

**REPORT TO:** SUPERANNUATION INVESTMENT SUB-COMMITTEE  
OF THE FINANCE COMMITTEE - 1 MARCH 2006

**REPORT ON:** TAYSIDE SUPERANNUATION FUNDS BUSINESS PLAN 2006/2007

**REPORT BY:** DEPUTE CHIEF EXECUTIVE (FINANCE)

**REPORT NO:** 55-2006

**1 PURPOSE OF REPORT**

This report introduces the third annual business plan for the Tayside Superannuation Funds.

**2 RECOMMENDATION**

The Sub-Committee are asked to note the information within the report and to approve the 2006/07 Business Plan which applies to the administration and management of the Tayside Superannuation Fund and the Tayside Transport Superannuation Fund.

**3 FINANCIAL IMPLICATIONS**

The costs of the Treasury and Investment and Pensions Administration section are contained within the overall Finance Department Revenue Budget 2006/07. Investment manager fees are charged directly to the Funds, as are actuarial and investment consultancy costs.

**4 LOCAL AGENDA 21 IMPLICATIONS**

None

**5 EQUAL OPPORTUNITIES IMPLICATIONS**

None

**6 INTRODUCTION**

The "CIPFA Pension Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom April 2002" 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 Superannuation Funds as a whole. This is over and above individual Service Plans for both the Pensions Administration Section and the Treasury and Investment Section as part of the Finance Department's overall planning process.

One key consideration in the current plan is the implications of the results of the triennial valuation of the Fund as at 31 March 2005. This will require consideration to be given to the asset allocation percentages shown in Appendix 4.

**7 BACKGROUND PAPERS**

None

**DAVID K DORWARD  
DEPUTE CHIEF EXECUTIVE (FINANCE)**

**16 FEBRUARY 2006**

# **TAYSIDE SUPERANNUATION FUNDS**

## **BUSINESS PLAN 2006/07**

## 1 **INTRODUCTION**

In order to comply with "CIPFA Pension Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom" 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 Superannuation Fund and Tayside Transport Superannuation 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 2005 the value of the merged Funds was approximately £1,370m.

Within Dundee City Council's Finance Department there are two sections with responsibility for the Superannuation Funds - Treasury and Investment and Pensions Administration. The structures of these sections are shown at Appendix 1. It should be noted that staff in the Treasury and Investment section have other duties outwith the Superannuation Fund.

The annual budget for 2006/07 for these sections is shown in Appendix 2.

## 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 new 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 Superannuation Investment Sub-Committee to establish if they are performing satisfactorily.

## 4 **FINANCIAL POSITION**

Accounts for the year to 31 March 2005 are shown in Appendix 3. It is expected that the manager fees will stabilise but they are linked to the value of funds so can rise if funds increase.

Contributions to the Fund will stabilise as the employer contribution rate is unchanged.

## 5 **PERFORMANCE MANAGEMENT**

Investment Performance Measurement will continue to be provided by Northern Trust, the Fund's custodian.

Investment and administration costs will continue to be benchmarked against national performance indicators and also against information collated by the CIPFA Scottish Branch Treasury Management Forum Pensions Sub-Group.

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

## 6 **ACTUARIAL SERVICES**

These are now provided from 1 July 2004 by Punter Southall, following a tendering exercise. A full valuation of the Main Fund and Transport Fund was undertaken as at 31 March 2005. This will set the employer contribution rates for 2006/07, 2007/08 and 2008/09. The results of the valuation are due to be reported in March 2006.

## 7 **INVESTMENT CONSULTANCY**

Investment advice continues to be provided by Hymans Robertson. This new contract began on 1 July 2004 following a tendering exercise. They will provide an annual report to the Sub-Committee each November along with attending quarterly meetings with fund managers and providing regular advice to the Council's officers.

