

**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES
COMMITTEE & PENSION BOARD– 7 MARCH 2016**

REPORT ON: RISK REGISTER

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 98-2016

1 PURPOSE OF REPORT

This report updates the Risk Register for the Tayside Pension Funds.

2 RECOMMENDATIONS

The Sub-Committee are asked to approve the updated Quarterly Risk Register for the Tayside Pension Fund and Tayside Transport Pension Fund and note that the following changes to risk profiles and control measures:

- Risk 12 – Decreased risk due to installation of new software relating to the new CARE scheme. Current skills gap within the Pension Admin team in terms of system proficiency is currently being addressed and as their knowledge and experience increases, the risk reduces.

3 FINANCIAL IMPLICATIONS

There are no financial implications.

4 INTRODUCTION

The Local Government Pension Scheme Management and Investment of Funds (Scotland) Regulations 2010 requires funds to state the extent to which they comply with guidance given by the Scottish Ministers.

The Scottish Ministers guidance refers to the six revised principles on investment decision making contained within CIPFA publication "Investment Decision Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles" (December 2009).

Principle 3: Risk and Liabilities (paragraph 98) states that "The annual report of a pension fund should include an overall risk assessment in relation to each of the funds activities and factors expected to have an impact on the financial and reputational health of each fund. This could be done by summarising the contents of a regularly updated risk register. An analysis of the risks should be reported periodically to the committee, together with necessary actions to mitigate risk and assessment of residual risk".

The initial Tayside Superannuation Funds Risk Register (Article III of the Minute of Meeting of the Superannuation Sub-Committee of the Policy and Resources Committee of 21 February 2011, Report No 114-2011 refers) requires conformity with the Statements of Investment Principles for the Tayside Pension Fund and Tayside Transport Pension Fund. The risk register has in the past been reviewed annually. As per recommendations in a report by Internal Audit, review of the Risk Register is now reported on a quarterly basis.

5 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues, other than Risk Management itself, which is addressed through the register.

6 CONSULTATIONS

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

7 BACKGROUND PAPERS

None

**MARJORY M STEWART
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

29 FEBRUARY 2016

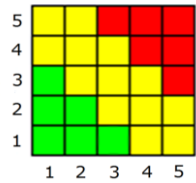
Quarterly Risk Report

Report Type: Risks Report

Report Author: Executive Director of Corporate Services

Generated on: 11 February 2016


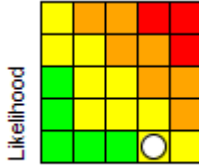
COVALENT RISK MATRIX



- 1 = Very Low
- 2 = Low
- 3 = Medium
- 4 = High
- 5 = Very High

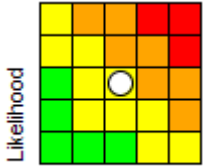
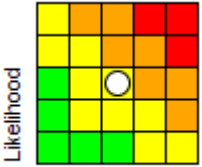
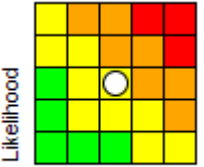
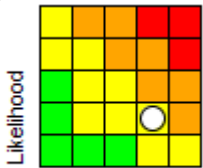
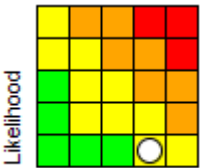
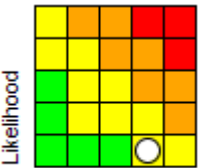
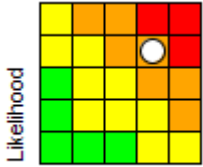
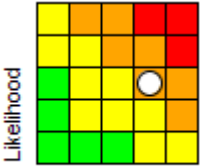
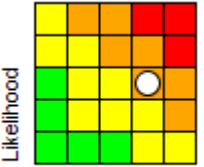


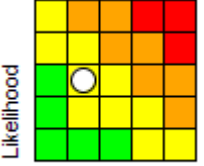
Risk Title	Risk Factors	Potential Effect	Control Measures	Original Risk	Risk at 23 Nov 2015	Guidance on change to risk	Residual Risk
1 Failure to process pension payments and lump sums on time	Non-availability of Altair pension system ResourceLink payroll system key staff or error omission, etc.	Retiring staff will be paid late which may have implications for their own finances. Reputational risk for the Fund Financial cost to the fund if interest has to be paid to members.	Robust maintenance and update of Altair and ResourceLink Sufficient staff cover arrangements Staff training and checking of work				

Risk Title	Risk Factors	Potential Effect	Control Measures	Original Risk	Risk at 23 Nov 2015	Guidance on change to risk	Residual Risk
2 Failure to collect and account for contributions from employers and employees on time	Non-availability of Authority Financials system, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. Failure of employer to provide required information.	Adverse audit opinion for failure to collect contributions by 19th of month Potential delays to employers' FRS17 year-end accounting reports	Robust maintenance and update of ResourceLink and Authority Financials systems, sufficient staff cover arrangements, staff training and checking of work. Ongoing communication with employers to ensure they understand their responsibilities to pay by the 19th of the month.				
3 Insufficient funds to meet liabilities as they fall due	Contributions from employees/employers too low Failure of investment strategy to deliver adequate returns Significant increases in longevity, etc.	Immediate cash injections would be required from employers.	Funding Strategy Statement Investment Strategy Triennial Valuations Ongoing advice from investment consultants, etc.			Regular monitoring of cash flow.	
4 Inability to keep service going due to loss of main office, computer system or staff	Fire, bomb, flood, etc.	Temporary loss of ability to provide service.	Dundee City Council Business Continuity plan in place.			L	

Risk Title	Risk Factors	Potential Effect	Control Measures	Original Risk	Risk at 23 Nov 2015	Guidance on change to risk	Residual Risk
5 Loss of funds through fraud or misappropriation	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the fund	Internal and external audit regularly test that appropriate controls are in place and working effectively. Regulatory control reports from investment managers, custodian, etc are also reviewed by audit. Due diligence is carried out when a new manager is appointed. Reliance is also placed on Financial Conduct Authority registration.				
6 Unable to participate in scheme	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, changing retirement patterns, etc.	Fund matures more quickly	Full Actuarial Valuation undertaken every 3 years. Funding Strategy Statement identifies how employer's liabilities are best met going forward.			Results of Actuarial Valuation as at 31/3/14 demonstrates health of funding and ability to reduce contributions	

Risk Title	Risk Factors	Potential Effect	Control Measures	Original Risk	Risk at 23 Nov 2015	Guidance on change to risk	Residual Risk
7 Significant rises in employer contributions due to poor/negative investment returns	Poor economic conditions, incorrect investment strategy Poor selection of investment managers	Poor/negative investment returns leading to increased employer contribution rates.	Performance monitored on an ongoing quarterly basis Diversified range of investment managers over different asset classes			Introduction of 5% volatility reserve as additional protection	
8 Failure of global custodian	Financial collapse of global custodian or failure to safeguard assets or records.	Financial loss to the fund. Loss of information.	Legal agreement with custodian. Credit rating monitored on an ongoing basis. Regulated by Financial Services Authority. Assets not on custodian balance sheet.				
9 Failure of Investment Manager	Market sector falls substantially	Financial loss to the fund	Performance monitored on an ongoing quarterly basis. Diversified range of asset classes. Advice provided by Investment Consultant.				

Risk Title	Risk Factors	Potential Effect	Control Measures	Original Risk	Risk at 23 Nov 2015	Guidance on change to risk	Residual Risk
10 Equity Risk	Market sector falls substantially	Financial loss to the fund	Performance monitored on an ongoing quarterly basis. Diversified range of asset classes Advice provided by Investment Consultant.				
11 Active Manager Risk	Investment manager underperforms.	Financial loss to the fund.	Performance monitored on an ongoing quarterly basis Targets and tolerance levels set.				
12 Failure to comply with LGPS and other regulations	Lack of technical expertise/staff resources to research regulations IT systems not updated to reflect current legislation, etc	Wrong pension payments made or estimates given. New scheme and regulations not fully known therefore staff will be unfamiliar	Verification process in place within Pensions section, ongoing staff training undertaken. Pension Administration Expert available to advise.			System updated with CARE factors (15/12/15). Experience of staff increasing.	
13 Failure to hold personal data securely	Insufficient security of data Inadequate data retention policy, backup and recovery procedures.	Data lost or compromised Reputational risk.	Data Protection Act adhered to Secure communication channels in place and system access is controlled				

Risk Title	Risk Factors	Potential Effect	Control Measures	Original Risk	Risk at 23 Nov 2015	Guidance on change to risk	Residual Risk
14 Failure to keep pension records up-to-date and accurate	Poor or non-existent notification of by employers of new starts, amendments, leavers, etc.	Incorrect records leading to incorrect estimates being issued and potentially incorrect pensions being paid	Verification process in place within Pensions section Ongoing communication with employers.	 Likelihood Impact	 Likelihood Impact		 Likelihood Impact
15 Lack of expertise on Pension Committee, Pension Board or amongst officers	Lack of training and continuous professional development.	Detrimental decisions made in relation to investments.	Provision of training External investment advice Consultation with peer groups.	 Likelihood Impact	 Likelihood Impact		 Likelihood Impact
16 Over reliance on key officers	Specialist nature of work means there are relatively few experts in investments and the LGPS regulations.	If an officer leaves or falls ill knowledge gap may be difficult to fill.	Key officers transfer specialist knowledge to colleagues Pension Administration Expert available to advise.	 Likelihood Impact	 Likelihood Impact		 Likelihood Impact
17 Failure to communicate properly with stakeholders	Lack of clear communication of policy and actions particularly with employers and scheme members	Scheme members not aware of their rights resulting in bad decisions Employers not aware of regulations, procedures, etc.	Pensions website, quarterly update for employers, newsletter for pension scheme members, annual employer forum.	 Likelihood Impact	 Likelihood Impact		 Likelihood Impact

ITEM No ...3.....

**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES
COMMITTEE & PENSION BOARD– 7 MARCH 2016**

REPORT ON: TAYSIDE PENSION FUNDS BUSINESS PLAN 2016/2017

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 100-2016

1 PURPOSE OF REPORT

This report introduces the eleventh annual business plan for the Tayside Pension Funds.

2 RECOMMENDATION

The Sub-Committee are asked to note the information within the report and to approve the 2016-2017 Business Plan which applies to the administration and management of the Tayside Pension Fund and the Tayside Transport Pension Fund.

3 FINANCIAL IMPLICATIONS

The costs of the Treasury and Investment and Pensions Administration section are contained within the overall Corporate Services Revenue Budget 2016/2017. Investment manager fees are charged directly to the Funds, as are actuarial and investment consultancy costs.

4 INTRODUCTION

The "CIPFA Pension Panel Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom". A Guide to the Application of the Myners Principles (December 2009) suggests that as one of the means of achieving effective decision making an annual business plan for the pension fund should be prepared and submitted.

This plan is prepared for the Pension Funds as a whole. This is over and above individual Service Plans for both the Financial Services Section as part of the Corporate Services Department's overall planning process.

5 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6 CONSULTATIONS

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

7 BACKGROUND PAPERS

None

**MARJORY M STEWART
DIRECTOR OF CORPORATE SERVICES**

26 FEBRUARY 2016



BUSINESS PLAN 2016-2017

1 **INTRODUCTION**

In order to comply with "CIPFA Pension Panel Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme" Principle 1 - Effective Decision Making it is necessary that an annual business plan is prepared for the Funds. This document together with the Statement of Investment Principles will set out the investment philosophy and priorities for the Funds.

2 **BACKGROUND**

The Tayside Pension Fund and Tayside Transport Pension Fund are merged for investment management purposes but remain separate entities subject to separate actuarial valuations and each producing their own set of accounts. At 31 December 2015 the value of the merged Funds was approximately £2,873m.

Within Dundee City Council's Corporate Services Department the responsibility for the Pension Funds lies now within Financial Services following retirement of the Pensions & Payroll Manager. The structure is currently under review.

The annual budget for 2016/2017 for these sections is shown in Appendix 1.

3 **INVESTMENT MANAGERS**

As stated in the Statement of Investment Principles (SIP) the objective of the Fund is to be 100% funded and to that end individual performance targets are set for each manager. These are stated in the SIP. However, these targets can only influence the asset side of the valuation and the liability side also affects the funding level. This is considered more fully in the Funding Strategy Statement (FSS).

Given the different styles of the managers and the decision to diversify their investment strategies it is unrealistic to expect all managers to meet their targets each year. However they will continue to be monitored quarterly by the Pension Sub-Committee to establish if they are performing satisfactorily.

4 **FINANCIAL POSITION**

Accounts for the year to 31 March 2015 are shown in Appendix 2. It is possible that the manager fees will increase as they are linked to the value of funds so will rise if funds increase.

Contributions rates are 17.0% of payroll for the 3 year period from 2015/2016.

Lump Sum payments may increase as some employers in the scheme continue to offer Early Retirement Schemes.

5 **PERFORMANCE MANAGEMENT**

Investment Performance Measurement will continue to be provided by Northern Trust, the Fund's custodian. A procurement exercise is due to commence and the outcome of this exercise may result in a change of provider, but should result in achieving efficiencies.

Investment and administration costs will continue to be benchmarked against national performance indicators and also against information collated by the LGPS Scotland Investment & Governance Group.

The Funds will also be subject to periodic review by both internal and external audit.

6 **ACTUARIAL SERVICES**

These have been provided from 1 July 2004 by Barnett Waddingham (previously Punter Southall), following a tendering exercise. The initial three year period was extended to an additional three year period from 1 July 2007. This has been further extended and a tender exercise was postponed until after the triennial valuation at 31 March 2014. A procurement exercise is planned for 2016/2017 and the outcome of this exercise may result in a change of provider.

