

Introduction

- The Fund has enjoyed growth during 2017/18, both in terms of membership numbers and Fund value. The Fund grew its market value from £2,700 million to £2,791 million despite the final quarter of the year which saw a lot more global economic and investor uncertainty. Payments to pensioners and their dependents amounted to £111 million during the year, supporting those in retirement.
- Change has been to the forefront this year with changes in Pensions Committee membership and also at officer level so it has been important to maintain stability but also to ensure service levels are maintained.
- This year has also seen a significant focus for the Fund on work with the Wales Pension Partnership (WPP), an All Wales Pension collaboration in investment pooling. The WPP has established a Joint Governance Committee which is formed from Elected Member representatives of the eight participating Welsh Funds and a regulated third party operator has been appointed to administer the pooling arrangements as they are established during 2018/19.
- The importance of the Fund as a responsible investor has been to the forefront this year ensuring focus on economic, social and governance matters, whilst also being clear that the Fund must operate in the best interests of its members.

Nigel Aurelius, Assistant Chief Executive Resources May 2018

Investments

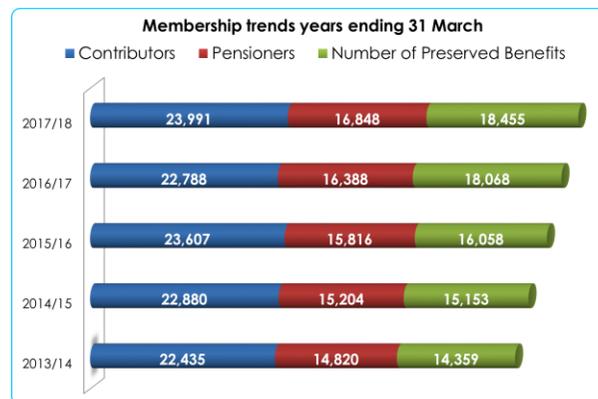
In accordance with the Fund's long term strategy, this year has seen two new investments made in multi asset funds as part of the Fund's alternative investments. These investments have been made with existing managers so at the end of the year investments remain primarily with five external fund managers namely BlackRock, Fidelity, Invesco Perpetual, Lazard and Aberdeen Standard. Around 3.2% of the Fund is managed internally, via property unit trusts with approved counterparties for cash deposits. The objective in investing Fund monies is the maximisation of the return on the money entrusted to the Fund, consistent with acceptable levels of risk. The portfolio's investment performance directly influences the contribution employers need to make to the Fund to pay for the statutory benefits payable from it. The Pensions Committee attempts to meet its objectives by securing the most advantageous mixture of cash, bonds, equity, property and alternative investments.

The full 2017/18 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

Overall membership of the Fund has increased during the year and active membership has increased by 5.3% whilst non active membership (pensioners, and deferred members who have left the scheme but will get benefits when they retire) has increased by only 2.5%. The net effect is that active contributors now account for 41% of the total fund membership with 28% of the total membership drawing pension benefits and a further 31% with deferred benefits.



Background

The Fund is an occupational, contributory, defined benefit (career average) local government 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.

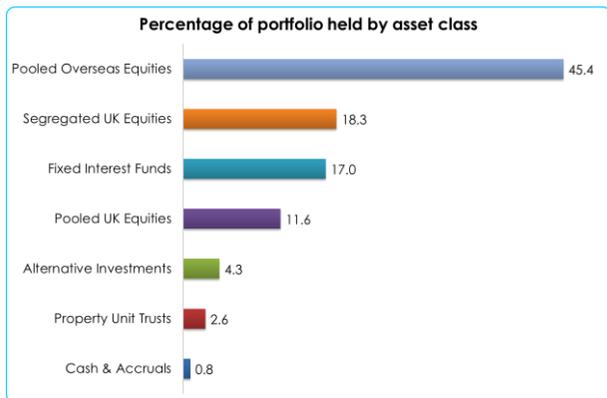
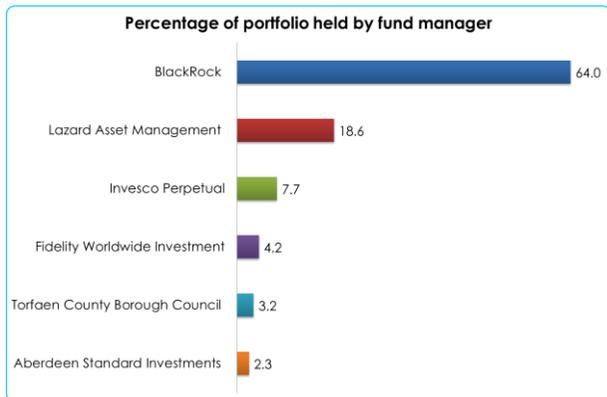
Contributions are made by active members of the Fund in accordance with the LGPS Regulations and range from 5.5% to 12.5% of pensionable pay according to annual earnings. Contributions are also made by the 60 active scheme employers and their rates are set by the Fund's triennial actuarial valuation, last carried out as at 31 March 2016. Currently, employer contribution rates range from 16.1% to 35.8% of pensionable pay.