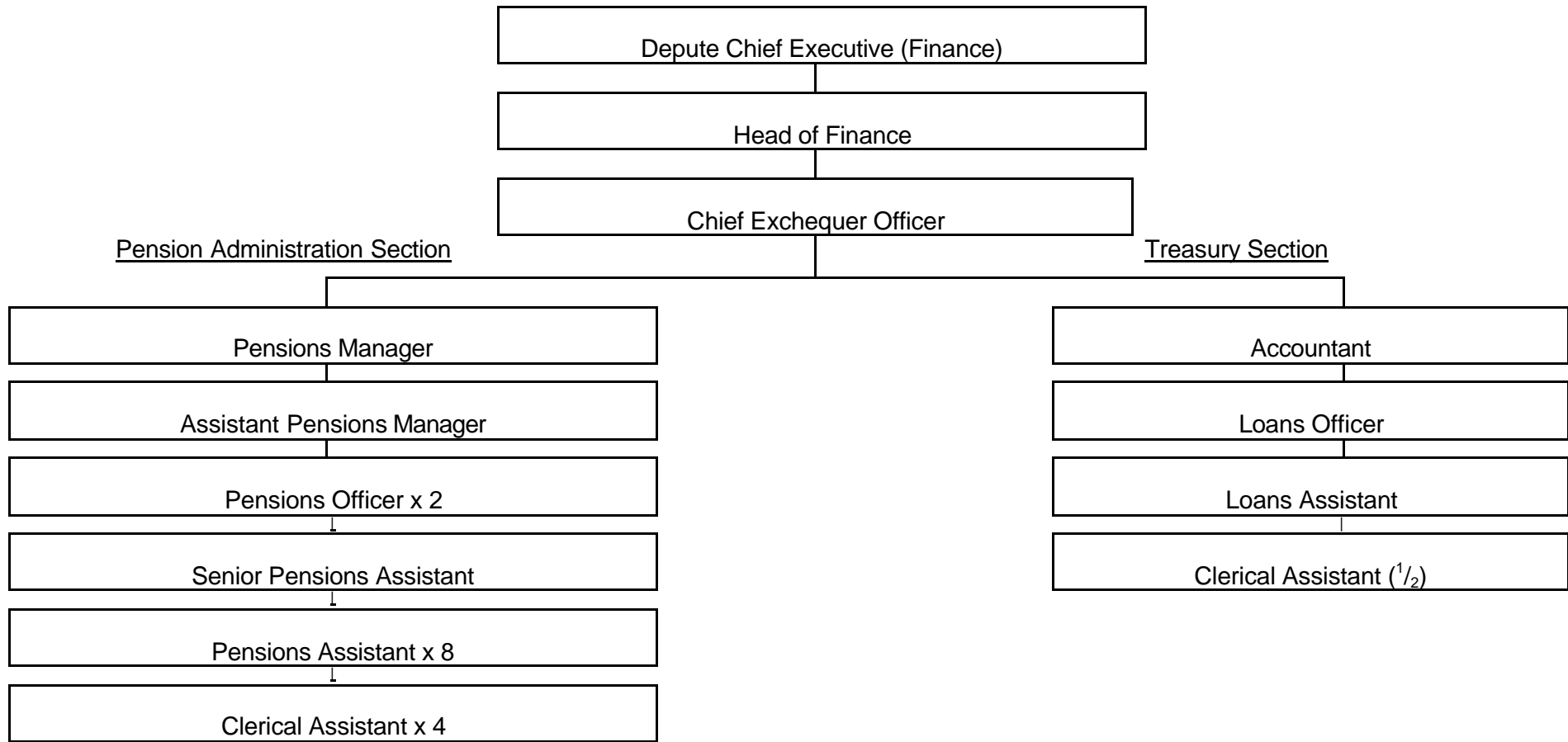
## 8 **FUNDING STRATEGY STATEMENT**

The first statements for the Funds have been produced following consultation with participating bodies.

## 9 **KEY MEASURES AND TARGETS**

These are summarised in Appendix 4.

**DUNDEE CITY COUNCIL**  
**FINANCE DEPARTMENT - CORPORATE FINANCE DIVISION (EXTRACT)**



**TREASURY AND INVESTMENT AND PENSION ADMINISTRATION**  
**REVENUE BUDGET 2006/07**

	<b><u>Treasury and Investment (£000)</u></b>	<b><u>Pension Administration (£000)</u></b>	<b><u>Total (£000)</u></b>
Staff Costs	72	398	470
Property	-	56	56
Supplies and Services	19	49	68
Transport	1	4	5
Third Party Payments	<u>-</u>	<u>25</u>	<u>25</u>
TOTAL EXPENDITURE	<u>92</u>	<u>532</u>	<u>624</u>