7 **INVESTMENT CONSULTANCY**

Investment advice is provided by AON Hewitt. This contract began on 1 October 2013 following a tendering exercise using the new LGPS Procurement Framework. The period of the contract is for an initial 3 years with an option to extend contract period for a further two years. Aon Hewitt provide an annual report to the Sub-Committee each March (covering the managers and fund performance for the previous full calendar year) and will attend quarterly meetings with fund managers and provide regular advice to the Council's Officers.

8 **FUNDING STRATEGY STATEMENT**

These are produced following consultation with the actuary.

9 **KEY MEASURES AND TARGETS**

These are summarised in Appendix 3.

10 **ADMINISTRATION**

The new LGPS scheme and regulations became effective 1 April 2015 and included revised governance arrangements.

The new scheme moves to benefits being worked out using career average (CARE) rather than final salary and built up at a rate of 1/49th on annual pensionable pay.

The new self service pension administration module is being installed, with the employers of around 60% of active membership now utilising this medium. The second phase (a further 30%) is planned for March 2016 with the remainder of employers, pensioners and members being rolled out in the following months to July 2016.

11 **TREASURY MANAGEMENT STRATEGY**

Dundee City Council provides a treasury management service at a cost of £7,000 per annum.

FINANCIAL SERVICES AND INVESTMENT AND PENSION ADMINISTRATION
EXTRACT OF REVENUE BUDGET 2016/2017

	<u>Financial Services and Investment (£000)</u>	<u>Pension Administration (£000)</u>	<u>Total (£000)</u>
Staff	62	456	518
Property	4	45	49
Supplies and Services	37	145	182
Transport	1	1	2
Third Party Payments	<u>-</u>	<u>20</u>	<u>20</u>
	104	667	771
Treasury Management	7	-	7
TOTAL EXPENDITURE	<u>111</u>	<u>667</u>	<u>778</u>

TAYSIDE PENSION FUND ACCOUNTS

Restated 2013/2014 £000	FUND ACCOUNT	Note	2014/2015	
			£000	£000
	CONTRIBUTIONS AND BENEFITS			
	<u>Contributions receivable :-</u>			
67,620	From employers	5	68,776	
<u>22,364</u>	From members	5	<u>22,636</u>	
89,984				91,412
3,762	Transfers in	7		3,324
	<u>Benefits payable :-</u>			
(64,283)	Pensions		(68,545)	
<u>(19,865)</u>	Lump Sums	6	<u>(21,104)</u>	
(84,148)		6		(89,649)
	<u>Payments to and on account of Leavers :-</u>			
(179)	Refund of Contributions to Members		(233)	
(79)	Refund of Contributions to State Scheme		(115)	
<u>(4,483)</u>	Transfers Out	7	<u>(4,890)</u>	
(4,741)				(5,238)
<u>(1,192)</u>	Administration Expenses	4,14,16		<u>(1,232)</u>
3,665	Net (Withdrawals)/Deposits from dealings with Members			(1,383)
	RETURNS ON INVESTMENTS			
59,067	Investment Income	8	56,574	
146,447	Change in Market Value of Investments	9	336,802	
<u>(8,391)</u>	Investment Management Expenses	17	<u>(11,921)</u>	
<u>197,123</u>	Net Returns on Investments			<u>381,455</u>
200,788	Net increase in Fund during the year			380,072
<u>2,262,275</u>	OPENING NET ASSETS OF THE SCHEME			<u>2,463,063</u>
<u>2,463,063</u>	CLOSING NET ASSETS OF THE SCHEME			<u>2,843,135</u>

TAYSIDE PENSION FUND ACCOUNTS

2014 £000	NET ASSETS STATEMENT (AS AT 31 MARCH) INVESTMENT ASSETS AT MARKET VALUE	Note	2015 £000	£000
	<u>Listed Investments</u>			
593,619	UK Equities		656,278	
57,927	UK Pooled Funds		64,398	
39,579	UK Fixed Interest - Public Sector		47,561	
11,131	UK Fixed Interest – Other		7,850	
77,281	UK Index Linked - Public Sector		91,285	
564,960	Overseas Equities		654,486	
175,409	Overseas Pooled Funds		208,047	
290,860	Overseas Open Ended Investment Companies		352,658	
12,841	Overseas Fixed Interest – Other		17,877	
418	Derivatives (Futures)		286	
	<u>Unlisted Investments</u>			
296,038	UK Open Ended Investment Companies		339,194	
14,529	M&G Fund		11,782	
62,821	Overseas Open Ended Investment Companies		68,140	
232,546	Property Unit Trusts		304,428	
25,209	Cash Balances held by Fund Managers		16,093	
<u>11,598</u>	Financial Debtors	13	<u>19,691</u>	
2,466,766				2,860,054
	INVESTMENT LIABILITIES			
	(89) Derivatives (Futures)		(77)	
<u>(6,998)</u>	Other Financial Liabilities	13	<u>(15,823)</u>	
<u>(7,087)</u>	Total Financial Liabilities			<u>(15,900)</u>
2,459,679	Net Financial Assets	9		2,844,154
	CURRENT ASSETS			
5,614	Contributions Due from Employers		7,903	
1,768	Sundry Debtors	12	1,471	
<u>2,318</u>	Cash and Bank		<u>1,340</u>	
<u>9,700</u>			<u>10,714</u>	
	LESS CURRENT LIABILITIES			
(6,316)	Sundry Creditors	12	<u>(11,733)</u>	
<u>3,384</u>	NET CURRENT ASSETS			<u>(1,019)</u>
<u>2,463,063</u>	NET ASSETS			<u>2,843,135</u>

Marjory Stewart, FCCA, CPFA
 Executive Director of Corporate Services
 Dundee City Council
 25 September 2015

TAYSIDE TRANSPORT PENSION FUND ACCOUNTS

2013/2014	FUND ACCOUNT	2014/2015
£000		£000 £000
	CONTRIBUTIONS AND BENEFITS	Note
	<u>Contributions receivable:-</u>	
899	From employers	840
<u>89</u>	From members	<u>76</u>
988		916
	<u>Benefits payable:-</u>	
(1,958)	Pensions	(2,036)
<u>(689)</u>	Lump Sums	<u>(515)</u>
(2,647)		(2,551)
	<u>Payments to and on account of Leavers:-</u>	
-	Transfers Out	<u>(78)</u>
-		(78)
<u>(30)</u>	Administration Expenses	10,11 <u>(36)</u>
(1,689)	Net Withdrawals from dealings with Members	(1,749)
	RETURNS ON INVESTMENTS	
799	Investment Income	5 810
3,191	Change in Market Value of Investments	6 6,981
<u>(180)</u>	Investment Management Expenses	12 <u>(199)</u>
<u>3,810</u>	Net Returns on Investments	<u>7,592</u>
2,121	Net increase in Fund during the year	5,843
<u>54,170</u>	OPENING NET ASSETS OF THE SCHEME	<u>56,291</u>
<u>56,291</u>	CLOSING NET ASSETS OF THE SCHEME	<u>62,134</u>

TAYSIDE TRANSPORT PENSION FUND ACCOUNTS

2014 £000	NET ASSETS STATEMENT (AS AT 31 MARCH)	2015 £000	£000
	INVESTMENT ASSETS AT MARKET VALUE	Note	
	<u>Listed Investments</u>		
14,230	UK Equities		14,811
3,550	UK Fixed Interest - Public Sector		3,609
596	UK Fixed Interest - Other		515
6,085	UK Index Linked - Public Sector		6,892
14,397	Overseas Equities		15,827
1,036	Overseas Fixed Interest - Other		1,490
35	Derivatives (Futures)		18
	<u>Unlisted Investments</u>		
11,137	UK Open Ended Investment Companies		12,092
92	Overseas Open Ended Investment Companies		105
3,986	Property Unit Trusts		4,510
836	Cash Balances held by Fund Managers		700
<u>101</u>	Financial Debtors	9	<u>1,014</u>
56,081			61,583
	INVESTMENT LIABILITIES		
(8)	Derivatives (Futures)		(9)
<u>(17)</u>	Other Financial Liabilities	9	<u>(744)</u>
<u>(25)</u>	Total Financial Liabilities		<u>(753)</u>
56,056	Net Financial Assets	6	60,830
	CURRENT ASSETS		
6	Contributions Due from Employers		6
-	Sundry Debtors		1
<u>311</u>	Cash and Bank		<u>1,355</u>
317			1,362
	LESS CURRENT LIABILITIES		
(82)	Sundry Creditors	8	<u>(58)</u>
<u>235</u>	NET CURRENT ASSETS		<u>1,304</u>
<u>56,291</u>	NET ASSETS		<u>62,134</u>

Marjory Stewart, FCCA, CPFA
 Executive Director of Corporate Services
 Dundee City Council
 25 September 2015

APPENDIX 3

KEY MEASURES AND TARGETS

	<u>Baseline</u>	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2012 Actual</u>	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>Target</u>
1 <u>Pension Fund Administration</u>								
(i) Cost per member	£28.88	£25.40	£27.68	£23.90	£23.00	£26.92	£25.62	£30.00
2 <u>Pension Fund Investment</u>								
(i) Annual Investment performance relative to benchmark	+1.0%	-0.8%	-1.4%	-0.7%	+1.6%	+2.71	+1.0%	+1.0%
(ii) Funding level of Pension Fund	100%	98%	98%	98%	98%	99.8%*	99.8%*	99.8%*

*Estimated prior to valuation at 106.9%. 99.8% does not include 5% volatility reserve.

From Current Statement of Investment Principles*

3	<u>Investment Managers</u>	<u>Performance Target (on rolling 3 year basis)</u>
	Fidelity	Specific Benchmark +1.5% pa (gross of fees)
	Baillie Gifford	Specific Benchmark +1.75 to 2% pa (net of fees)
	Schroder Property	HSBC IPD Pooled Property Median +0.75% pa
	Goldman Sachs	Specific Benchmark +1.25% pa (gross of fees)
	Alliance Bernstein	Specific Benchmark +1.5% to 2% pa (net of fees)
4	<u>Asset Allocation</u>	<u>Target</u>
	<u>Main Fund</u>	
	Fidelity (Global Equity)	21%
	Baillie Gifford (Global Equity)	12%
	Schroder Property	12%
	Goldman Sachs (Bonds)	12%
	Alliance Bernstein (Global Equity)	15%
	Baillie Gifford (UK Equity)	12%
	Fidelity (Bonds)	6%
	Legal & General (Global Equity)	10%
	<u>Transport Fund</u>	
	Baillie Gifford (Global Equity)	22.5%
	Goldman Sachs (Bonds)	40%
	Schroder Property	10%
	Baillie Gifford (UK Equity)	27.5%

*Subject to amendment following Investment strategy review

Service Providers

Target - 2015

5	Actuarial Services	To continue quarterly monitoring of funding levels.
6	Investment Consultancy	To continue to monitor performance of managers.

ITEM No ...4.....

REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD– 7 MARCH 2016

REPORT ON: TREASURY MANAGEMENT STRATEGY

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 101-2016

1 PURPOSE OF REPORT

This report reviews the Treasury Management Strategy for Tayside Pension Fund.

2 RECOMMENDATIONS

The Committee are asked to approve the Treasury Management Strategy including list of permitted counterparties.

3 FINANCIAL IMPLICATIONS

The Pension Fund will pay a fee of £7,000 per annum to Dundee City Council for the provision of a treasury management service.

4 BACKGROUND

From 1 December 2009, the Tayside Pension Fund has operated a separate bank account from that of Dundee City Council. This is a requirement of legislation and ensures greater transparency of Pension Fund money.

Although the Pension Fund's investments are all managed externally there are frictional cash balances which are held internally. These arise from timing differences between receipt of pension contributions and payment of pensions within the month.

The fourth Treasury Management Strategy for the Pension Fund (Article IV of the Minute of Meeting of the Pension Investment Sub-Committee of Policy and Resources Committee of 2 March 2015, Report No 99-2015 refers) reviews this strategy.

5 TREASURY MANAGEMENT STRATEGY 2016/2017

The Pension Fund's Treasury Management Strategy will be based on cash flow management to ensure that sufficient funds are held to make all necessary payments.

The primary concern will be to ensure the security of cash to allow the capital to be preserved. Secondly the cash must be easily accessible. The return earned will only be considered once the first two conditions are satisfied.

The most suitable vehicles will be call accounts with the major clearing banks.

A suggested list of permitted counterparties with limits is shown at Appendix 1.

6 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

7 CONSULTATION

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

8 BACKGROUND PAPERS

None

**MARJORY M STEWART
DIRECTOR OF CORPORATE SERVICES**

26 FEBRUARY 2016

APPENDIX 1

PERMITTED COUNTERPARTIES FOR INVESTMENT TRANSACTIONS

<u>Approved Lending Bodies</u>	<u>Short Term Credit Rating**</u>	<u>Maximum Deposits £m</u>
<u>Banks</u>		
Royal Bank Of Scotland Plc	F2	5*
Lloyds Banking Group (Inc HBOS)	F1	5
Handelsbanken	F1+	8
Santander	F1	5

* This £5m limit applies to the call account. Additional smaller frictional cash balances (less than £1m) may also be held in the current account as RBS are Tayside Pension Funds bankers.

Any institution whose credit rating falls below the limits F2 will no longer be a permitted counterparty for further transactions (subject to advice from Treasury Advisor).

** Fitch Ratings Definition - Short-Term Ratings Assigned to Issuers or Obligations in Corporate, Public and Structured Finance

A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity or security stream and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-Term Ratings are assigned to obligations whose initial maturity is viewed as "short term" based on market convention. Typically, this means up to 13 months for corporate, sovereign, and structured obligations, and up to 36 months for obligations in U.S. public finance markets.

