

TAYSIDE SUPERANNUATION FUNDS

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

AUDITED

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FOREWORD BY DIRECTOR OF FINANCE

Welcome to the Tayside Superannuation Funds Statement of Accounts produced by Dundee City Council for the year ended 31st March 2011.

This was a positive year for investment returns with equity markets continuing strongly following poor performance in 2008/09. The Main Fund value at 31 March 2011 of £1,908.6m reflected an increase of £159.4m or 9.1% on the equivalent value at 31 March 2010. The Transport Fund value at 31 March 2011 of £46.0m reflected an increase of £3.7m or 8.7% on the equivalent figure at 31 March 2010.

The Funds are managed on a fully discretionary basis by six external Fund Managers and the combined performance for the 12 month period to 31 March 2011 was positive in absolute terms. The longer term strategy return was as follows: Three managers achieved above their five year benchmark, the others were behind. The performance of each Fund Manager is monitored on a continuous basis and reported to the City Council's Superannuation Sub-Committee on a quarterly basis. Senior officers of the City Council also have quarterly meetings with each of the Fund Managers where their performance, both in investment terms and more generally on matters such as administration and company engagement, is rigorously scrutinised.

In respect of Pension Fund Administration, the number of contributing members reduced during the year to 31 March 2011 and there were over 17,900 public sector employees contributing to the Funds. The number of pensioners or relatives of ex-contributors who were in receipt of a pension from the Funds in 2010/11 grew and by 31 March 2011 stood at just over 12,200.

I would wish to acknowledge the efforts of Dundee City Council's Pension Section for their patience and diligence in ensuring the smooth implementation of the revised scheme and for the courteous and efficient manner in which they look after the pension needs of 39,364 contributors, pensioners and deferred pensioners. Further, I would like to thank all the Trustees of the Superannuation Sub-Committee and officers of the City Council Finance Department for their effort and assistance in managing the Tayside Superannuation Funds and, in addition, the Chair, Willie Sawers for his leadership of the Investment Sub-Committee and Stuart Norrie for the completion of the accounts.

**Marjory Stewart ,FCCA,CPFA
Director of Finance
Dundee City Council
30 June 2011**

INTRODUCTION

Dundee City Council is the administering authority for both the Tayside Superannuation Fund (Main Fund) and the Tayside Transport Superannuation Fund (Transport Fund). The scheme covering these Funds is statutory, approved by the Inland Revenue and contracted out of S2P (the State Second Pension).

The Scheme is a "defined benefit scheme". This means that the benefits to which members and their spouses are entitled are determined by final pensionable pay and pensionable service.

The Tayside Superannuation Fund is maintained for the benefit of its membership (including existing and deferred pensioners). This comprises the majority of Local Government employees within Dundee City Council, Perth and Kinross Council and Angus Council as well as 45 other "scheduled bodies" and "admitted bodies" (see appendix 1). Teachers are not included in the Scheme as they have a separate, nationally established, statutory arrangement.

The Tayside Transport Superannuation Fund

As a result of the 1985 Transport Act, the employees of the former Dundee City Bus Unit which formed part of Tayside Regional Council's Roads and Transport Department were transferred to a new company, Tayside Public Transport Company Ltd. A separate Superannuation Fund for those transferred employees was set up on 26 October 1986.

During 1991/92 Tayside Public Transport Company Ltd was subject to an employee buy-out. Any employees in post at the time of the buy-out may remain in the Fund, however, any new employees are not eligible for entry into the Fund.

Tayside Public Transport Company Limited was bought out by West Midlands Travel on 22 February 1997 and renamed as Travel Dundee, but this had no effect whatsoever on the Fund.

MEMBERS AND ADVISORS

Superannuation Investment Sub-Committee

Dundee City Council is the administering authority for the Funds. The majority of this responsibility is delegated through the Council's Policy and Resources Committee to the Superannuation Investment Sub-Committee. Membership of the Sub-Committee as at 31 March 2011 is as noted below:

Councillors:

Bailie Willie Sawers (Chair)
Bailie George Regan
Cllr Jimmy Black
Cllr Kevin Keenan
Cllr Andy Dawson
Bailie Rod Wallace

Representatives (non voting)

Mr S Rice (Tayside Full-time Trade Unions Officers Group)
Mr R MacKay (UNISON)
Mr R McKelvie (TGWU representing Travel Dundee Ltd)

Fund Managers

Baillie Gifford & Co	(Appointed November 1992)
Fidelity Pension Management	(Appointed November 1997)
Schroder Property Investment Management	(Appointed July 1997)
Goldman Sachs Asset Management	(Appointed July 2003)
Alliance Bernstein	(Appointed July 2003)
M&G Investment Management	(Appointed May 2010)

Investment Advisers

Hymans Robertson

Actuaries

Barnett Waddingham (Appointed July 2004)

Custodian

Northern Trust (Appointed April 2002)

Bankers

Royal Bank of Scotland

Auditors

Audit Scotland

Corporate Governance Advisors

Pension & Investment Research Consultants Limited (PIRC)

Performance Measurement

Northern Trust

FUND ADMINISTRATION

Membership

The Local Government Pension Scheme is voluntary and is open to all employees of the Scheduled and Admitted Bodies (see Appendix 1).