# Tayside Superannuation Fund

## Accounts for Year to 31 March 2005

2003/2004 £000	<u>FUND ACCOUNT</u>	2004/2005 £000	£000
	<b>CONTRIBUTIONS AND BENEFITS</b>		
	Contributions receivable:		
(40,292)	From employers	(45,602)	
<u>(15,865)</u>	From employees	<u>(17,215)</u>	
(56,157)			(62,817)
(12,664)	Transfers in		(27,693)
	Benefits payable:		
32,251	Pensions	33,774	
<u>5,976</u>	Lump Sums	<u>5,483</u>	
38,227			39,257
	Payments to and on account of Leavers:		
278	Refunds of Contributions	290	
<u>4,934</u>	Transfers Out	<u>8,201</u>	
5,212			8,491
<u>1,039</u>	Administration Expenses		<u>1,098</u>
(24,343)	Net Deposits from dealings with Members		(41,664)
	<b>RETURNS ON INVESTMENTS</b>		
(28,454)	Investment Income	(34,072)	
(143,742)	Change in Market Value of Investments	(99,303)	
<u>3,388</u>	Investment Management Expenses	<u>3,202</u>	
<u>(168,808)</u>	Net Returns on Investments		<u>(130,173)</u>
(193,151)	<b>NET (INCREASE) IN FUND DURING THE YEAR</b>		(171,837)
<u>758,059</u>	<b>OPENING NET ASSETS OF THE SCHEME</b>		<u>951,210</u>
<u>951,210</u>	<b>CLOSING NET ASSETS OF THE SCHEME</b>		<u>1,123,047</u>
	<b>NET ASSETS STATEMENT (AS AT 31 MARCH)</b>		
<b>2004</b>		<b>2005</b>	
<b>£000</b>		<b>£000</b>	<b>£000</b>
	<b>INVESTMENT ASSETS AT MARKET VALUE</b>		
	Listed Investments		
367,145	- UK Equities	431,119	
28,565	- UK Fixed Interest - Public Sector	24,306	
22,967	- UK Fixed Interest - Other	12,588	
28,689	- UK Index Linked	31,542	
179,734	- Overseas Equities	219,206	
17,755	- Overseas Fixed Interest - Other	14,096	
-	- Overseas Fixed Interest - Public Sector	36,950	
	Unlisted Investments		
-	- UK Unit Trusts	9,582	
71,400	- UK Open Ended Investment Companies	69,278	
115,971	- Overseas Open Ended Investment Companies	124,238	
85,448	- Property Unit Trusts	101,795	
<u>24,487</u>	Cash Balances held by Fund Managers	<u>26,927</u>	
942,161			1,101,627
	<b>CURRENT ASSETS</b>		
9,145	Sundry Debtors	13,426	
<u>6,974</u>	Revenue Deposits with Dundee City Council Loans Fund	<u>11,614</u>	
16,119		25,040	
	<b>LESS CURRENT LIABILITIES</b>		
<u>(7,070)</u>	Sundry Creditors	<u>(3,620)</u>	
9,049	<b>NET CURRENT ASSETS</b>		21,420
<u>951,210</u>	<b>NET ASSETS</b>		<u>1,123,047</u>

David K Dorward CPFA  
Depute Chief  
Executive (Finance)  
Dundee City Council  
23 June 2005