F1: Highest short-term credit quality - Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

F2: Good short-term credit quality. Good intrinsic capacity for timely payment of financial commitments.

ITEM No ...5.....

REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD– 7 MARCH 2016

REPORT ON: ADMISSION AGREEMENT CULTURE PERTH & KINROSS

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 94-2016

1 PURPOSE OF REPORT

This report seeks agreement of the Sub-Committee to the admission of Culture Perth & Kinross to the Local Government Pension Scheme as an Admission Body.

2 RECOMMENDATIONS

Culture Perth & Kinross will be established as an arms length charitable organisation, a company limited by guarantee, to deliver leisure and cultural services on behalf of Perth & Kinross Council and its staff will be transferred from Perth & Kinross Council as at 1st April 2016. It is recommended that the Sub-Committee agree that from the date it comes into being, Culture Perth & Kinross is admitted to the Local Government Pension Scheme as an Admission Body and to make and enter into an appropriate admission agreement. The Sub-Committee is also asked to note that Perth & Kinross Council will act as guarantor for the new organisation.

3 FINANCIAL IMPLICATIONS

As staff are transferring from Perth & Kinross Council, there will be no additional liabilities on the Fund.

4 BACKGROUND

Under Schedule 2, Part 2, Paragraph 1(a) and (b) of The Local Government Pension Scheme (Scotland) Regulations 2014, the administering authority may admit an “admission body” into the Local Government Pension Scheme providing they meet the requirements of those regulations. Any admission body then has the same rights and liabilities as the local authorities in the scheme. Culture Perth & Kinross could become an “admission body”, as it would provide a public service in the United Kingdom otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest.

The Local Government Pension Scheme (Scotland) Regulations 2014 lays down the conditions to apply before a body can be considered for admission into the Local Government Pension Scheme.

The following bodies are admission bodies with whom an administering authority may make an admission agreement—

(a) a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);

- (b) a body, to the funds of which a Scheme employer contributes;
- (c) a body representative of—
 - (i) any Scheme employers, or
 - (ii) local authorities or officers of local authorities;
- (d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of—
 - (i) the transfer of the service or assets by means of a contract or other arrangement, or
 - (ii) any provision in any enactment.
- (e) a body which provides a public service in the United Kingdom and is approved in writing by the Scottish Ministers for the purpose of admission to the Scheme.

5 CONCLUSIONS

In view of the fact that Culture Perth & Kinross are taking over employees of Perth & Kinross Council and will provide a public service in the United Kingdom otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest it is recommended that Culture Perth & Kinross is granted admission to the Local Government Pension Scheme as a Community Admission Body. In view of the funding position Perth & Kinross Council will act as guarantor to the liabilities of the body to pay all amounts due from it under the 2014 regulations.

6 POLICY IMPLICATIONS

This Report has been screened for any policy implications in respect of sustainability, strategic environment assessment, anti poverty, equality impact assessment, privacy impact assessment and risk management.

There are no major policy issues

7 CONSULTATIONS

The Chief Executive and Head of Democratic and Legal Services were consulted in the preparation of this report.

8 BACKGROUND PAPERS

None

MARJORY M STEWART
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

29 FEBRUARY 2016

CONFIDENTIAL

REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD– 7 MARCH 2016

REPORT ON: TAYSIDE PENSION FUNDS PERFORMANCE SUMMARIES

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 95-2016

1 PURPOSE OF REPORT

This report reviews the investment performance of the Main Fund's five Fund Managers (including Property) and the M&G UK Financing Fund for the quarter to 31 December 2015. It also considers the performance of the Transport Fund which invests with four of these managers.

The report compares investment performance of the Funds with the Funds' specific benchmarks which consist of various stock and security market indices.

2 RECOMMENDATIONS

The Sub-Committee is asked to note the information contained herein with regard to the performance of the Tayside Main Fund and Tayside Transport Fund and their Fund Managers.

3 INTRODUCTION

The Funds moved to a new more specialised structure in early July 2003. The performance measurement information is provided by Northern Trust, the Funds' custodian.

4 SUMMARY OF PERFORMANCE

The percentage returns on total assets achieved in the periods ended 31 December 2015 by each manager compared with their benchmark are shown in Appendix 1.

5 GENERAL COMMENTARY

Every quarter the Fund benchmarks its performance against that of other Scottish Local Authority Funds. This information runs a quarter behind the other information used in this report.

For the last period available (to 30 September 2015) the Main Fund performance relative to its benchmark ranked against other Funds as follows: Quarter - 3rd, Year - 2nd, 5 Years -2nd.

In the quarter to 31 December 2015, the Main Fund return of 5.29% out-performed the benchmark return of 4.68%. All funds out-performed their benchmarks over the period except for the Alliance Bernstein Global Equity Fund, the M&G UK Emerging Fund and the Fidelity Bond Fund. The Transport Fund return of 4.23% out-performed its benchmark return of 2.81%.

In the year to 31 December 2015, the Main Fund return of 6.68% out-performed the benchmark return of 3.84%. All funds out-performed over the period. The Transport Fund return of 5.29% out-performed its benchmark return of 2.85%.

In the three years to 31 December 2015, the Main Fund return of 11.65% pa outperformed the benchmark return of 9.33% pa. All funds except for the Schroder Property Fund out-performed over this period. The Transport Fund return of 9.92% pa out-performed its benchmark return of 8.21% pa.

In the five years to 31 December 2015, the Main Fund return of 8.52% pa out-performed the benchmark return of 7.22% pa. All funds except for the Schroder Property Fund out-performed over this period. The Transport Fund return of 8.97% pa was ahead of its benchmark return of 7.46% pa.

In the ten years to 31 December 2015, the Main Fund return of 6.84% pa out-performed the benchmark return of 6.37% pa. Of the five active mandates, only the Alliance Bernstein Global Equity Fund and Schroder Property Fund under-performed over this period. The Transport Fund return of 7.36% pa was ahead of its benchmark return of 6.17% pa.

6 **ALLIANCE BERNSTEIN** - *(Target is Benchmark + 2% pa)*

Poor returns in previous years have led to Alliance Bernstein's performance being under review. Performance has improved since the fourth quarter of 2012.

For the quarter ended 31 December 2015, Alliance Bernstein achieved a return of 6.19% and under-performed its benchmark return of 7.20%. Under-performance occurred due to stock selection across all regions except for the UK, Developed Asia Pacific Ex Japan and Developed Europe Ex UK.

For the year, Alliance Bernstein was ahead of benchmark and target with a return of 6.30% versus 3.99% for the benchmark. Out-performance occurred across all regions except for North America and Emerging Markets.

For the three years, Alliance Bernstein was ahead of benchmark and target with a return of 14.18% pa versus 11.60% pa for the benchmark.

For the five years, Alliance Bernstein was ahead of benchmark but behind target with a return of 8.32% pa versus 8.08% pa for the benchmark.

For the ten years, Alliance Bernstein was behind benchmark and target with a return of 5.69% pa versus 7.51% pa for the benchmark.

7 **BAILLIE GIFFORD & CO**

Global Equity - *(Target is Benchmark + 2% pa)*

For the quarter ended 31 December 2015, Baillie Gifford Global Equities returned 10.46% and out-performed the benchmark return of 8.06%. Out-performance occurred in all regions except for the UK.

For the year, Baillie Gifford Global Equities was ahead of benchmark and target, with a return of 8.66% versus 3.84% for the benchmark. Out-performance occurred across all regions except for the UK and Japan.

For the three years, Baillie Gifford Global Equities was ahead of benchmark and target with a return of 15.63% pa versus 11.85% pa for the benchmark.

For the five years, Baillie Gifford Global Equities was ahead of benchmark and target with a return of 10.64% pa versus 7.95% pa for the benchmark.

For the ten years, Baillie Gifford Global Equities was ahead of benchmark but behind target with a return of 8.57% pa versus 6.93% pa for the benchmark.

UK Equity - *(Target is Benchmark + 1.5% pa)*

For the quarter ended 31 December 2015, Baillie Gifford UK Equities returned 5.35% and out-performed the benchmark return of 3.95%. Out-performance occurred in all sectors except for the Healthcare, Oil & Gas, Technology and Utilities sectors.

For the year, Baillie Gifford UK Equities was ahead of benchmark and target with a return of 8.68% pa versus 0.98% pa for the benchmark. Out-performance occurred in all sectors except for the Consumer Goods, Industrials and Technology sectors.

For the three years, Baillie Gifford UK Equities out-performed its benchmark and target with a return of 11.41% pa versus 7.27% pa for the benchmark.

For the five years, Baillie Gifford UK Equities out-performed its benchmark and target with a return of 10.01% pa versus 6.00% pa for the benchmark.

8 **LEGAL & GENERAL INVESTMENT MANAGEMENT** - *(Target is Benchmark+ 0%)*

For the quarter ended 31 December 2015, Legal & General Passive Equity's return of 7.26% out-performed the benchmark return 7.20%.

For the year, Legal & General Passive Equity's return of 4.01% was marginally ahead of the benchmark return of 3.99%.

9 **FIDELITY PENSIONS MANAGEMENT**

Equity - *(Target is Benchmark + 1.75% pa)*

For the quarter to 31 December 2015, Fidelity returned 7.78% and out-performed the benchmark return of 6.24%. The fund out-performed across all equity regions apart from Japan.

For the year, Fidelity was ahead of benchmark and target with a return of 7.86% versus 2.75% for the benchmark. The fund out-performed across all regions apart from Japan.

For the three years, Fidelity was ahead of benchmark and target with a return of 12.80% pa versus 7.40% pa for the benchmark.

For the five years, Fidelity was ahead of benchmark and target with a return of 7.89% pa versus 4.71% pa for the benchmark.

For the ten years, Fidelity was ahead of benchmark and target with a return of 7.62% pa versus 5.48% pa for the benchmark.

Bond - *(Target is Benchmark + 0.65% pa)*

For the quarter to 31 December 2015, Fidelity returned -1.56% and underperformed its benchmark return of -0.92%. Out-performance occurred only in the Index-Linked Gilts sector.

For the year, Fidelity was ahead of benchmark but behind target with a return of 0.52% versus 0.13% for the benchmark. Out-performance occurred across all sectors.

For the three years, Fidelity out-performed the benchmark and scraped just ahead of target with a return of 5.53% pa versus 4.87% pa for the benchmark.

For the five years, Fidelity out-performed the benchmark and target with a return of 7.87% pa versus 7.06% pa for its benchmark.

10 **GOLDMAN SACHS ASSET MANAGEMENT** - *(Target is Benchmark + 1.25% pa)*

For the quarter ended 31 December 2015, Goldman Sachs' return of -0.78% outperformed the benchmark return of -1.09%. Out-performance occurred across all sectors except for the Government Bonds sector.

For the year, Goldman Sachs was ahead of benchmark but behind target with a return of 0.20% versus 0.02% for the benchmark. Out-performance occurred across the Non-Government Bonds sector only.

For the three years, Goldman Sachs was ahead of benchmark but behind target with a return of 4.87% pa versus 4.74% pa for the benchmark.

For the five years, Goldman Sachs was ahead of benchmark but behind target with a return of 7.32% pa versus 6.96% pa for the benchmark.

For the ten years, Goldman Sachs was ahead of benchmark but behind target with a return of 6.17% pa versus 5.68% pa for the benchmark.

11 **SCHRODER PROPERTY MANAGEMENT** - *(Target is Benchmark + 0.75% pa on a three-year annualised basis)*

For the quarter ended 31 December 2015, Schroder's return of 2.91% was ahead of the benchmark return of 2.84%.

For the year, Schroder was ahead of benchmark with a return of 12.73% versus 12.50% for the benchmark.

For the three years, Schroder was behind benchmark and target with a return of 11.99% pa versus 12.90% pa for the benchmark.

For the five years, Schroder was behind benchmark and target with a return of 7.99% pa versus 8.97% pa for the benchmark.

For the ten years, Schroder was behind benchmark and target with a return of 3.35% pa versus 3.72% pa for the benchmark.

12 **M & G INVESTMENT MANAGEMENT**

For the quarter ended 31 December 2015, M&G's return of 0.00% under-performed the benchmark return of 0.15%.

For the year, M&G was ahead of benchmark with a return of 3.43% versus 0.58% for the benchmark.

For the three years, M&G was ahead of benchmark with a return of 4.24% versus 0.54% for the benchmark.

For the five years, M&G was ahead of benchmark with a return of 3.93% versus 0.67% for the benchmark.

