

## Introduction

- The last 12 months has seen macro-economic challenges combined with unexpected political events, such as BREXIT and the US election results, but the global markets have in general proved resilient, and the Fund has had a very successful year with an increase in its market value from £2,205 million to £2,700 million and an annual investment return of 22.84%. The contrast to last year demonstrates the need for a diversified investment strategy to spread investment risk and a long term approach to help the Fund meet its funding target.
- This year a significant focus for the LGPS has been on the pooling of investments across funds. The Wales Pension Partnership, a collaboration in investment pooling, is progressing well to bring together the eight LGPS Pension Funds across Wales by using a collective investment vehicle to achieve economies of scale.
- 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 and this continues to be the challenge in shaping change for the future.

**Nigel Aurelius, Assistant Chief Executive Resources**  
June 2017

## Investments

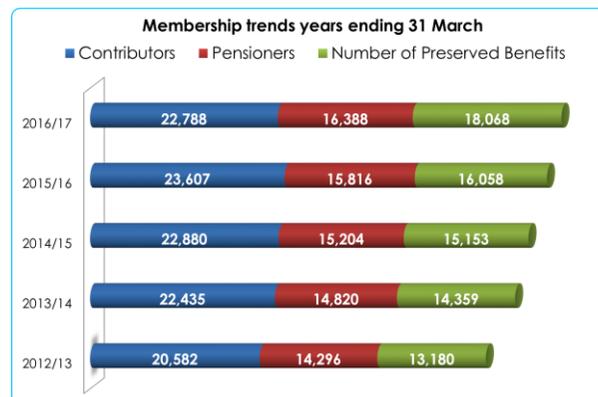
There have been two changes to the investment management arrangements during the year (both in September 2016) so at the end of the reporting period investments were primarily held with five external investment managers who make day to day investment decisions. Management agreements are maintained with 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. 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 2.9% of the Fund is managed internally, via a number of property unit trust managers and approved counterparties for cash deposits.

The full 2016/17 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](http://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. Although overall membership is still increasing the split of around 40% active contributors and 60% deferred members and pensioners demonstrates a continuing trend of declining active membership which impacts on the overall funding approach taken by the Fund.



## Background

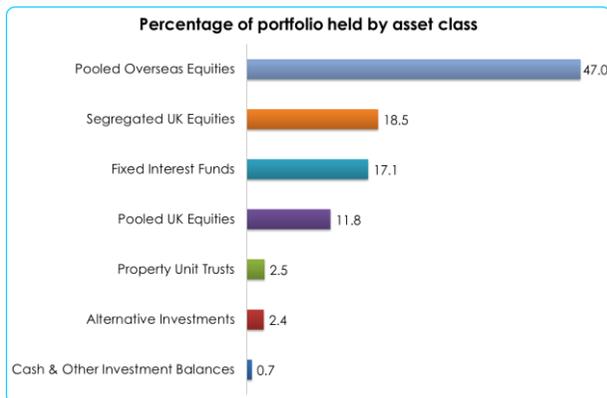
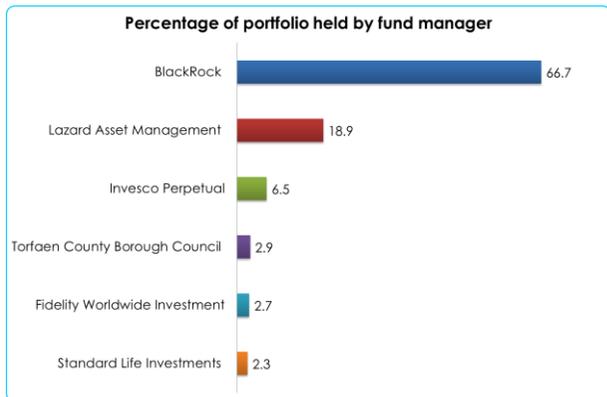
The Fund is an occupational, contributory, defined benefit (career average) pension scheme for the Greater Gwent area and is administered in accordance with government regulations. Virtually all employees of relevant employers (including temporary and casual workers) aged under 75 can now join the scheme, 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 2017. Contributions are also made by the 57 active scheme employers and their rates were set by the Fund's last triennial actuarial valuation carried out as at 31 March 2013. A new actuarial valuation of the Pension Fund was carried out as at 31st March 2016 and the results of this 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.