Membership of the Tayside Funds at 31 March 2011 was:

	<u>Main Fund</u>	<u>Transport Fund</u>	<u>Total Fund</u>
Contributing Members	17,882	88	17,970
Pensioners	11,801	427	12,228
Deferred Pensioners	7,344	87	7,431
Undecided and Frozen	1,730	5	1,735
	38,757	607	39,364

Membership Funding

The Funds are financed by the contributions made by members and their employers as well as income earned from the investment of the Funds' monies.

The contribution rates for 2009/2010 and 2010/2011 were as follows

	% of Basic Pay		
	<u>Employees</u>	<u>Main Fund Employers</u>	<u>Transport Fund Employer</u>
2009/10	5.5% - 12%	18.5%	£1,000,000
2010/11	5.5% - 12%	18.5%	£1,030,000

The employees' contribution levels are now tiered based on a percentage of pensionable pay, whereas the employers' contribution levels are reviewed every three years by the Funds' actuaries as part of their actuarial valuation of the Funds. If the actuaries believe that a surplus is likely to materialise they will recommend a reduction in the employers' contribution rate and if they believe a deficit is likely to materialise they will recommend an increase in the employers' contribution rate.

Barnett Waddingham carried out an actuarial valuation as at March 2008. The result of the valuation for the two Funds were as follows:

	<u>Main Fund</u>	<u>Transport Fund</u>
Actuarial Value of Assets	£1,558.3m	£41.0m
Actuarial Value as a percentage of Accrued Liabilities	97.6%	92.3%

Recommended Employers' Contributions as a Percentage of Pensionable Payroll for the Main Fund and as a lump sum for the Transport Fund

Financial Year

2011/2012	18.5%	£1,060,000
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The common rate of contribution is the rate, which, in addition to the accumulated assets and contributions paid by members is sufficient to meet 100% of the liabilities of the Fund. This rate takes into account the deficit at 31 March 2008. The deficit is spread over the average remaining working lifetime of the existing members (approximately 12 years).

The Main Fund contribution rates following the 31 March 2008 valuation were calculated using the projected unit actuarial method.

The Transport Fund contribution rates following the 31 March 2008 valuation were calculated using the attained age actuarial method

The main actuarial assumptions were as follows:

Rate of return on investments	- Equities	7.8% per annum
	- Gilts	4.6% per annum
	- Bonds & Property	5.9% per annum
	- Discount Rate	7.1% per annum
Rate of general pay increases		5.2% per annum
Rate of increases to pension in payment		3.7% per annum
Valuation of assets		6 monthly smoothed market related

Market Value of Funds

The market value of investments can go down, as well as up. The total market value of the investments that are under external management was £1,726.2m Main Fund and £43.4m Transport Fund as at 30 September 2011.

Since the balance sheet date there has been considerable uncertainty and volatility in world investment markets with significant falls in global equity markets.

Additional Contributions

Under Inland Revenue rules, scheme members are permitted to make contributions towards retirement and death in service benefits in addition to those, which they are required to make as members of the Local Government Pension Scheme. These contributions are known as AVCs and are treated separately from the scheme's assets under arrangement with the Standard Life Assurance Company and Prudential Assurance Company. They are not recorded in the accounts of the Tayside Funds since the AVC scheme works on a defined contribution basis (ie benefit eventually derived will depend upon the amount of the contributions made, the performance of the investments made with these monies and the annuity rates at the point of retirement).

Pension Increases

Pensions and deferred pensions are increased every year under the Pension (Increase) Act 1971 in line with movements in the Retail Price Index. From April 2011, this will be linked to Consumer Price Index rather than Retail Price Index. Recent pension increases are as follows :

2007	3.6%
2008	3.9%
2009	5.0%
2010	0.0%
2011	3.1%

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Administering Authority's Responsibilities

The Authority is required :

- Make arrangements for the proper administration of the financial affairs of the Superannuation Funds in its charge and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance.
- Manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Superannuation Funds statement of accounts which, in terms of CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice) is required to present a true and fair view of the financial position of the Superannuation Funds at the accounting date and their income and expenditure for the year (ended 31 March 2011).