13 **POLICY IMPLICATIONS**

This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

14 **CONSULTATIONS**

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

15 **BACKGROUND PAPERS**

None

MARJORY M STEWART
DIRECTOR OF CORPORATE SERVICES

29 FEBRUARY 2016

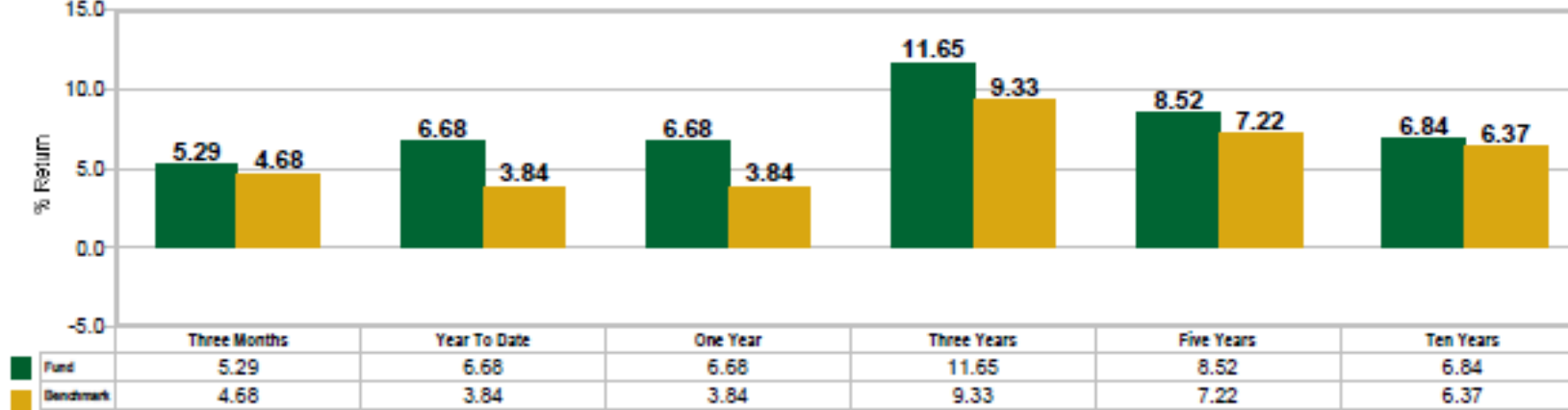


4th Quarter, 2015

Tayside Pension Funds

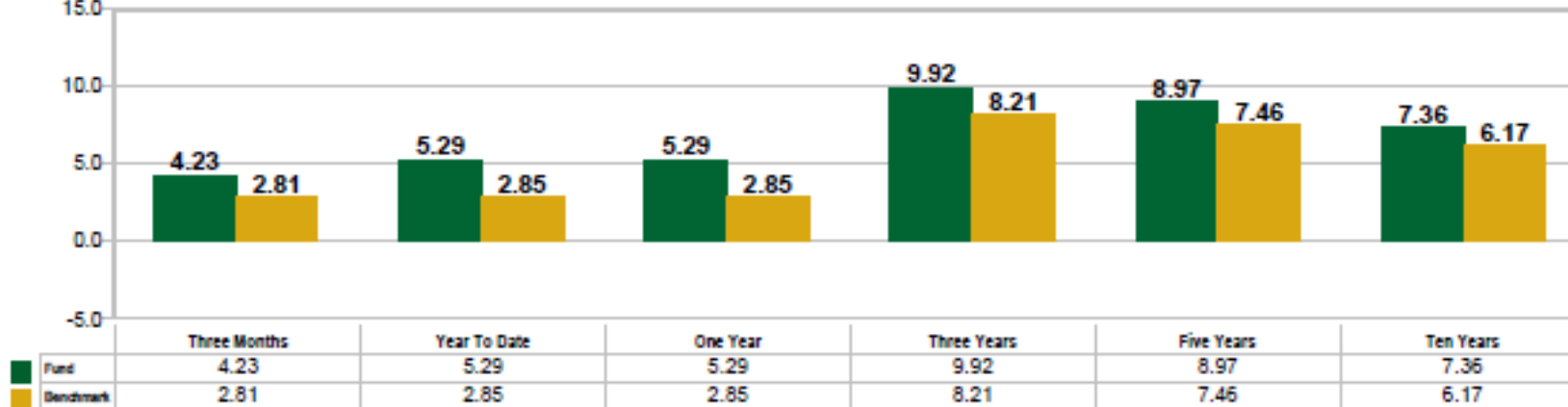
Tayside Main Fund.

