on loan as at 31 March 2019. The breakdown of securities on loan was:

31st March 2018 £m		31st March 2019 £m
37.263	Fixed Interest Securities	19.337
89.658	UK Equities	22.488
46.848	Overseas Equities	46.045
173.769	Total Securities Lending	87.870

The value of collateral against which the securities were lent out is £121.320 million (£184.711 million in 2017/18). This collateral consists of acceptable securities, government debt and obligations issued by supranational entities.

22. PROPERTY HOLDINGS

31st March 2018 £m		31st March 2019 £m
	Property Holdings	
340.300	Opening Balance	366.230
	Additions	
24.912	Purchases	29.633
6.642	New construction	7.481
0.393	Subsequent expenditure	0.275
(33.225)	Disposals	0.000
29.208	Net Increase in Market Value	5.306
366.230	Closing Balance	408.925

There are no restrictions on the sale of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligations to purchase, construct or develop any of these properties.

The future minimum lease payments receivable by the Fund are as follows:

31st March 2018 £m		31st March 2019 £m
18.742	Within One Year	21.117
70.207	Between One And Five Years	78.447
194.322	Later Than Five Years	154.756
283.271	Minimum Due From Leases	254.320

23. SIGNIFICANT HOLDINGS

As at 31 March 2019, the Fund had three holdings that each represented more than 5% of the total Fund value. These holdings are both without-profit insurance contracts that provide access to a pool of underlying assets. The values have been determined by reference to the underlying assets using price feeds from markets. These holdings are:

- Legal and General Assurance (Pensions Management) Limited – Managed Fund. As at 31 March 2019, this was valued at £3,606.308 million and represented 41.0% of the total net assets of the Fund. During 2018/19, the insurance contract was covered by eleven individual funds, as follows:

31st March 2018 £m		31st March 2019 £m
1,059.989	UK Equities	1,010.536
111.187	Asia Pacific ex. Japan Equities	116.174
224.174	Emerging Markets Equities	227.639
557.818	Europe (ex UK) Equities	572.649
109.875	Japan Equities	108.884
464.879	North America Equities	547.046
768.874	Global Equities	819.083
11.313	UK Gilts	11.731
104.494	Index-Linked Gilts	110.476
82.858	Emerging Markets Passive Government Bonds	82.087
0.003	Transition	0.003
3,495.464	Total	3,606.308

- As at 31st March 2018 £768.874m was invested in a RAFI global Equities Fund, with Legal and General in a separate insurance contract this was transferred into the main insurance contract during 2018/19 and included within the table above.
- M&G Limited (formerly Prudential Pensions Limited) – Corporate Bond All Stocks Fund. As at 31 March 2019, this was valued at £647.590 million (£787.819 million as at 31 March 2018) and represented 7.4% of the total net assets of the Fund.

24. OUTSTANDING COMMITMENTS

As at 31 March 2019 the Fund had seventy-four outstanding commitments to investments, as shown below.

