

Introduction

- There is no escaping the fact that the last 12 months has been a particularly difficult one for the Pension Fund brought about by the macro economic backdrop which has then combined with both national and local influences. The result has been a reduction in the market value of the Fund for the first time in 7 years, a negative investment performance in absolute terms and a relative underperformance against the Funds benchmark. All of this at a time when the membership of the Fund has increased by 4% whilst the value of the Fund has declined by 3%. This is a far from ideal combination but one which continues to be monitored and addressed to provide appropriate protections in such a challenging environment of economic, regulatory and geo-political headwinds.
- Amongst this sea of change the Local Government Pension Scheme remains a high quality and highly valued defined benefit pension scheme for public sector workers that we should work hard to retain by ensuring it is both affordable and sustainable in the face of substantial change. This continues to be the challenge in shaping change for the future which incorporates increased collaborative working with other Funds.

Nigel Aurelius, Assistant Chief Executive Resources May 2016

Investments

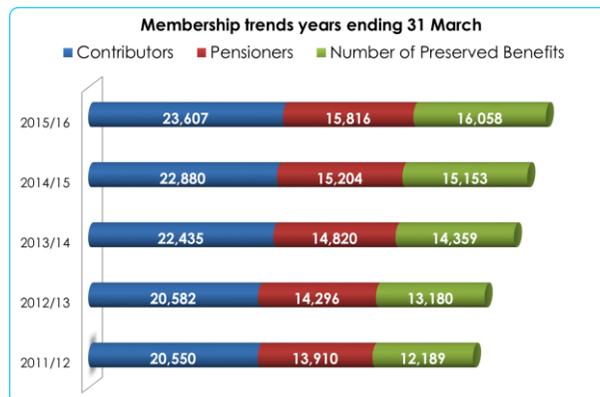
There was one investment management change made during the year so at the end of the reporting period investments were primarily held with six external investment managers who make day to day investment decisions. Management agreements are maintained with each of the investment managers which set out the benchmark asset allocation ranges, performance target and any restrictions placed on the manager. The investment managers' actions and performance are monitored each quarter, including either face to face or video conference meetings. The managers' fee structure is based on a percentage of the market value of the managed assets, with a performance element also included for Fidelity. Though investments are mainly externally managed, around 3.8% of the Fund is managed internally, via a number of property unit trust managers and approved counterparties for cash deposits.

The full 2015/16 Pension Fund annual report and current actuarial valuation are available on the Fund's website, together with the Fund statutory documentation:

www.gwentpensionfund.co.uk

Membership as at 31 March

The number of employees contributing to the Fund and pensioners paid by the Fund is shown in this table. People with preserved benefits are members who have left the scheme but will get benefits when they retire.



Background

The Fund is an occupational, contributory, defined benefit (career average) pension scheme for the Greater Gwent area and is administered in accordance with government regulations. Virtually all employees of relevant employers (including temporary and casual workers) aged under 75 can now join the scheme, other than those covered by other statutory schemes (for example, teachers, police officers and fire-fighters). Membership is automatic for all employees other than those with a contract of employment of less than three months who can elect to join, employees of admitted bodies, and those who have opted out in the past.

The scheme is financed by contributions paid by the employees, their employers and earnings from the investment of the Fund's money. The type of investment allowed is governed by legislation.

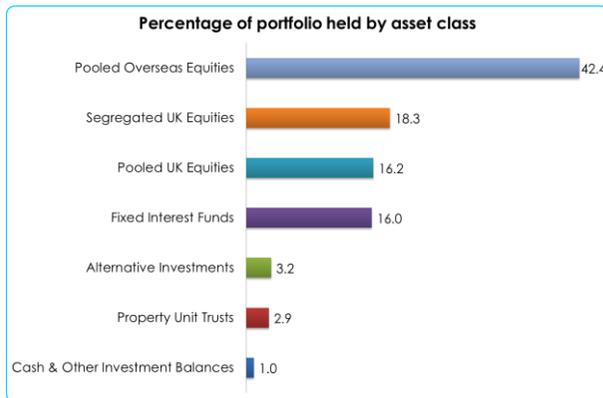
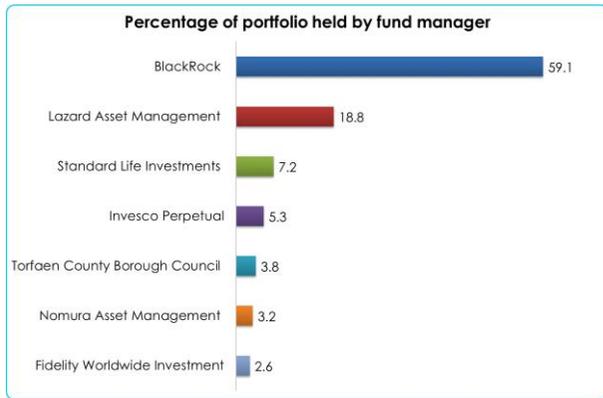
Contributions are made by active members of the Fund in accordance with the LGPS Regulations and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2016. Contributions are also made by the scheme employers and their current rates were set by the Fund's last triennial actuarial valuation carried out as at 31 March 2013. The next actuarial valuation of the Pension Fund will be carried out as at 31st March 2016 and will set the employers contribution rates for the three years commencing 1st April 2017.