Historical Plan Performance



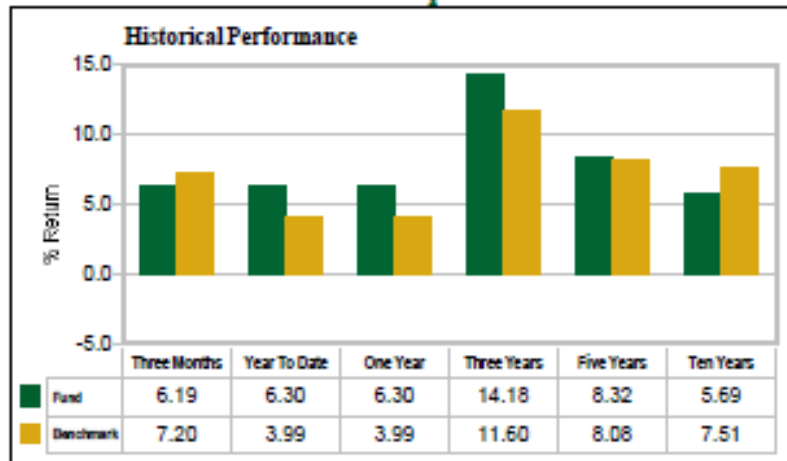
Tayside Transport Fund

Historical Plan Performance

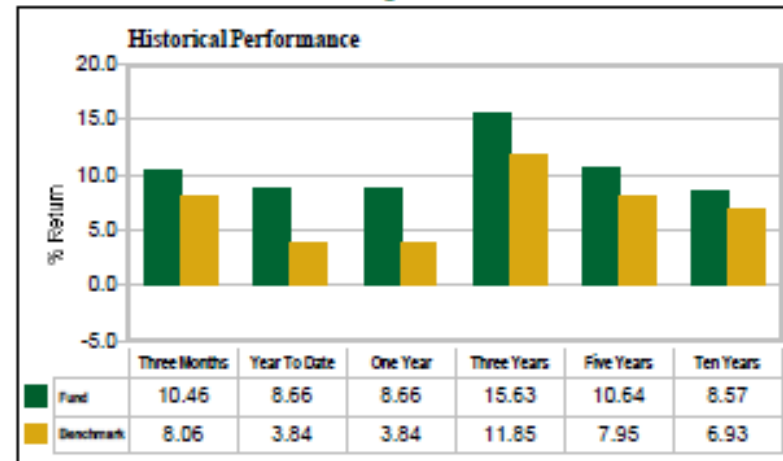




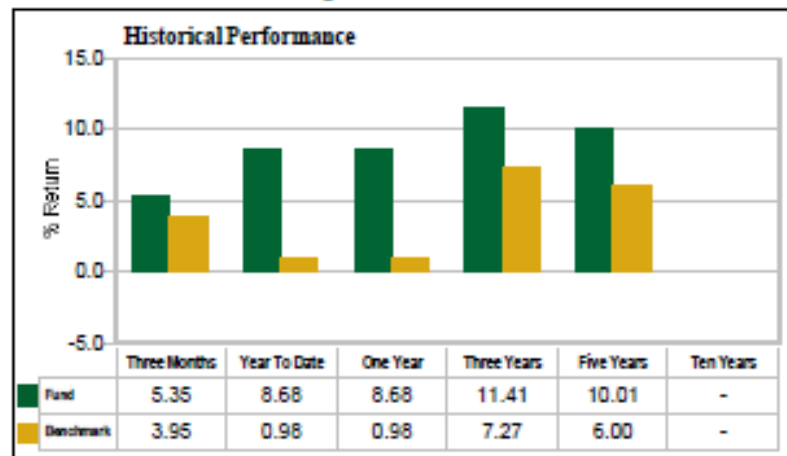
Alliance Bernstein Global Eq



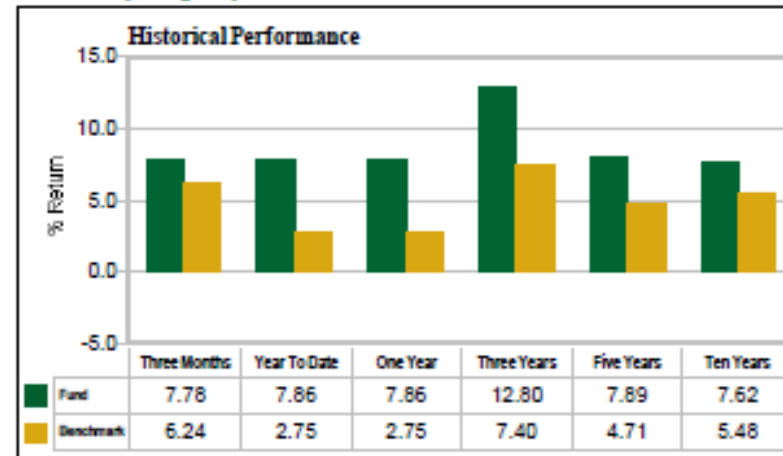
Baillie Gifford Global Eq



Baillie Gifford UK Eq

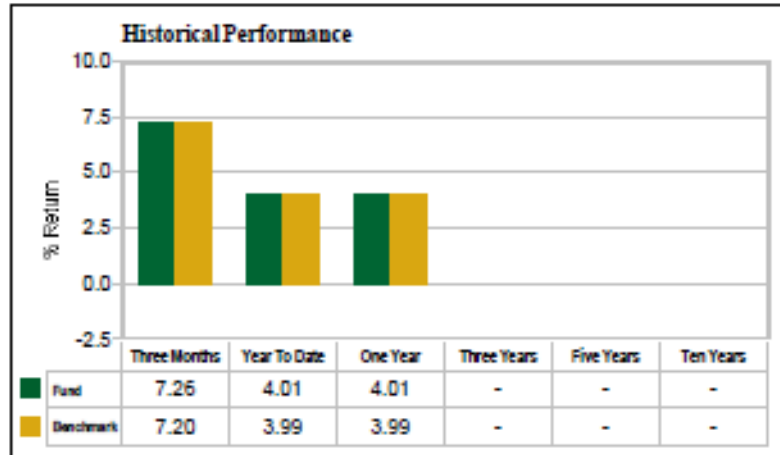


Fidelity Equity Fund



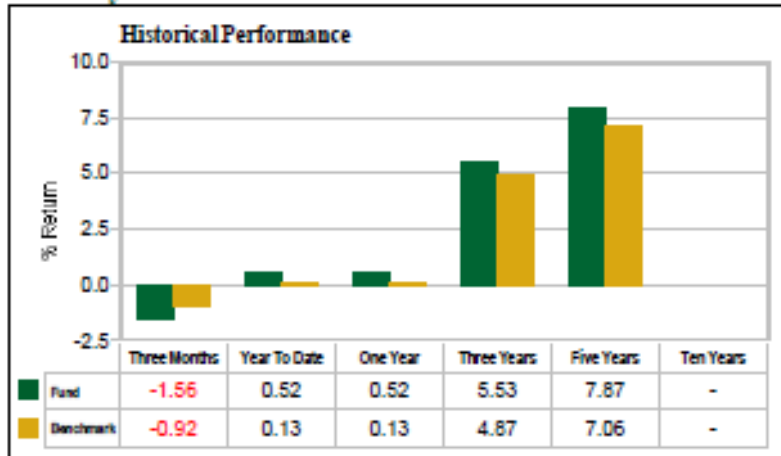


LGIM Passive Equity

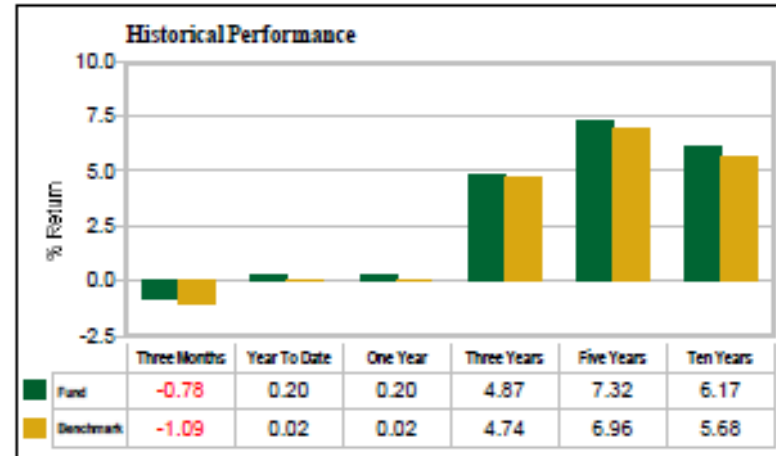




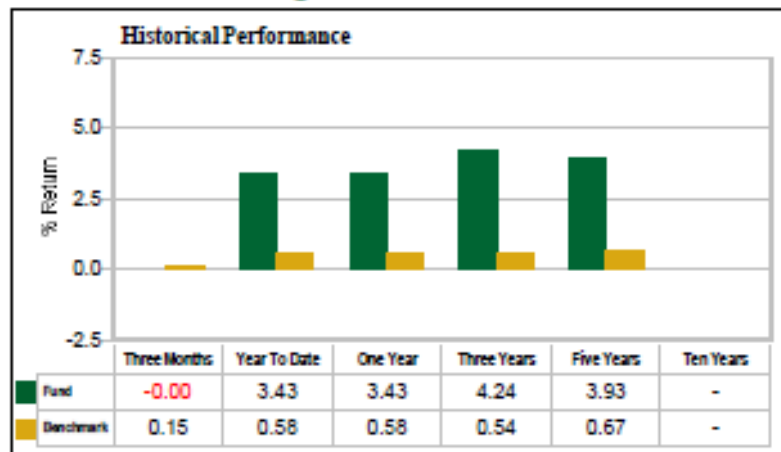
Fidelity Bond Fund



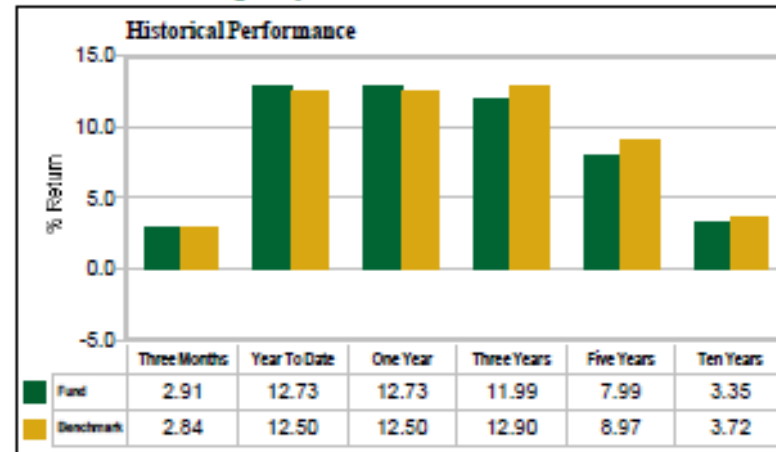
Goldman Sachs Global FI



M&G UK Financing Fund

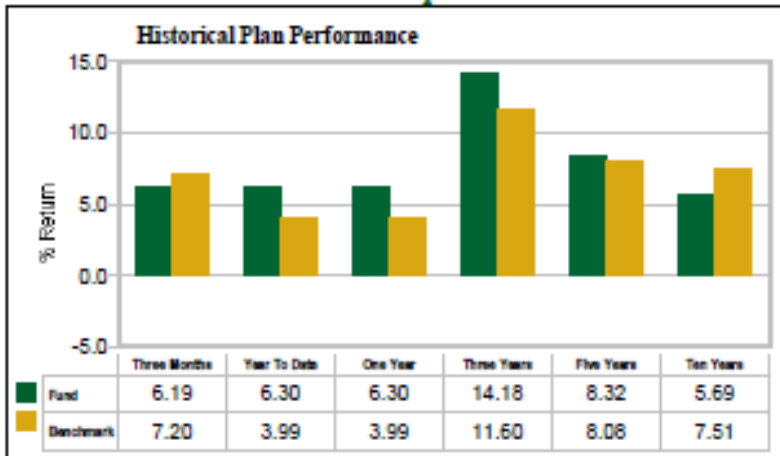


Schroders Property





Alliance Bernstein Global Eq

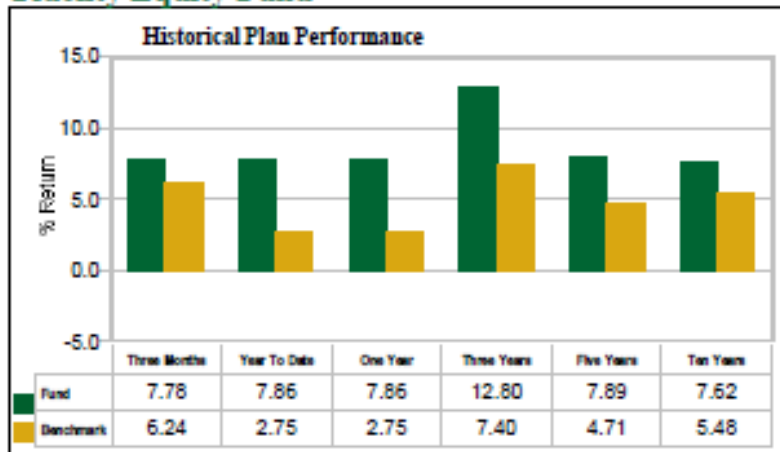


Alliance Bernstein Global Eq

The Alliance Bernstein Global Equity mandate returned 6.19% over the December quarter and fell -94bps short of its FTSE blended benchmark, which returned 7.20% over the same period.

This is the second successive quarter of below-benchmark performance for the fund, which has underperformed its benchmark across only four of the most recent twelve calendar quarters. The fund now yields 6.30% and 8.32% pa over the rolling one and five year periods, with outperformance of +222bps and +22bps pa respectively. Since its June 2003 inception, the fund now yields 8.48% pa versus a benchmark return of 9.70% pa for a relative underperformance of -112bps per annum.

Fidelity Equity Fund



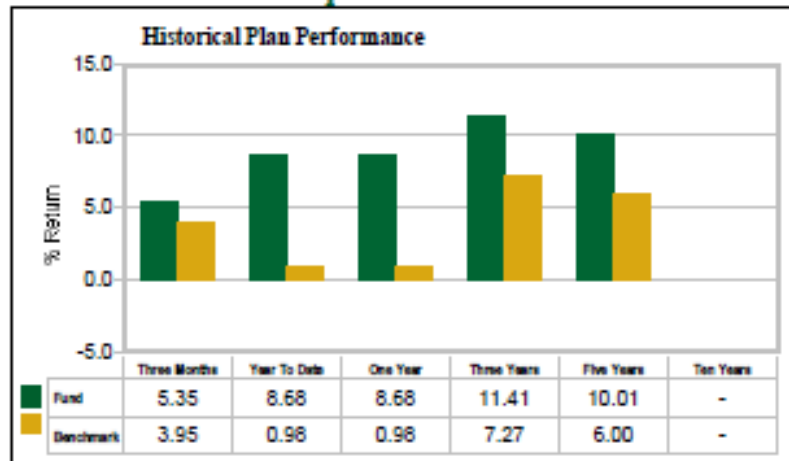
Fidelity Equity Fund

The aforementioned Fidelity Equity mandate yielded 7.78% over Q4 versus 6.24% for its composite benchmark: an outperformance of +145bps on a relative basis. Stock selection gains across the Emerging Market region added +101bps to portfolio performance and drove the Q4 relative gain.

The mandate continues to deliver outperformance versus its benchmark across all reported performance horizons. Over the rolling one year and inception to date (December 1997) periods, the fund now yields 7.86% and 7.17% per annum respectively and delivers above-benchmark gains of +497bps and +134bps per annum on a relative basis.



Baillie Gifford UK Eq

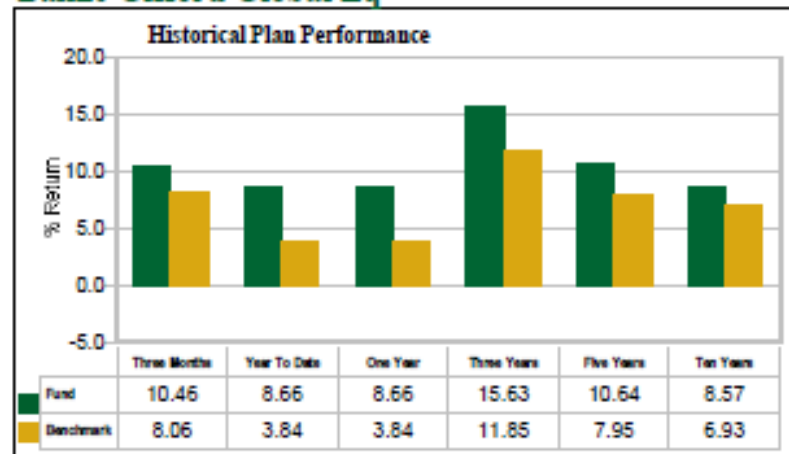


Baillie Gifford UK Eq

The Baillie Gifford UK Equity mandate yielded 5.35% over Q4 versus its FTSE All Share benchmark return of 3.95%: an outperformance of +135ps. Stock selection gains across the Financials (+133bps) sector drove the Q4 relative gain.

Including Q4 results, the mandate has now outperformed the index across all of the most recent four calendar quarters and across nine of the most recent twelve. It continues to beat the index over all longer reported performance horizons. Since its December 2009 inception, the mandate now generates an average annual gain of 12.41% pa versus 7.37% pa for the index: a relative outperformance of almost five percentage points (+4.69% pa) per annum.

Baillie Gifford Global Eq



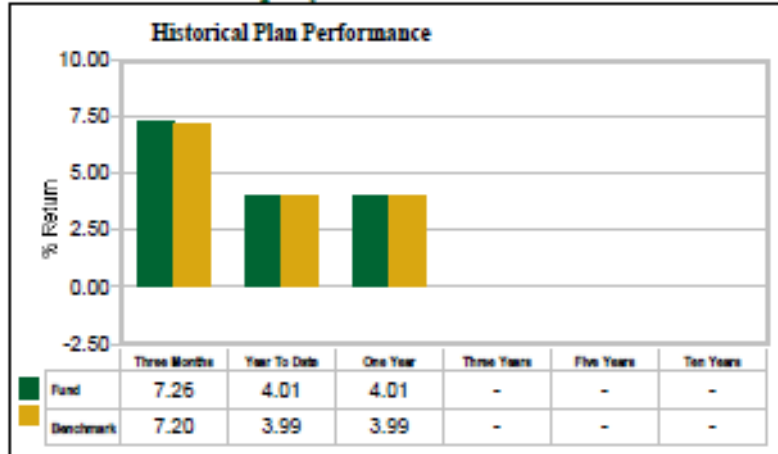
Baillie Gifford Global Eq

The Baillie Gifford Global Equity mandate closed the quarter +222bps ahead of the MSCI All Countries World Index, with a double-digit positive return of 10.46% versus 8.06% for the index. Stock selection gains across most regions, but in particular, across the Emerging Markets region (+201bps) drove this quarter's outperformance.

The fund continues to outperform the index across all reported performance horizons. Over the rolling one year and inception to date (December 1992) periods, the fund now generates returns of 8.66% and 9.11% per annum and delivers outperformance of +464bps and +70bps per annum respectively, relative to the index return.



LGIM Passive Equity

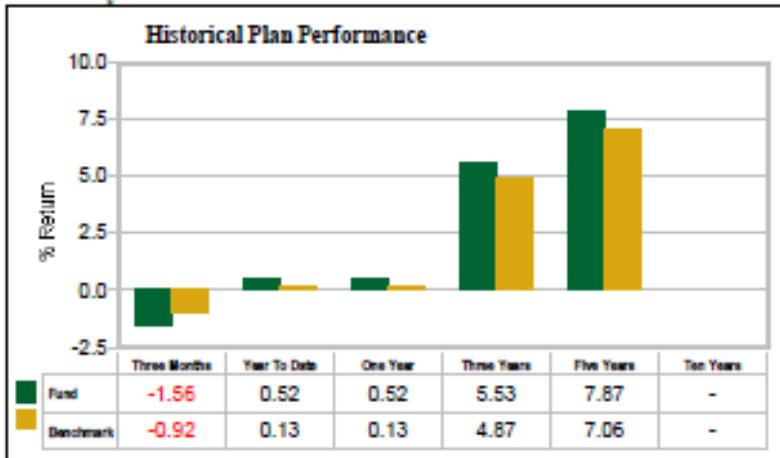


LGIM Passive Equity

This mandate was funded in October 2013 with £230m proceeds from the Alliance Bernstein Global Equity mandate. Over its eighth full quarter of performance, the mandate marginally outperformed its FTSE blended benchmark, returning 7.26% versus 7.20% for the benchmark. Since its inception, the fund now yields 6.27% pa and marginally outperforms the index by +3bps per annum on a relative annualised basis.



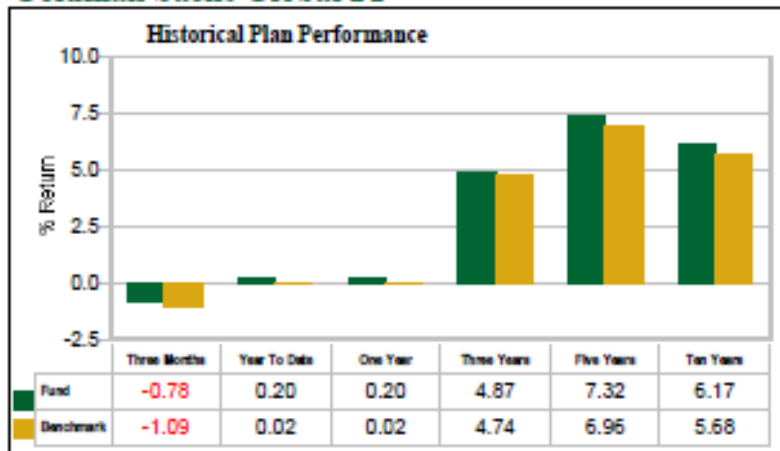
Fidelity Bond Fund



Fidelity Bond Fund

The Fidelity Bond Fund fell -65bps below its composite benchmark over the fourth quarter, with a negative return of -1.56% versus -0.92% for the benchmark. The current quarter dip follows three prior quarters of outperformance for the fund, which continues to outperform its composite benchmark over every reported performance horizon. Since its January 2007 inception, the fund generates an average annual return of 7.69% pa versus 6.78% pa for its composite benchmark.

Goldman Sachs Global FI

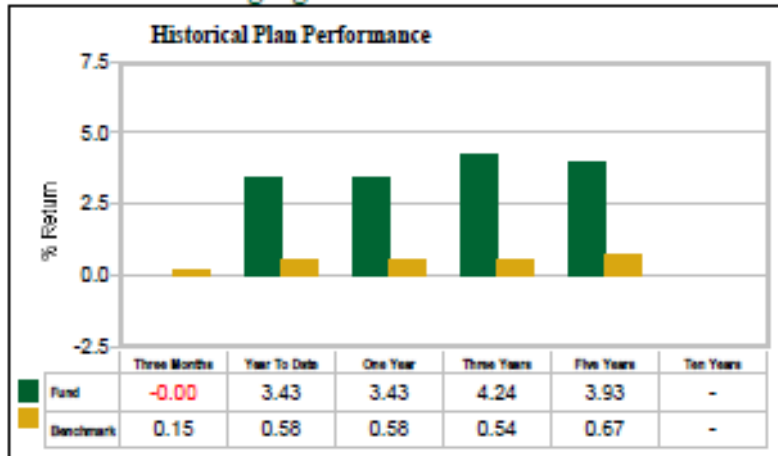


Goldman Sachs Global FI

The Goldman Sachs Bond Fund beat the wider market by +31bps over Q4, albeit with a negative return of -0.78% versus -1.09% for its composite benchmark. Including current quarter results, the fund has now outperformed its benchmark across two of the four most recent calendar quarters and across seven of the most recent twelve. It continues to outperform over all longer reported horizons with single digit positive returns. Since its June 2003 inception, the fund now generates an average annual return of 6.60% pa and adds, on average, +53bps per annum in excess of the composite benchmark return.