Name of Fund	Year	Value m	Drawdowns Made m	Commitment Outstanding m	
HarbourVest Partners VII Cayman Buyout Fund	2002	\$46.0	\$43.5	\$2.5	£1.9
HarbourVest Partners VII Cayman Mezzanine Fund	2002	\$8.0	\$7.5	\$0.5	£0.4
HarbourVest Partners VII Cayman Venture Fund	2002	\$28.0	\$27.5	\$0.5	£0.4
Capital International Private Equity Fund IV	2004	\$18.0	\$17.8	\$0.2	£0.2
HarbourVest International Private Equity Partners V - Partnership	2005	€ 100.0	€ 96.0	€ 4.0	£3.4
HarbourVest International Private Equity Partners V - Direct	2005	€ 30.0	€ 28.8	€ 1.2	£1.0
Pantheon Asia Fund IV	2005	\$20.0	\$18.9	\$1.1	£0.8
Pantheon Europe Fund IV	2005	€ 25.0	€ 23.4	€ 1.6	£1.4
Pantheon USA Fund VI	2005	\$30.0	\$28.3	\$1.7	£1.3
Lexington Capital Partners VI-B	2005	\$30.0	\$29.5	\$0.5	£0.4
HarbourVest Partners VIII Cayman Buyout Fund	2006	\$112.0	\$107.0	\$5.0	£3.8
HarbourVest Partners VIII Cayman Venture Fund	2006	\$56.0	\$54.9	\$1.1	£0.8
Pantheon Europe Fund V	2006	€ 35.0	€ 32.8	€ 2.2	£1.9
Pantheon USA Fund VII	2006	\$35.0	\$32.3	\$2.7	£2.1
Collier International Partners V	2006	\$30.0	\$23.5	\$6.5	£5.0
HarbourVest Partners 2007 Direct Fund	2007	\$30.0	\$29.3	\$0.7	£0.5
Pantheon Asia Fund V	2007	\$20.0	\$18.4	\$1.6	£1.2
Pantheon Europe Fund VI	2007	€ 40.0	€ 37.4	€ 2.6	£2.2
Pantheon USA Fund VIII	2007	\$35.0	\$31.7	\$3.3	£2.5
Capital International Private Equity Fund V	2007	\$35.0	\$29.4	\$5.6	£4.3
Co-Investment Partners Europe	2007	€ 30.0	€ 28.5	€ 1.5	£1.3
Partners Group 2006 Direct Fund	2007	€ 30.0	€ 28.8	€ 1.2	£1.0