You can ask us for a Welsh version of this leaflet.

Pension Fund accounts 2015-2016

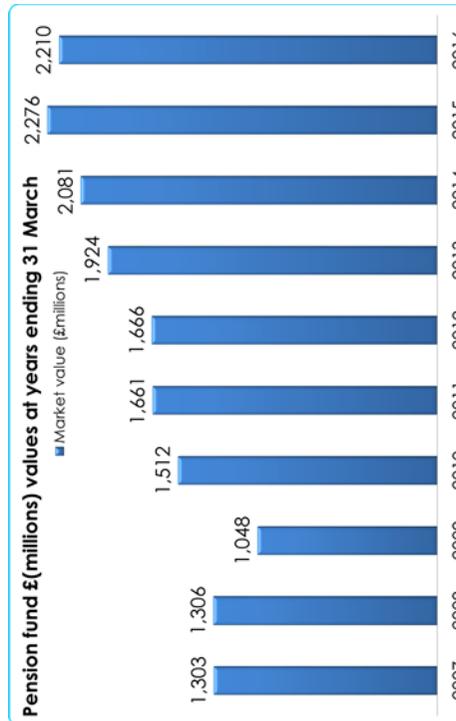
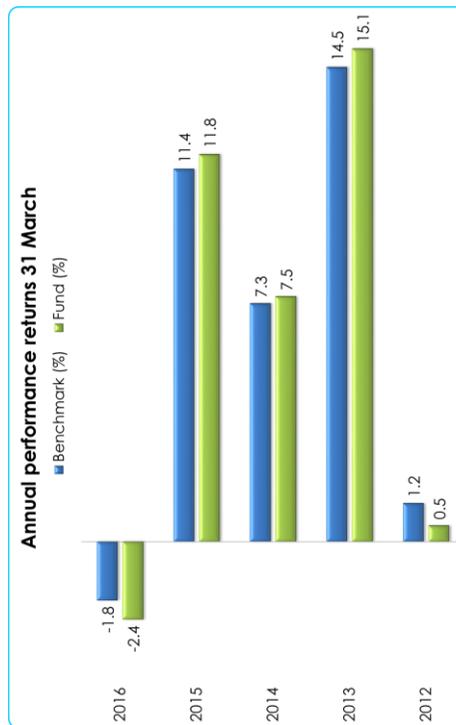
	2014/15 £000	2015/16 £000
	Restated	
Income		
■ From employees and employers	100,260	100,036
■ From employees transferring from other pension funds	5,318	9,277
■ Extra income from employers relating to early retirements and employees additional contributions	4,395	3,414
■ Income earned on investments	20,793	17,771
■ Other income	7	1
Total income to the Fund	130,773	130,499
Spending		
■ Pensions payments	54,737	58,536
■ Lump-sum payments	25,687	28,703
■ Refunds where employees have left the scheme	149	239
■ Payments where employees transfer to other funds	49,692	9,377
■ Payments made due to inflation and increased pensions	21,755	21,990
■ Management expenses	9,403	9,205
Total spending	161,423	128,050
Income after spending	(30,650)	2,449
Balance sheet		
■ Balance at start of the year	2,079,790	2,275,902
■ Income after spending (excluding cash)	(30,650)	2,449
■ Change in the market value of investments sold	75,822	30,736
■ Change in the market value of investments still held	150,940	(99,529)
	2,275,902	2,209,558
Represented by		
■ Investment assets (excluding cash)	2,291,598	2,187,726
■ What we are owed less what we owe	(27,171)	3,962
■ Cash held by managers	3,924	7,858
■ Cash on deposit with financial institutions	7,551	10,012
Fund value at 31 March	2,275,902	2,209,558

Investment analysis as at 31 March 2016



The assets of the Fund, represented mainly by investments, fell by £66.344million in the year ending 31 March 2016 which was an especially volatile, and predominantly negative, year across the global markets in which the Fund invests. The Fund was boosted by a £2.449million excess of income over expenditure and £30.736million profit from selling and transferring investments but this was outweighed by a £99.529million decrease in the market value of investments we held. The Fund achieved an overall rate of return of -2.38% for the year compared with -1.79% for the benchmark return. However, the majority of the Fund's current investment managers and mandates have demonstrated positive out-performance over the longer term and thus results for any single year should be viewed with caution and within this long term context.

For more information, please contact:
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Greater Gwent (Torfaen)
 Pension Fund
 The Local Government
 Pension Scheme



Summary
 2015/2016



Nigel Aurelius, CPFA
 Assistant Chief
 Executive Resources