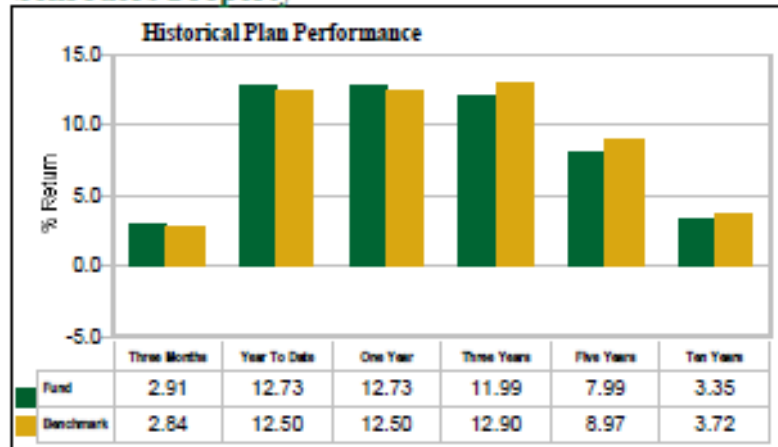
M&G UK Emerging Fund



M&G UK Emerging Fund

The M&G UK Emerging Fund produced a 0% return over Q4, versus 0.15% for the 3-Month Sterling LIBOR Index: an underperformance of -15bps. In spite of current quarter results, the fund continues to outperform the index over every reported performance horizon with low single digit returns ranging between 3 and 4%. Over the rolling twelve month and inception to date (April 2010) periods, the fund now yields 3.43% and 3.82% pa and outperforms the index by margins of +284bps and +313bps per annum on a relative basis.

Schroders Property



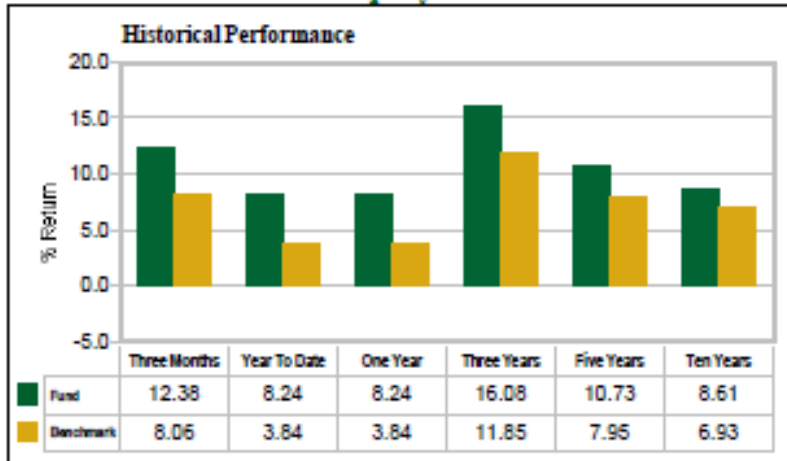
Schroders Property

The Schroder Property mandate beat the wider market over Q4, gaining 2.91% in a quarter where the IPD All Balanced Property Funds Weighted Average Index gained only 2.84%. This is the second successive quarter of outperformance for the fund following eight prior quarters of below-benchmark performance. As a result, the fund now climbs +21bps above benchmark over the rolling one year period with a return of 12.73% versus 12.50% for the index. It continues to deliver below-benchmark performance across all longer reported performance horizons. Over five years and since its June 1998 inception, the fund now produces average annual returns of 7.99% pa and 7.27% pa and underperforms the index by margins of -90bps per annum and -17bps per annum respectively, on a relative basis.

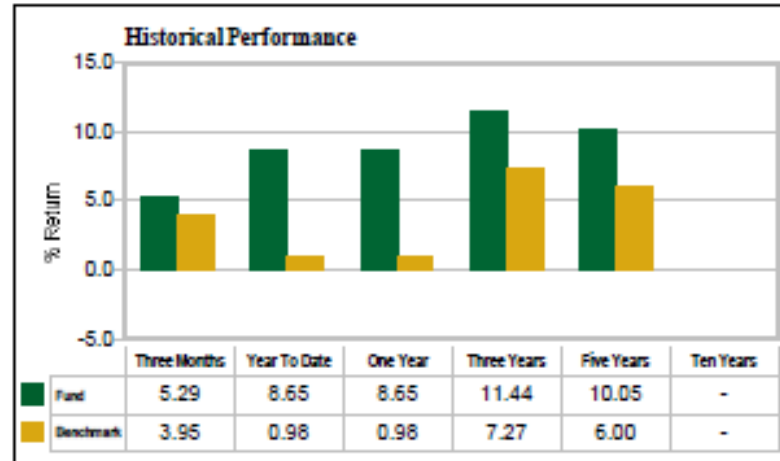
NB. This fund was measured against the IPD All Balanced Property Median over all periods prior to December 2010.



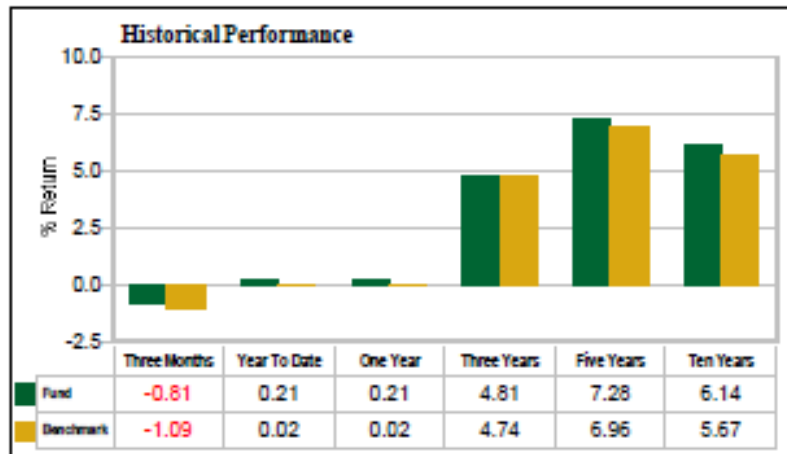
Baillie Gifford Global Equity



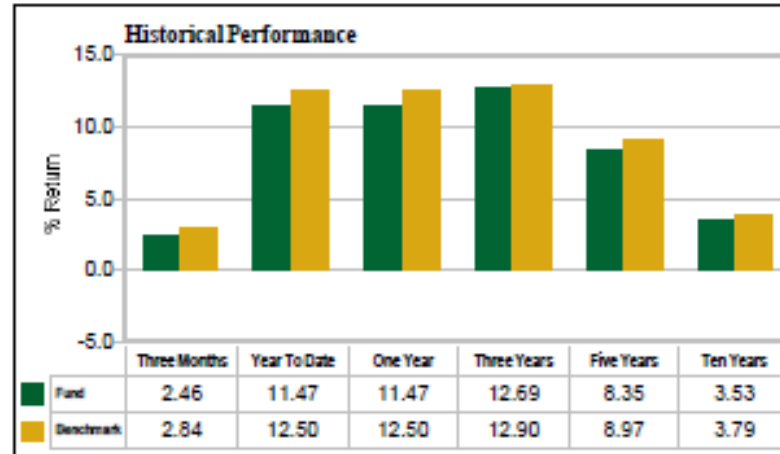
Baillie Gifford UK Equity



Goldman Sachs Global

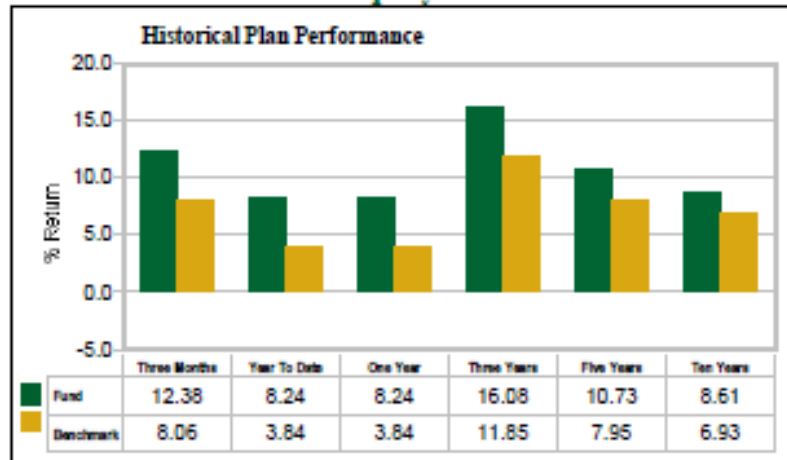


Schroders RE UT





Baillie Gifford Global Equity

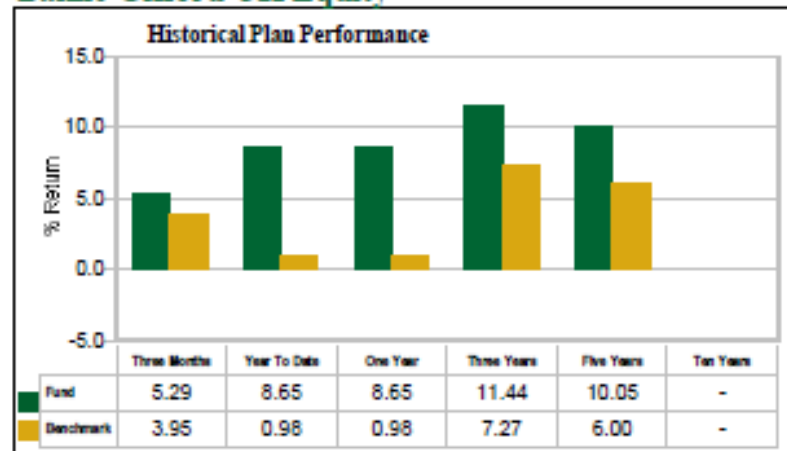


Baillie Gifford Global Equity

The aforementioned Baillie Gifford Global Equity mandate closed the quarter +400bps ahead of the MSCI All Countries World Index, with a double-digit positive return of 12.38% versus 8.06% for the index.

The fund continues to outperform the index across all reported performance horizons. Over the rolling one year and inception to date (December 1992) periods, the fund now generates returns of 8.24% and 9.13% per annum and delivers outperformance of +424bps and +72bps per annum respectively, relative to the index return.

Baillie Gifford UK Equity



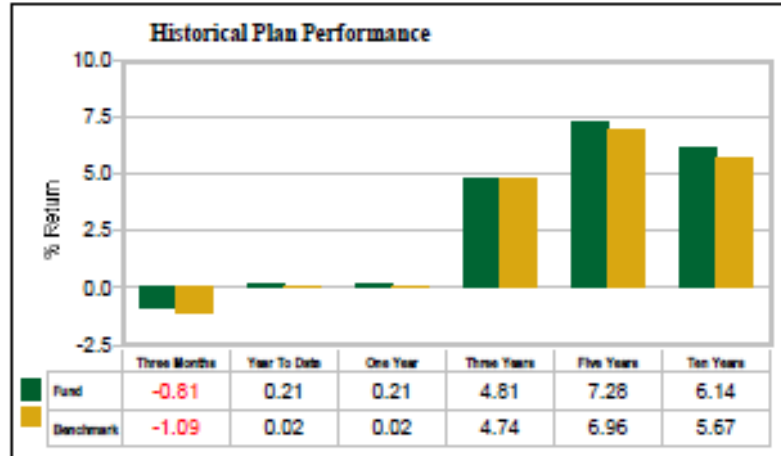
Baillie Gifford UK Equity

The Baillie Gifford UK Equity mandate yielded 5.29% over Q4 versus its FTSE All Share benchmark return of 3.95%: an outperformance of +129ps.

Including Q4 results, the mandate has now outperformed the index across all of the most recent four calendar quarters and across nine of the most recent twelve. It continues to beat the index over all longer reported performance horizons. Since its December 2009 inception, the mandate now generates an average annual gain of 12.44% pa versus 7.37% pa for the index: a relative outperformance of almost five percentage points (+4.72% pa) per annum.



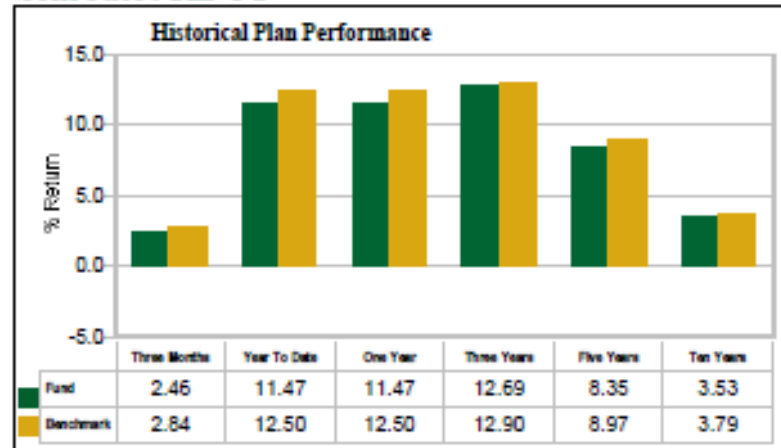
Goldman Sachs Global



Goldman Sachs Global

The Goldman Sachs Bond Fund beat the wider market by +28bps over Q4, albeit with a negative return of -0.81% versus -1.09% for its composite benchmark. Including current quarter results, the fund has now outperformed its benchmark across two of the four most recent calendar quarters and across seven of the most recent twelve. It continues to outperform over all longer reported horizons with single digit positive returns. Since its June 2003 inception, the fund now generates an average annual return of 6.59% pa and adds, on average, +51bps per annum in excess of the composite benchmark return.