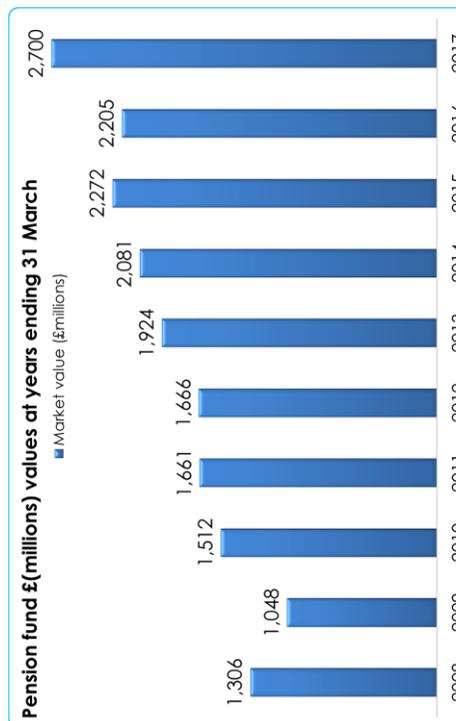
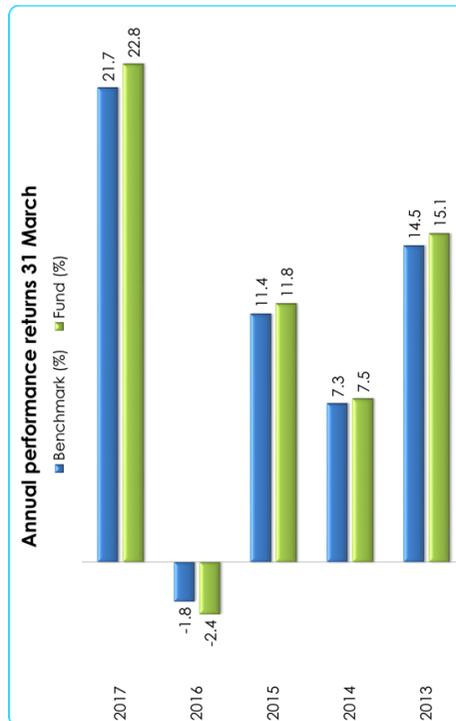
## Pension Fund Accounts 2016-2017

	2015/16 £000	2016/17 £000
	<b>Restated</b>	
<b>Income</b>		
■ From employees and employers	100,036	103,225
■ From employees transferring from other pension funds	9,277	5,573
■ Extra income from employers relating to early retirements and employees additional contributions	3,414	3,980
■ Income earned on investments	17,771	19,282
■ Other income	1	1
<b>Total income to the Fund</b>	<b>130,499</b>	<b>132,061</b>
<b>Spending</b>		
■ Pensions payments	58,536	61,434
■ Lump-sum payments	28,703	25,995
■ Refunds where employees have left the scheme	239	248
■ Payments where employees transfer to other funds	9,377	7,138
■ Payments made due to inflation and increased pensions	21,990	21,452
■ Management expenses	9,205	8,933
<b>Total spending from the Fund</b>	<b>128,050</b>	<b>125,200</b>
<b>Income after spending</b>	<b>2,449</b>	<b>6,861</b>
<b>Balance sheet</b>		
■ Balance at start of the year	2,271,762	2,205,418
■ Income after spending	2,449	6,861
■ Change in the market value of investments sold	30,736	99,726
■ Change in the market value of investments still held	(99,529)	387,623
	<b>2,205,418</b>	<b>2,699,628</b>
<b>Represented by</b>		
■ Investment assets	2,205,596	2,700,194
■ Current assets	11,255	10,808
■ Current liabilities	(11,433)	(11,374)
<b>Fund value at 31 March</b>	<b>2,205,418</b>	<b>2,699,628</b>



The assets of the Fund, represented mainly by investments, increased by £494.210 million in the 12 months ending 31 March 2017. The Fund was boosted by a £6.861 million excess of income over expenditure, a £99.726 million profit from selling and transferring investments and a £387.623 million increase in the market value of investments we held. The Fund achieved an extremely strong annual investment return of 22.84% for the year, compared with 21.74% for the benchmark return, which also positively impacted on longer term performance. Markets proved unexpectedly resilient to both political and macro pressures but the Fund needs to plan its investment strategy accordingly for more modest returns and continued volatility in the future.

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



**Summary  
 2016/2017**



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 Assistant Chief  
 Executive Resources