Name of Fund	Year	Value m	Drawdowns Made m	Commitment Outstanding m	
Infracapital Partners I	2007	£35.0	£32.8	£2.2	£2.2
Capital International Private Equity Fund VI	2010	\$35.0	\$30.7	\$4.3	£3.3
Lexington Capital Partners VII	2010	\$30.0	\$24.3	\$5.7	£4.4
Partners Asia-Pacific & Emerging Markets Real Estate 2009 LP	2010	\$40.0	\$37.6	\$2.4	£1.8
Partners Group Real Estate Secondary 2009 (EURO)	2010	€ 60.0	€ 57.2	€ 2.8	£2.4
Partners Group Global Real Estate 2011 S.C.A., SICAR	2010	€ 145.0	€ 127.9	€ 17.1	£14.7
Partners Group Global Infrastructure 2009	2010	€ 70.0	€ 61.2	€ 8.8	£7.6
Partners Group Direct Infrastructure 2011	2011	€ 85.0	€ 74.8	€ 10.2	£8.8
Partners Group Direct Real Estate 2011 S.C.A., SICAR	2011	\$100.0	\$92.2	\$7.8	£6.0
Partners Asia-Pacific Real Estate 2011 S.C.A., SICAR	2011	\$65.0	\$55.1	\$9.9	£7.6
HarbourVest International Private Equity Partners VI - Partnership	2011	€ 50.0	€ 47.0	€ 3.0	£2.6
Coller International Partners VI	2012	\$45.0	\$31.6	\$13.4	£10.3
Pantheon Asia Fund VI	2012	\$40.0	\$33.8	\$6.2	£4.8
Pantheon Europe Fund VII	2012	€ 25.0	€ 21.2	€ 3.8	£3.3
Pantheon USA Fund IX	2012	\$30.0	\$25.6	\$4.4	£3.4
Partners Group Global Infrastructure 2012	2013	€ 45.0	€ 35.8	€ 9.2	£7.9
Partners Group Real Estate 2014	2013	\$64.0	\$44.9	\$19.1	£14.7
Partners Group Real Estate Income 2014	2013	€ 23.0	€ 20.9	€ 2.1	£1.8
Partners Group Global Real Estate 2013	2013	\$130.0	\$88.5	\$41.5	£31.8
Partners Group Real Estate Secondary 2013	2013	\$65.0	\$46.8	\$18.2	£14.0
HarbourVest Dover Street VIII Cayman Fund LP	2013	\$30.0	\$27.0	\$3.0	£2.3
HarbourVest Partners IX - Cayman Buyout Fund	2013	\$60.0	\$48.2	\$11.8	£9.1
HarbourVest Partners IX - Cayman Venture Fund	2013	\$30.0	\$28.5	\$1.5	£1.2
HarbourVest Partners 2013 Cayman Direct Fund LP	2014	\$30.0	\$29.0	\$1.0	£0.8
Lexington Capital Partners VIII	2014	\$30.0	\$22.9	\$7.1	£5.4
Infracapital Partners II	2014	£19.6	£16.7	£2.9	£2.9
HarbourVest International Private Equity Partners VII - Partnership	2014	\$70.0	\$49.0	\$21.0	£16.1
Coller International Partners VII	2015	\$45.0	\$25.8	\$19.2	£14.7
HarbourVest Partners X - AIF Buyout Fund	2015	\$50.0	\$15.3	\$34.7	£26.6
HarbourVest Partners X - AIF Venture Fund	2015	\$25.0	\$11.8	\$13.2	£10.1
HarbourVest Dover Street IX LP	2016	\$30.0	\$17.4	\$12.6	£9.7
Partners Group Direct Infrastructure 2015	2016	\$140.0	\$63.6	\$76.4	£58.6
HarbourVest Partners Co-Investment Fund IV AIF	2016	\$30.0	\$26.9	\$3.1	£2.4
Aberdeen UK PRS Opportunities LP	2016	£60.0	£15.2	£44.8	£44.8
Pantheon Europe Select 2016	2017	€ 24.3	€ 3.9	€ 20.4	£17.6
Pantheon Global Co-Investment 2016	2017	\$65.0	\$38.2	\$26.8	£20.6
HIPEP VIII Partnership Fund	2017	\$80.0	\$12.0	\$68.0	£52.2
Infracapital Greenfield Partners I	2017	£20.0	£7.1	£12.9	£12.9
Pantheon Global Infrastructure III	2017	\$55.0	\$12.5	\$42.5	£32.6
Infracapital Partners III	2017	£20.0	£1.2	£18.8	£18.8
Partners Group Real Estate Secondary 2017	2017	\$135.0	\$40.6	\$94.4	£72.4
HarbourVest Partners XI	2018	\$100.0	\$0.0	\$100.0	£76.7
Lexington Capital Partners IX	2018	\$70.0	\$0.0	\$70.0	£53.7
Pantheon Access EUR 2018	2018	€ 50.0	€ 0.0	€ 50.0	£43.1
Pantheon Access USD 2018	2018	\$120.0	\$29.7	\$90.3	£69.3
HarbourVest Partners Co-Investment V Feeder AIF	2018	\$70.0	\$0.0	\$70.0	£53.7
AMP Global Infrastructure II	2018	\$55.0	\$33.9	\$21.1	£16.2
Partners Group Real Estate Opportunities 2019	2018	\$190.0	\$9.9	\$180.1	£138.2
Partners Group Global Value Real Estate 2019	2018	€ 110.0	€ 1.7	€ 108.3	£93.3
HPS Core Senior Lending Fund	2018	\$250.0	\$120.5	\$129.5	£99.4
Pemberton European Debt Investments Jersey II	2018	£190.0	£100.9	£89.1	£89.1
Hearthstone Residential Fund I	2019	£60.0	£17.8	£42.2	£42.2
Total outstanding commitments				£1,397.9	

The Sterling figures for these outstanding commitments are based on the closing exchange rates on 31 March 2019.

25. RELATED PARTY TRANSACTIONS

South Tyneside Council is the administering authority of the Tyne and Wear Pension Fund and as such assets of the Fund are held under the Council's name.

Under IAS24 "Related Party Disclosures", it is a requirement that material transactions with related parties, not disclosed elsewhere, should be included in a note to the financial statements.