# Tayside Transport Superannuation Fund

## Accounts for Year 31 March 2005

2003/2004 £000	<u>FUND ACCOUNT</u>	2004/2005 £000	£000
	<b>CONTRIBUTIONS AND BENEFITS</b>		
	Contributions receivable:		
(195)	From employers	(238)	
<u>(129)</u>	From employees	<u>(123)</u>	
(324)			(361)
-	Transfers In		(7)
	Benefits payable:		
1,501	Pensions	1,558	
<u>75</u>	Lump Sums	<u>206</u>	
1,576			1,764
	Payments to and on account of Leavers:		
28	Transfers Out		25
<u>52</u>	Administration Expenses		<u>38</u>
1,332	Net Withdrawals from dealings with Members		1,459
	<b>RETURNS ON INVESTMENTS</b>		
(1,342)	Investment Income	(1,166)	
(3,877)	Change in Market Value of Investments	(1,986)	
<u>112</u>	Investment Management Expenses	<u>78</u>	
(5,107)	Net Returns on Investments		(3,074)
(3,775)	<b>NET (INCREASE) IN FUND DURING THE YEAR</b>		(1,615)
<u>29,508</u>	<b>OPENING NET ASSETS OF THE SCHEME</b>		<u>33,283</u>
<u>33,283</u>	<b>CLOSING NET ASSETS OF THE SCHEME</b>		<u>34,898</u>
	<b>NET ASSETS STATEMENT (AS AT 31 MARCH)</b>		
2004 £000		2005 £000	£000
	<b>INVESTMENT ASSETS AT MARKET VALUE</b>		
	Listed Investments		
9,378	- UK Equities	9,920	
3,588	- UK Fixed Interest - Public Sector	2,650	
2,910	- UK Fixed Interest - Other	1,385	
3,603	- UK Index Linked	3,439	
5,411	- Overseas Equities	5,961	
2,230	- Overseas Fixed Interest - Other	1,549	
-	- Overseas Fixed Interest - Public Sector	4,028	
	Unlisted Investments		
-	- UK Unit Trusts	520	
468	- UK Open Ended Investment Companies	-	
912	- Overseas Open Ended Investment Companies	795	
3,468	- Property Unit Trusts	3,051	
<u>962</u>	Cash Balances held by Fund Managers	<u>1,218</u>	
32,930			34,516
	<b>CURRENT ASSETS</b>		
331	Sundry Debtors	44	
<u>49</u>	Revenue Deposits with Dundee City Council Loans Fund	<u>369</u>	
380		413	
	<b>LESS CURRENT LIABILITIES</b>		
(27)	Sundry Creditors	<u>(31)</u>	
<u>353</u>	<b>NET CURRENT ASSETS</b>		<u>382</u>
<u>33,283</u>	<b>NET ASSETS</b>		<u>34,898</u>

David K Dorward CPFA  
Depute Chief  
Executive (Finance)  
Dundee City Council  
23 June 2005

**KEY MEASURES AND TARGETS**

<b><u>From Finance Department Service Plan</u></b>		<b><u>2003</u></b> <b><u>Baseline</u></b>	<b><u>2004</u></b> <b><u>Actual</u></b>	<b><u>2005</u></b> <b><u>Actual</u></b>	<b><u>2007</u></b> <b><u>Target</u></b>
1	<b><u>Pension Fund Administration</u></b>				
	i Cost per member	£27.20	£27.93	£27.18	£25.90
	ii Ratio of staff to membership	1:2356	1:2128	1:2205	1:2120
2	<b><u>Pension Fund Investment</u></b>				
	i Investment performance annualised three yearly. Investment returns compared to the average pension fund as measured by WM Company.	+0.6%	-0.2%	+0.4%	+1.0%
	ii Cost of Investment Management	0.16%	0.35%	0.33%	0.25%
	iii Reporting Deadlines	Achieved	Achieved	Achieved	Achieved
	iv Review of Actuarial Services	Achieved	Achieved	Achieved	Achieved
<b><u>From Statement of Investment Principles</u></b>					
3	<b><u>Investment Managers</u></b>	<b><u>Performance Target (on rolling 3 year basis)</u></b>			
	Fidelity	Specific Benchmark +1.5% pa (gross of fees)			
	Baillie Gifford	Specific Benchmark +1.5% pa (gross of fees)			
	Schroder Property	HSBC IPD Pooled Property Median +0.5% pa			
	Goldman Sachs	Specific Benchmark +0.5% pa (net of fees)			
	Alliance Bernstein	Specific Benchmark +1.5% to 2% pa (net of fees)			
4	<b><u>Asset Allocation</u></b>	<b><u>Target</u></b>			
	<b><u>Main Fund</u></b>				
	Fidelity (Multi Asset)	29%			
	Baillie Gifford (Global Equity)	25%			
	Schroder Property	9%			
	Goldman Sachs (Bonds)	12%			
	Alliance Bernstein (Global Equity)	25%			
	<b><u>Transport Fund</u></b>				
	Baillie Gifford (Global Equity)	50%			
	Goldman Sachs (Bonds)	40%			
	Schroder Property	10%			
<b><u>Service Providers</u></b>		<b><u>Target</u></b>			
5	Actuarial Services	Triennial valuation as at 31 March 2005 to be completed - awaiting final sign off			
6	Investment Consultancy	Now to report annually to Sub-Committee each November			