Schroders RE UT



Schroders RE UT

The Schroder Property mandate fell -36bps short of the wider market over Q4, gaining only 2.46% in a quarter where the IPD All Balanced Property Funds Weighted Average Index gained 2.84%. This is the second quarter of outperformance for the fund following two prior quarters of below-benchmark performance. The fund continues to deliver below-benchmark performance across all longer reported performance horizons. Over one year and since its June 1998 inception, the fund now produces average annual returns of 11.47% pa and 7.37% pa and underperforms the index by margins of -91bps per annum and -8bps per annum respectively, on a relative basis.

NB. This fund was measured against the IPD All Balanced Property Median over all periods prior to December 2010.



4th Quarter, 2015

Tayside Pension Funds

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Please note that this report has been prepared using best available data. This report may also contain information provided by third parties, derived by third parties or derived from third party data and/or data that may have been categorized or otherwise reported based upon client direction - Northern Trust assumes no responsibility for the accuracy, timeliness or completeness of any such information. If you have questions regarding third party data or direction as it relates to this report, please contact your Northern Trust relationship team.

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**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES
COMMITTEE & PENSION BOARD– 7 MARCH 2016**

**REPORT ON: TAYSIDE PENSION FUND
TAYSIDE TRANSPORT PENSION FUND**

**SUMMARIES OF INVESTMENTS & TRANSACTIONS
1 OCTOBER 2015 – 31 DECEMBER 2015**

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 75-2016

1 PURPOSE OF REPORT

This report reviews the investment activities of the Main Fund's seven Fund Managers for the quarter to 31 December 2015. The Transport Fund shares three of these managers and their transactions are included.

The report summarises the transactions of each Fund Manager and shows the market values of the Main and Transport Fund.

2 RECOMMENDATIONS

The Sub-Committee is asked to note the information contained herein with regard to the activities of the Tayside Pension Fund and Tayside Transport Pension Fund and their Fund Managers.

3 INTRODUCTION

There are seven Fund Managers whose transactions are overseen by a global custodian, Northern Trust. Summaries for each manager are prepared on a quarterly basis.

4 SUMMARY OF INVESTMENT DISTRIBUTION

During the quarter to 31 December 2015, "turnover" figures (purchases and sales as a percentage of the average portfolio valuations) for the Managers were as follows:-

MAIN FUND		TRANSPORT FUND	
Baillie Gifford Global	7%	Baillie Gifford Global	N/A*
Goldman Sachs	24%	Goldman Sachs	25%
Baillie Gifford UK	0%	Baillie Gifford UK	6%
Property Unit Trusts	3%	Property Unit Trust	0%
Alliance Bernstein	22%		
Fidelity	11%		
Fidelity Bond	2%		
M&G Financing Fund	14%		
Legal & General	2%		

* All turnover is contained within the transactions of the Pooled Funds

QUARTERLY ACTIVITIES

These are shown in the following appendices:-

MAIN FUND

Appendix 1: Summarises the portfolio investment distribution of each Fund Manager at 30/09/15 and 31/12/15.

Appendices 2 (a) (b) (c) (d) (e) (f) (g) (h): Summarises the Purchases, Sales, Dividend Income and Movement/Growth for the quarter 01/10/15 to 31/12/15 for each Fund Manager.

Appendix 3: Summarises the transactions of the Property Unit Trust portfolio from 01/10/15 to 31/12/15.

TRANSPORT FUND

Appendix 4: Summarises the portfolio investment distribution of each Fund Manager at 30/09/15 and 31/12/15.

Appendices 5 (a) (b) (c) (d): Summarises the Purchases, Sales, Dividend Income and Movement/Growth for the quarter 01/10/15 to 31/12/15 for each Fund Manager

6 POLICY IMPLICATIONS

This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

7 CONSULTATIONS

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

8 BACKGROUND PAPERS

None

MARJORY STEWART
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

29 FEBRUARY 2016

TAYSIDE PENSION FUND
SUMMARY OF INVESTMENT DISTRIBUTION

	<u>TOTAL FUND</u>				Strategic
	30-09-15		31-12-15		Benchmark
	£'000	%	£'000	%	%
<u>UNITED KINGDOM</u>					
Equities	687,915	25.7	734,997	26.2	28.0
Bonds	322,528	12.1	309,095	11.0	13.0
Index-Linked	135,411	5.1	132,772	4.7	5.0
	(1,145,854)	(42.9)	(1,176,864)	(41.9)	(46.0)
<u>OVERSEAS</u>					
Equities:					
North America	435,951	16.3	464,255	16.5	17.0
Europe	268,277	10.1	292,718	10.4	9.0
Japan	187,283	7.0	201,851	7.2	7.0
Pacific Basin (excl Japan)	80,009	3.0	83,122	3.0	2.5
Others	170,992	6.4	190,317	6.8	6.5
Bonds	16,717	0.6	29,727	1.1	-
Currency Fund	1,280	0.1	1,320	-	-
Index-Linked	3,622	0.1	3,177	0.1	-
	(1,164,131)	(43.6)	(1,266,487)	(45.1)	(42.0)
Financing Fund	11,914	0.4	10,237	0.3	-
Total cash	23,582	0.9	19,192	0.7	-
TOTAL	2,345,481	87.8	2,472,780	88.0	88.0
INTERNALLY MANAGED CASH	1,512	0.1	1,719	0.1	-
COMBINED FUND EXCL PROPERTY	2,346,993	87.9	2,474,499	88.1	88.0
<u>TAYSIDE PROPERTY FUND</u>					
Property Investments	316,154	11.8	332,763	11.8	12.0
Cash	8,715	0.3	2,594	0.1	-
OVERALL TOTAL	2,671,862	100.0	2,809,856	100.0	100.0

TAYSIDE PENSION FUND

SUMMARY OF INVESTMENTS AND TRANSACTIONS (01-10-15 TO 31-12-15)ALLIANCE BERNSTEIN

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VALUATION</u> <u>AT 30-09-15</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>NET</u> <u>INVESTMENT</u> <u>INCL INC REC'D</u>	<u>MOVEMENT</u> <u>\GROWTH</u>	<u>VALUATION</u> <u>AT 31-12-15</u>	<u>% MOVEMENT</u> <u>\GROWTH</u>
	£'000	£'000	£'000	£'000	£'000	£'000	%
<u>UNITED KINGDOM</u>							
Equities	87,469	15,903	(9,694)	6,209	2,566	96,244	2.9
<u>OVERSEAS</u>							
Equities:							
North America	137,020	14,896	(18,073)	(3,177)	6,663	140,506	4.9
Europe	67,798	9,446	(3,629)	5,817	5,709	79,324	8.4
Japan	43,122	3,653	(4,720)	(1,067)	5,407	47,462	12.5
Pacific Basin (excl Japan)	10,939	-	(5,019)	(5,019)	1,320	7,240	12.1
Others	33,323	1,650	-	1,650	1,219	36,192	3.7
<u>SHORT TERM ASSETS</u>							
Cash balance	3,228					1,472	
Pending/recoverables	1,724					184	
Total cash	4,952	(45,548)	41,135	(4,413)	-	1,656	-
Net income				1,117			
	<u>384,623</u>	<u>0</u>	<u>0</u>	<u>1,117</u>	<u>22,884</u>	<u>408,624</u>	<u>6.2</u>

TAYSIDE PENSION FUND

SUMMARY OF INVESTMENTS AND TRANSACTIONS (01-10-15 TO 31-12-15)BAILLIE GIFFORD GLOBAL

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VALUATION</u> <u>AT 30-09-15</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>NET</u> <u>INVESTMENT</u> <u>INCL INC REC'D</u>	<u>MOVEMENT</u> <u>\GROWTH</u>	<u>VALUATION</u> <u>AT 31-12-15</u>	<u>% MOVEMENT</u> <u>\GROWTH</u>
	£'000	£'000	£'000	£'000	£'000	£'000	%
<u>UNITED KINGDOM</u>							
Equities	21,704	-	(242)	(242)	455	21,917	2.1
<u>OVERSEAS</u>							
Equities:							
North America	159,776	5,643	(6,008)	(365)	15,345	174,756	9.6
Europe	61,935	5,476	(3,016)	2,460	5,021	69,416	8.1
Japan	20,867	-	(175)	(175)	3,836	24,528	18.4
Pacific Basin (excl Japan)	22,519	308	(173)	135	3,385	26,039	15.0
Others	30,298	354	(1,267)	(913)	5,367	34,752	17.7
<u>SHORT TERM ASSETS</u>							
Cash balance	6,609					2,416	
Pending/recoverables	576					502	
Total cash	7,185	(11,781)	10,881	(900)	-	2,918	-
Net income				(3,367)			
TOTAL	<u>324,284</u>	<u>0</u>	<u>0</u>	<u>(3,367)</u>	<u>33,409</u>	<u>354,326</u>	<u>9.3</u>

TAYSIDE PENSION FUND

SUMMARY OF INVESTMENTS AND TRANSACTIONS (01-10-15 TO 31-12-15)FIDELITY PENSIONS MANAGEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VALUATION</u> <u>AT 30-09-15</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>NET</u> <u>INVESTMENT</u> <u>INCL INC REC'D</u>	<u>MOVEMENT</u> <u>\GROWTH</u>	<u>VALUATION</u> <u>AT 31-12-15</u>	<u>% MOVEMENT</u> <u>\GROWTH</u>
	£'000	£'000	£'000	£'000	£'000	£'000	%
<u>UNITED KINGDOM</u>							
Equities	188,586	26,127	(16,597)	9,530	9,852	207,968	5.2
<u>OVERSEAS</u>							
Equities:							
North America	33,926	190	(2,859)	(2,669)	3,695	34,952	10.9
Europe	99,462	2,267	(4,738)	(2,471)	5,443	102,434	5.5
Japan	102,379	-	(5,236)	(5,236)	11,288	108,431	11.0
Pacific Basin (excl Japan)	40,052	-	(742)	(742)	3,367	42,677	8.4
Others	92,703	3,221	(1,252)	1,969	7,052	101,724	7.6
<u>SHORT TERM ASSETS</u>							
Cash balance	695					1,662	
Pending/recoverables	631					1,203	
Total cash	1,326	(31,805)	31,424	(381)	-	2,865	-
Net income				1,920			
	<u>558,434</u>	<u>0</u>	<u>0</u>	<u>1,920</u>	<u>40,697</u>	<u>601,051</u>	<u>7.6</u>

TAYSIDE PENSION FUND

SUMMARY OF INVESTMENTS AND TRANSACTIONS (01-10-15 TO 31-12-15)GOLDMAN SACHS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VALUATION</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>NET</u>	<u>MOVEMENT</u>	<u>VALUATION</u>	<u>% MOVEMENT</u>
	<u>AT 30-09-15</u>			<u>INCL INC REC'D</u>	<u>\GROWTH</u>	<u>AT 31-12-15</u>	<u>\GROWTH</u>
	£'000	£'000	£'000	£'000	£'000	£'000	%
<u>UNITED KINGDOM</u>							
Bonds	199,513	5,763	(18,512)	(12,749)	(68)	186,696	-
Index-Linked	88,227	11,936	(11,540)	396	(3,062)	85,561	(3.5)
<u>OVERSEAS</u>							
Bonds	16,717	20,097	(7,324)	12,773	237	29,727	1.4
Currency Fund	1,280	-	-	-	40	1,320	3.1
Index-Linked	3,622	236	(762)	(526)	81	3,177	2.2
<u>SHORT TERM ASSETS</u>							
Cash balance	2,222					1,844	
Pending/recoverables	(506)					294	
Total cash	1,716	(38,032)	38,138	106	-	2,138	-
				316			
Net income							
	<u>311,075</u>	<u>0</u>	<u>0</u>	<u>316</u>	<u>(2,772)</u>	<u>308,619</u>	<u>(0.8)</u>

There is a gross exposure to derivatives of £55.3m.