Governance

There were five members of the Pensions Committee who were in receipt of pension benefits from the Fund, namely the Chair of the Pensions Committee, E. Leask and Committee members W. Flynn, R. Goldsworthy, J. Foreman, and J. Perry. The Vice Chair of the Pensions Committee, A. Walsh, and Committee member G. Haley are deferred members of the Fund.

An examination of returns completed by Elected Members of the Pensions Committee and Senior Officers involved in the management of the Pension Fund has not identified any other cases where disclosure is required.

Employers

During 2018/19, two employers within the Fund, namely South Tyneside Council and BT South Tyneside Ltd, had related party transactions with the Fund totalling £0.901 million (£0.937 million in 2017/18), analysed as follows:

- South Tyneside Council charged the Fund £0.703 million (£0.557 million in 2017/18) in respect of services provided, primarily being recovery of past service deficit payments, legal and building costs.
- The Fund charged South Tyneside Council £0.063 million (£0.061 million in 2017/18) in respect of Treasury Management services.
- BT South Tyneside Limited charged the Fund £0.135 million (£0.319 million in 2017/18) in respect of services provided, primarily being financial and information technology.

During 2018/19 the contract between South Tyneside Council and BT South Tyneside Ltd came to an end with the services being supplied by BT South Tyneside Ltd at that date returning to South Tyneside Council. From this date the Fund was charged only by South Tyneside Council and their costs have risen accordingly and are included in the above figures.

There were no material contributions due from employer bodies that were outstanding at the year end.

Key Management Personnel

The key management personnel of the Fund are the Head of Pensions, the Principal Investment Manager and the Principal Pensions Manager. Total remuneration payable to key management personnel is set out below:

31st March 2018 £,000		31st March 2019 £,000
219	Short Term benefits	223
53	Post-employment benefits	61
272	Total	284

Other senior managers, including the section 151 officer, linked to the Fund are employed by South Tyneside Council and the costs to the Fund are included within recharges to the Fund.

26. IMPAIRMENT LOSSES

Impairment for Bad and Doubtful debts

During 2018/19 the Fund has recognised an impairment loss of £0.103 million (£0.086 million as at 31 March 2018) for the possible non-recovery of pensioner death overpayments.

27. PENSION FUND DISCLOSURES UNDER IAS26

Under IAS26 the Fund is required to disclose the “actuarial present value of the promised retirement benefits”, which were last valued at 31 March 2016 by the Actuary at £8,657.300 million.

This figure was calculated using the following information supplied by the Actuary.

Information Supplied by the Actuary

The information set out below relates to the actuarial present value of the promised retirement benefits in the Fund which is part of the Local Government Pension Scheme:

	Value at 31 st March 2016 £m	Value at 31 st March 2013 £m
Fair value of net assets	6,427.4	5,432.3
Actuarial present value of the promised retirement benefits	8,657.3	7,514.5
Surplus / (deficit) in the Fund as measured for IAS26 purposes	(2,229.9)	(2,082.2)

The principal assumptions used by the Actuary were:

	31 st March 2016 (% p.a.)	31 st March 2013 (% p.a.)
Discount rate	3.4	4.4
RPI Inflation	2.9	3.4
CPI Inflation*	1.8	2.4
Rate of general increase in salaries **	3.3	3.9