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Pension Fund Accounts 2017-2018

	2016/17 £000	2017/18 £000
Income		
■ From employees and employers	103,225	111,762
■ From employees transferring from other pension funds	5,573	5,704
■ Extra income from employers relating to early retirements and employees additional contributions	3,980	2,356
■ Income earned on investments	19,282	21,317
■ Other income	1	1
Total income to the Fund	132,061	141,140
Spending		
■ Pensions payments	61,434	64,546
■ Lump-sum payments	25,995	25,239
■ Refunds where employees have left the scheme	248	250
■ Payments where employees transfer to other funds	7,138	7,553
■ Payments made due to inflation and increased pensions	21,452	21,634
■ Management expenses	8,933	9,366
Total spending from the Fund	125,200	128,588
Income after spending	6,861	12,552
Balance sheet		
■ Balance at start of the year	2,205,418	2,699,628
■ Income after spending	6,861	12,552
■ Change in the market value of investments sold	99,726	80,416
■ Change in the market value of investments still held	387,623	(1,776)
	2,699,628	2,790,820
Represented by		
■ Investment assets	2,700,194	2,785,140
■ Current assets	10,808	11,236
■ Current liabilities	(11,374)	(5,556)
Fund value at 31 March	2,699,628	2,790,820

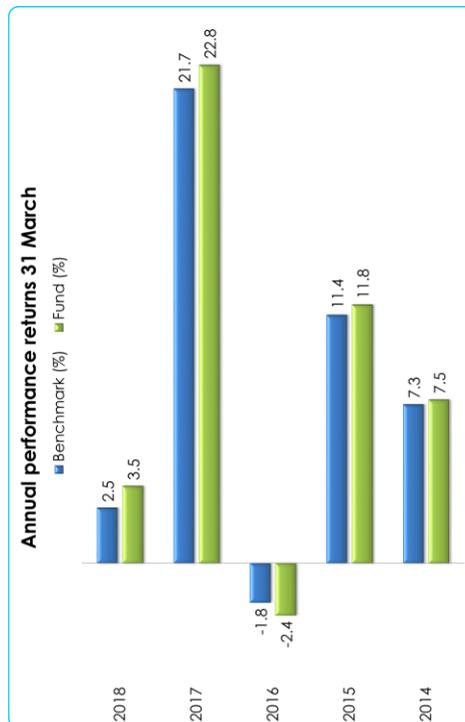
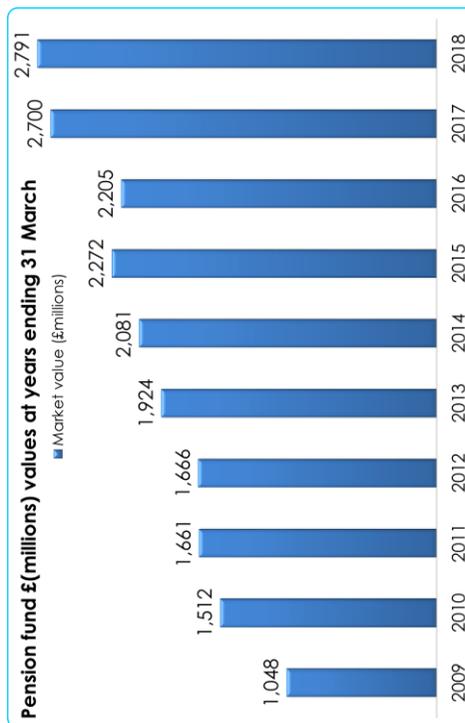
Investment analysis as at 31 March 2018



The assets of the Fund, represented mainly by investments, increased by £91.192 million in the 12 months ending 31 March 2018. The Fund was boosted by a £12.552 million excess of income over expenditure and a £80.416 million profit from selling and transferring investments. This was reduced by a £1.776 million fall in the market value of investments we held, mainly because the last three months of 2017/18 saw a lot more global economic and investor uncertainty so all the equity markets in which the Fund invests had negative performance returns for Quarter 1 2018. Despite the especially poor final quarter, the Fund was successful over the course of the full year to report a positive investment return of 3.53%, outperforming our benchmark return (2.53%) by 1%.

For more information, please contact:

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Greater Gwent (Torfaen) Pension Fund Cronfa Bensiwn Gwent Fwyaf (Torfaen)



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