TAYSIDE PENSION FUND

SUMMARY OF INVESTMENTS AND TRANSACTIONS (01-10-15 TO 31-12-15)FIDELITY BOND PENSIONS MANAGEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VALUATION</u> <u>AT 30-09-15</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>NET</u> <u>INVESTMENT</u> <u>INCL INC REC'D</u>	<u>MOVEMENT</u> <u>\GROWTH</u>	<u>VALUATION</u> <u>AT 31-12-15</u>	<u>% MOVEMENT</u> <u>\GROWTH</u>
	£'000	£'000	£'000	£'000	£'000	£'000	%
<u>UNITED KINGDOM</u>							
Bonds	123,015	727	(1,277)	(550)	(66)	122,399	(0.1)
Index-Linked	47,184	1,320	-	1,320	(1,293)	47,211	(2.7)
<u>SHORT TERM ASSETS</u>							
Cash balance	1					1	
Pending/recoverables	2,149					-	
Total cash	2,150	(2,047)	1,277	(770)	-	1	-
Net income				(1,379)			
TOTAL	<u>172,349</u>	<u>0</u>	<u>0</u>	<u>(1,379)</u>	<u>(1,359)</u>	<u>169,611</u>	<u>(1.6)</u>

TAYSIDE PENSION FUND

SUMMARY OF INVESTMENTS AND TRANSACTIONS (01-10-15 TO 31-12-15)BAILLIE GIFFORD UK

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VALUATION</u> <u>AT 30-09-15</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>NET</u> <u>INVESTMENT</u> <u>INCL INC REC'D</u>	<u>MOVEMENT</u> <u>\GROWTH</u>	<u>VALUATION</u> <u>AT 31-12-15</u>	<u>% MOVEMENT</u> <u>\GROWTH</u>
	£'000	£'000	£'000	£'000	£'000	£'000	%
<u>UNITED KINGDOM</u>							
Equities	330,335	-	(448)	(448)	16,737	346,624	5.1
<u>SHORT TERM ASSETS</u>							
Cash balance	5,224					7,530	
Pending/recoverables	1,029					407	
Total cash	6,253	-	448	448	-	7,937	-
Net income				1,236			
TOTAL	<u>336,588</u>	<u>0</u>	<u>0</u>	<u>1,236</u>	<u>16,737</u>	<u>354,561</u>	<u>5.3</u>

TAYSIDE PENSION FUND

SUMMARY OF INVESTMENTS AND TRANSACTIONS (01-10-15 TO 31-12-15)M & G UK FINANCING FUND

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VALUATION</u> <u>AT 30-09-15</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>NET</u> <u>INVESTMENT</u> <u>INCL INC REC'D</u>	<u>MOVEMENT</u> <u>\GROWTH</u>	<u>VALUATION</u> <u>AT 31-12-15</u>	<u>% MOVEMENT</u> <u>\GROWTH</u>
	£'000	£'000	£'000	£'000	£'000	£'000	%
<u>UNITED KINGDOM</u>							
M & G Financing Fund	11,914	-	(1,677)	(1,677)	-	10,237	-
<u>SHORT TERM ASSETS</u>							
Cash Balance	-					1,677	
Pending/recoverables	-					-	
Total cash	-	-	1,677	1,677	-	1,677	-
Net income				-			
TOTAL	<u>11,914</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,914</u>	<u>0.0</u>

TAYSIDE PENSION FUND

SUMMARY OF INVESTMENTS AND TRANSACTIONS (01-10-15 TO 31-12-15)LEGAL & GENERAL

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VALUATION</u> <u>AT 30-09-15</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>NET</u> <u>INVESTMENT</u> <u>INCL INC REC'D</u>	<u>MOVEMENT</u> <u>\GROWTH</u>	<u>VALUATION</u> <u>AT 31-12-15</u>	<u>% MOVEMENT</u> <u>\GROWTH</u>
	£'000	£'000	£'000	£'000	£'000	£'000	%
<u>UNITED KINGDOM</u>							
Equities	59,821	-	-	-	2,423	62,244	4.1
<u>OVERSEAS</u>							
Equities:							
North America	105,229	-	(604)	(604)	9,416	114,041	8.9
Europe	39,082	-	-	-	2,462	41,544	6.3
Japan	20,915	-	(1,879)	(1,879)	2,394	21,430	11.4
Pacific Basin (excl Japan)	6,499	-	-	-	667	7,166	10.3
Others	14,668	2,483	-	2,483	498	17,649	3.4
<u>SHORT TERM ASSETS</u>							
Cash balance	-					-	
Pending/recoverables	-					-	
Total cash	-	(2,483)	2,483	-	-	-	-
Net income							
	<u>246,214</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,860</u>	<u>264,074</u>	<u>7.3</u>

TAYSIDE PENSION FUND

SUMMARY OF INVESTMENTS AND TRANSACTIONS (01-10-15 TO 31-12-15)PROPERTY UNIT TRUST PORTFOLIO

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VALUATION</u> <u>AT 30-09-15</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>NET</u> <u>INVESTMENT</u> <u>INCL INC REC'D</u>	<u>MOVEMENT</u> <u>\GROWTH</u>	<u>VALUATION</u> <u>AT 31-12-15</u>	<u>% MOVEMENT</u> <u>\GROWTH</u>
	£'000	£'000	£'000	£'000	£'000	£'000	%
<u>UNITED KINGDOM</u>							
<u>PROPERTY INVESTMENTS</u>							
UK Funds:							
Core	224,819	8,120	-	8,120	4,900	237,839	2.2
Value Add	83,284	811	(122)	689	3,427	87,400	4.1
Opportunity	176	-	(27)	(27)	1	150	0.6
OS Funds:							
Europe	7,875	-	-	-	(501)	7,374	(6.4)
<u>SHORT TERM ASSETS</u>							
Cash Balance	8,497					2,434	
Pending/recoverables	218					160	
Total Cash	8,715	(8,931)	149	(8,782)	-	2,594	-
Net Income				2,661			
TOTAL	<u>324,869</u>	<u>0</u>	<u>0</u>	<u>2,661</u>	<u>7,827</u>	<u>335,357</u>	<u>3.2</u>

TAYSIDE TRANSPORT PENSION FUND

SUMMARY OF INVESTMENT DISTRIBUTIONTOTAL FUND

	30-09-15		31-12-15		Strategic Benchmark
	£'000	%	£'000	%	%
<u>UNITED KINGDOM</u>					
Equities	15,809	27.0	15,708	25.9	27.5
Bonds	15,434	26.4	14,439	23.9	28.8
Index-Linked	6,701	11.4	6,458	10.7	11.2
	(37,944)	(64.8)	(36,605)	(60.5)	(67.5)
<u>OVERSEAS</u>					
Equities:					
North America	6,975	11.9	7,776	12.9	12.0
Europe	2,668	4.6	3,014	5.0	5.0
Japan	-	-	-	-	2.5
Pacific Basin (excl Japan)	1,361	2.3	1,624	2.7	1.0
Others	1,834	3.2	2,124	3.5	2.0
Bonds	1,248	2.1	2,205	3.6	-
Currency Fund	107	0.2	110	0.2	-
Index-Linked	188	0.3	198	0.3	-
	(14,381)	(24.6)	(17,051)	(28.2)	(22.5)
Total cash	619	1.1	624	1.0	-
TOTAL	<u>52,944</u>	<u>90.5</u>	<u>54,280</u>	<u>89.7</u>	<u>90.0</u>
INTERNALLY MANAGED CASH	401	0.7	841	1.4	-
COMBINED FUND EXCL PROPERTY	<u>53,345</u>	<u>91.2</u>	<u>55,121</u>	<u>91.1</u>	<u>90.0</u>
<u>TAYSIDE PROPERTY FUND</u>					
Property Investments	4,690	8.0	4,854	8.0	10.0
Cash	491	0.8	530	0.9	-
OVERALL TOTAL	<u>58,526</u>	<u>100.0</u>	<u>60,505</u>	<u>100.0</u>	<u>100.0</u>

TAYSIDE TRANSPORT PENSION FUND

SUMMARY OF INVESTMENTS AND TRANSACTIONS (01-10-15 TO 31-12-15)BAILLIE GIFFORD GLOBAL

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VALUATION</u> <u>AT 30-09-15</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>NET</u> <u>INVESTMENT</u> <u>INCL INC REC'D</u>	<u>MOVEMENT</u> <u>\GROWTH</u>	<u>VALUATION</u> <u>AT 31-12-15</u>	<u>% MOVEMENT</u> <u>\GROWTH</u>
	£'000	£'000	£'000	£'000	£'000	£'000	%
<u>UNITED KINGDOM</u>							
Life Fund*	13,894	-	-	-	1,721	15,615	12.4
<u>SHORT TERM ASSETS</u>							
Cash Balance	-					-	
Pending/recoverables	-					-	
Total cash	-	-	-	-	-	-	-
Net Income				-			
TOTAL	<u>13,894</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,721</u>	<u>15,615</u>	<u>12.4</u>

*Although stated above as UK, the fund is invested in global equities as shown in Appendix 4

TAYSIDE TRANSPORT PENSION FUND

SUMMARY OF INVESTMENTS AND TRANSACTIONS (01-10-15 TO 31-12-15)GOLDMAN SACHS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VALUATION</u> <u>AT 30-09-15</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>NET</u> <u>INVESTMENT</u> <u>INCL INC REC'D</u>	<u>MOVEMENT</u> <u>\GROWTH</u>	<u>VALUATION</u> <u>AT 31-12-15</u>	<u>% MOVEMENT</u> <u>\GROWTH</u>
	£'000	£'000	£'000	£'000	£'000	£'000	%
<u>UNITED KINGDOM</u>							
Bonds	15,434	776	(1,763)	(987)	(8)	14,439	(0.1)
Index-Linked	6,701	826	(836)	(10)	(233)	6,458	(3.5)
<u>OVERSEAS</u>							
Bonds	1,248	1,339	(393)	946	11	2,205	0.9
Currency Fund	107	-	-	-	3	110	2.8
Index-Linked	188	14	(6)	8	2	198	1.1
<u>SHORT TERM ASSETS</u>							
Cash balance	122					143	
Pending/recoverables	(21)					30	
Total cash	101	(2,955)	2,998	43	-	173	-
Net income				29			
TOTAL	<u>23,779</u>	<u>0</u>	<u>0</u>	<u>29</u>	<u>(225)</u>	<u>23,583</u>	<u>(0.8)</u>

There is a gross exposure to derivatives of £4.7m

TAYSIDE TRANSPORT PENSION FUND

SUMMARY OF INVESTMENTS AND TRANSACTIONS (01-10-15 TO 31-12-15)BAILLIE GIFFORD UK

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VALUATION</u> <u>AT 30-09-15</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>NET</u> <u>INVESTMENT</u> <u>INCL INC REC'D</u>	<u>MOVEMENT</u> <u>\GROWTH</u>	<u>VALUATION</u> <u>AT 31-12-15</u>	<u>% MOVEMENT</u> <u>\GROWTH</u>
	£'000	£'000	£'000	£'000	£'000	£'000	%
<u>UNITED KINGDOM</u>							
Equities	14,878	-	(893)	(893)	755	14,740	5.1
<u>SHORT TERM ASSETS</u>							
Cash Balance	347					324	
Pending/recoverables	46					18	
Total cash	393	-	893	893	-	342	-
Net income				(944)			
TOTAL	<u>15,271</u>	<u>0</u>	<u>0</u>	<u>(944)</u>	<u>755</u>	<u>15,082</u>	<u>(1.2)</u>

TAYSIDE TRANSPORT PENSION FUND

SUMMARY OF INVESTMENTS AND TRANSACTIONS (01-10-15 TO 31-12-15)PROPERTY UNIT TRUST PORTFOLIO

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VALUATION</u> <u>AT 30-09-15</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>NET</u> <u>INVESTMENT</u> <u>INCL INC REC'D</u>	<u>MOVEMENT</u> <u>\GROWTH</u>	<u>VALUATION</u> <u>AT 31-12-15</u>	<u>% MOVEMENT</u> <u>\GROWTH</u>
	£'000	£'000	£'000	£'000	£'000	£'000	%
<u>UNITED KINGDOM</u>							
<u>PROPERTY INVESTMENTS</u>							
UK Funds:							
Property investments	4,690	-	-	-	164	4,854	3.5
<u>SHORT TERM ASSETS</u>							
Cash Balance	491					530	
Pending/recoverables	-					-	
Total cash	491	-	-	-	-	530	-
Net income				39			
TOTAL	<u>5,181</u>	<u>0</u>	<u>0</u>	<u>39</u>	<u>164</u>	<u>5,384</u>	<u>3.9</u>

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**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES
COMMITTEE & PENSION BOARD– 7 MARCH 2016**

REPORT ON: QUARTERLY FUNDING REPORT

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 97-2016

1 PURPOSE OF REPORT

This report reviews the current funding level of the Funds as assessed by Barnett Waddingham, the Fund Actuary.

2 RECOMMENDATIONS

The Sub-Committee is asked to note the report by Barnett Waddingham.

3 FINANCIAL IMPLICATIONS

There are no immediate financial implications; however, the funding level will continue to be monitored as it may affect employer contribution rates from 2018/19 onwards.

4 INTRODUCTION

As part of the Funding Strategy Statement agreed by the Pension Sub-Committee of the Policy and Resources Committee (Article V of the Minute of Meeting of 2 March 2015, Report No 93-2015 refers) there is an obligation to regularly review the funding position of the Funds.

To achieve this, Barnett Waddingham have been asked to provide a quarterly assessment of the overall funding position. This is reported to each meeting of the Committee.

This is an estimate of the funding position and the employer contribution rate. It is purely for indicative purposes and can only approximate the results which would arise from a full valuation. The next full valuation, which sets future contribution rates, will be based on the position as at 31 March 2017, with subsequent changes to contribution rates taking effect from 1 April 2018.

5 RESULTS

	Main Fund @ 99.8%					Transport Fund @ 99.9%				
	Net Reserve		CARE Ongoing % Value of Payroll	Net Reserve Req'd to Maintain Current Contribution		Net Reserve		CARE Ongoing % Value of Payroll	Net Reserve Req'd to Maintain Current Contribution	
Date	Value (£000)	%	%	Value (£000)	%	Value (£000)	%	%	Value (£000)	%
31/03/2014	87,317	3.5%	16.5%	0	0	2,554	4.5%	33.8%	0	0
31/03/2015	242,956	8.5%	17.3%	7,806	0.3%	895	1.4%	40.8%	250	0.4%
30/06/2015	275,429	9.7%	16.7%	3,286	0.1%	2,337	3.8%	39.5%	174	0.3%
30/09/2015	214,013	7.8%	15.9%	-	0.0%	-	0.0%	39.6%	269	0.5%
31/12/2015	297,305	10.7%	15.1%	-	0.0%	983	1.6%	39.3%	144	0.2%

The results show the net excess / deficit from the set funding levels at actuarial valuation of 31 March 2014 and the requirements to maintain the current level of employer contribution considering changes to asset values and the ongoing liability costs of the scheme to employers.

These results are calculated by projecting forward from the last valuation allowing for estimated investment returns, pay and pension increases, benefits paid and contributions made and any changes in underlying market conditions. Experience in terms of factors such as retirement or mortality are not updated.

The results are therefore only a broad indication of the current position and can only give an approximate guide to the position.

The smoothed basis is derived from an average position over a six month period.

6 POLICY IMPLICATIONS

This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

7 CONSULTATIONS

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

8 BACKGROUND PAPERS

Barnett Waddingham - Tayside Transport Fund Funding Update Report as at 31 December 2015.

Barnett Waddingham - Tayside Pension Fund Funding Update Report as at 31 December 2015.

MARJORY M STEWART
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

29 FEBRUARY 2016