* In excess of Guaranteed Minimum Pension increases in payment where appropriate

** In addition, the Actuary has allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at the appropriate date.

Principal demographic assumptions

Post Retirement Mortality	31 st March 2016	31 st March 2013
Males		
Base table	Standard SAPS S2 Tables	Standard SAPS Normal Health Light Amounts (S1NMA.L)
Rating to above base table (years) *	0	0
Scaling to above base table rates	100%	120%
Allowance for future improvements	CMI 2014 with a long term rate of improvement of 1.5%	CMI 2012 with a long term rate of improvement of 1.5%
Future lifetime from age 65 (currently aged 65)	22.7	22.9
Future lifetime from age 65 (currently aged 45)	24.9	24.9
Females		
Base table	Standard SAPS S2 Tables	Standard SAPS Normal Health All tables (S1NFA)
Rating to above base table (years) *	0	0
Scaling to above base table rates	85%	115%
Allowance for future improvements	In line with CMI 2014 with long term improvement of 1.5% p.a.	In line with CMI 2012 with long term improvement of 1.5% p.a.
Future lifetime from age 65 (currently aged 65)	26.2	24.5
Future lifetime from age 65 (currently aged 45)	28.5	26.8

* A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.

	31st March 2016	31st March 2013
Commutation	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum

These are taken from the report: Whole of Pension Fund Disclosures under IAS26 – Tyne and Wear Pension Fund – 8th May 2017. A full copy is available on request.

For figures relating to individual employers of the Fund, please refer to each employer's final accounts.

28. OTHER SENSITIVE AREAS

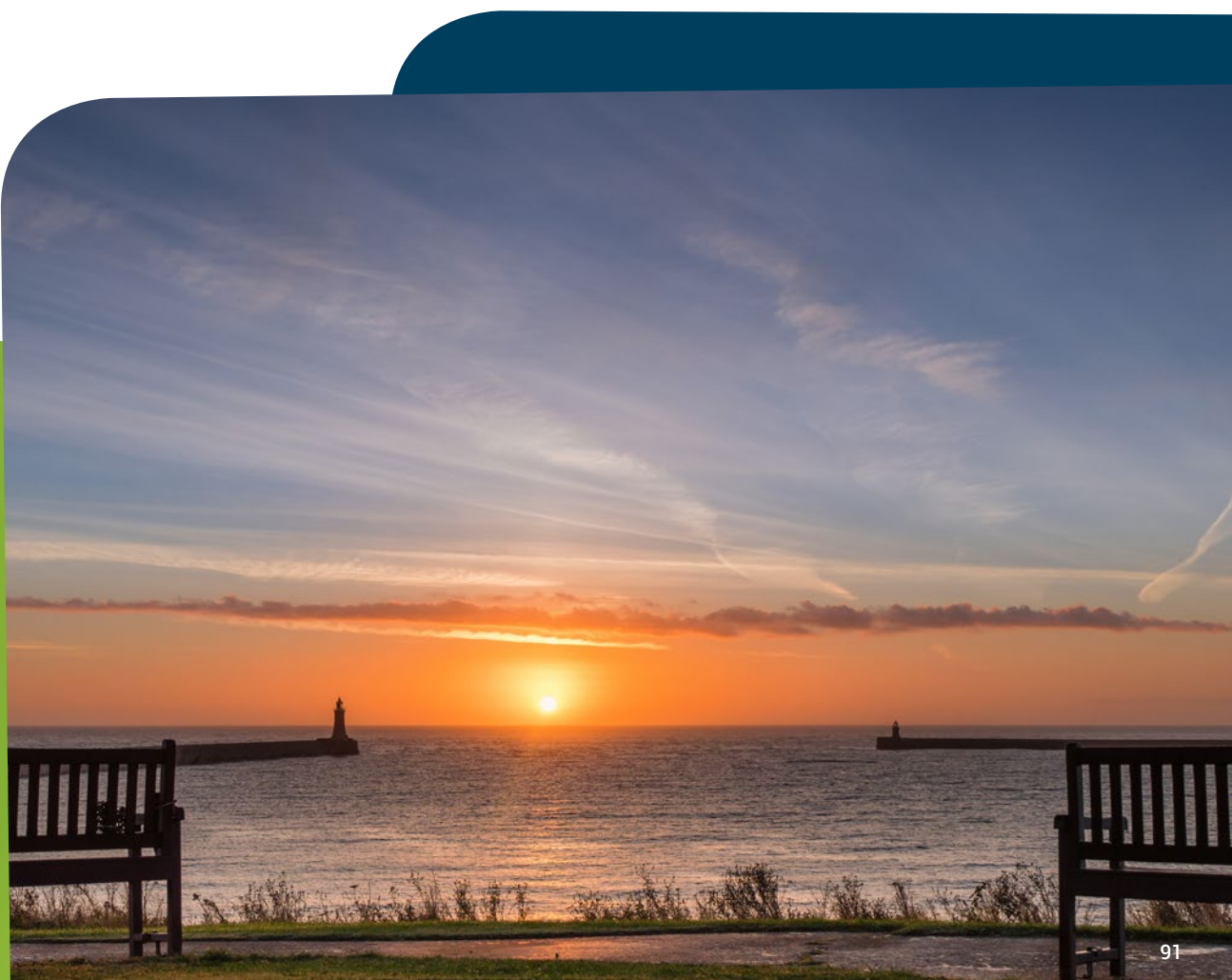
In accordance with the code the following notes are deemed to be containing sensitive information and are disclosed for transparency reasons.

Expenses paid to members of the Pensions Committee totalled £0.022 million in the year to 31 March 2019 (£0.023 million in 2017/18). These have been included within Oversight and Governance Costs included in note 11.

The Fund is audited by Ernst & Young who received a fee of £0.027 million (£0.036 million in 2017/18) for carrying out this audit. These fees are included in the Administration and Oversight and Governance Cost lines in note 11.

29. ADDITIONAL INFORMATION

Please note that no allowance has been made for the recent McCloud judgement which relates to age discrimination within the New Judicial Pension Scheme. It is currently unclear how this judgement may affect LGPS members' past or future service benefits. Discussions are ongoing between the governing bodies and the LGPS to understand how this may affect mechanisms within the scheme, however, at the time of producing the report no guidance or indication of the likely impact of this ruling has been provided.



INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF SOUTH TYNESIDE COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

Opinion

We have examined the pension fund financial statements for the year ended 31 March 2019, which comprise the Fund Account 1 the Net Assets Statement and the related notes.

In our opinion, the pension fund financial statements are consistent with the Financial Statement 2018-19 of South Tyneside Council for the year ended 31 March 2019 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We have not considered the effects of any events between the date we signed our report on the Financial Statement 2018-19 (31 July 2019) and the date of this statement.

Respective responsibilities of the Corporate Director Business and Resources and the auditor

As explained more fully in the Statement of Responsibilities for the Accounts, which is included in the Financial Statement 2018-19 of South Tyneside Council, the Corporate Director Business and Resources is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the Tyne and Wear Pension Fund Annual Report and Accounts 2018/19 with the pension fund financial statements in the Financial Statement 2018-19 of South Tyneside Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of the Tyne and Wear Pension Fund Annual Report and Accounts 2018/19.

We conducted our work in accordance with Auditor Guidance Note 07 - Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.



Hassan Rohimun (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Manchester
12 September 2019

TYNE AND WEAR PENSION FUND

HOW TO CONTACT US

Our information is available in other ways on request. We can provide information in other languages, Braille or large print. We also have access to audio aids and BSL (British Sign Language) interpreters.

There are a number of ways you can get in touch with us. If you need further information on the LGPS, please contact us at:



TYNE AND WEAR PENSION FUND,
PO BOX 212, SOUTH SHIELDS,
NE33 9ER (SAT NAV NE33 2RL)



PENSIONS HELPLINE:
TEL: 0191 424 4141



MYPENSION SUPPORTLINE:
TEL: 0191 424 4200

If you have a query about our online service.



EMAIL: PENSIONS@TWPF.INFO



WEB: WWW.TWPF.INFO



OFFICE HOURS

Monday to Thursday 8.30am to 5.00pm
Friday 8.30am to 4.30pm. Please quote your
National Insurance Number and your Membership
ID numbers so we can quickly trace your records.