In preparing these statements of accounts, the Director of Finance has :

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice, except where stated in the Statement of Accounting Policies and Notes to the Accounts

The Director of Finance has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

Statement of Accounts

The Statement of Accounts presents a true and fair view of the financial position of the Superannuation Funds as at 31 March 2011, and their income and expenditure for the year ending 31 March 2011

Marjory M Stewart, FCCA, CPFA
Director of Finance
30 June 2011

TAYSIDE SUPERANNUATION FUND ACCOUNTS

Restated 2009/2010 £000	<u>FUND ACCOUNT</u>	2010/2011 £000	£000
	CONTRIBUTIONS AND BENEFITS	Note	
	Contributions receivable:		
73,330	From employers	2	79,666
<u>22,925</u>	From members	2	<u>23,279</u>
96,255			102,945
9,853	Transfers in		4,679
	Benefits payable:		
(52,049)	Pensions		(54,534)
<u>(17,094)</u>	Lump Sums	3	<u>(27,241)</u>
(69,143)			(81,775)
	Payments to and on account of Leavers:		
(249)	Refund of Contributions to Members		(223)
(117)	Refund of Contributions to State Scheme		(124)
<u>(5,042)</u>	Transfers Out		<u>(3,346)</u>
(5,408)			(3,693)
<u>(1,247)</u>	Administration Expenses	1,10	<u>(1,390)</u>
30,310	Net Deposits from dealings with Members		20,766
	RETURNS ON INVESTMENTS		
43,326	Investment Income	4	43,785
440,773	Change in Market Value of Investments	5	100,206
<u>(6,143)</u>	Investment Management Expenses		(5,307)
<u>477,956</u>	Net Returns on Investments		<u>138,684</u>
508,266	NET INCREASE / (DECREASE) IN FUND DURING THE YEAR		159,450
<u>1,240,912</u>	OPENING NET ASSETS OF THE SCHEME		<u>1,749,178</u>
<u>1,749,178</u>	CLOSING NET ASSETS OF THE SCHEME		<u>1,908,628</u>

TAYSIDE SUPERANNUATION FUND ACCOUNTS

2010 £000	<u>NET ASSETS STATEMENT (AS AT 31 MARCH)</u>	2011 £000	£000
	INVESTMENT ASSETS AT MARKET VALUE		
	<u>Listed Investments</u>	Note	
449,631	- UK Equities		489,347
38,938	- UK Fixed Interest - Public Sector		22,327
-	- UK Fixed Interest - Other		4,919
56,786	- UK Index Linked - Public Sector		63,495
-	- UK Index Linked - Other		-
515,164	- Overseas Equities		540,608
50,824	- Overseas Open Ended Investment Companies		220,892
1,045	- Overseas Fixed Interest - Other		19,415
-	- Overseas Fixed Interest - Public Sector		-
175	- Derivatives (Futures)		2,071
	<u>Unlisted Investments</u>		
213,886	- UK Open Ended Investment Companies		230,302
-	- M&G Fund		6,689
243,980	- Overseas Open Ended Investment Companies		77,340
143,960	- Property Unit Trusts		164,437
23,803	Cash Balances held by Fund Managers		48,136
<u>6,282</u>	Financial Debtors	9	<u>13,835</u>
1,744,474			1,903,813
	FINANCIAL LIABILITIES		
(94)	Derivatives (Futures)		(153)
<u>(6,408)</u>	Other Financial Liabilities	9	<u>(3,252)</u>
<u>(6,502)</u>	Total Financial Liabilities		<u>(3,405)</u>
1,737,972	Net Financial Assets		1,900,408
	CURRENT ASSETS		
3,093	Contributions Due from Employers		9,203
4,156	Sundry Debtors	8	3,131
<u>8,860</u>	Cash and Bank		<u>4,119</u>
<u>16,109</u>			<u>16,453</u>
	LESS CURRENT LIABILITIES		
<u>(4,903)</u>	Sundry Creditors	8	<u>(8,233)</u>
<u>11,206</u>	NET CURRENT ASSETS		<u>8,220</u>
<u>1,749,178</u>	NET ASSETS		<u>1,908,628</u>

Marjory Stewart, FCCA, CPFA
Director of Finance
Dundee City Council
23 November 2011

NOTES TO TAYSIDE SUPERANNUATION FUND ACCOUNTS

1 Related Parties

The transactions and balances with Dundee City Council disclosed in the net asset statement, details are provided below :-

	2010 £000	2011 £000
<u>Transactions</u>		
Administration Costs	1,130	1,143
<u>Balances</u>		
Due from Dundee City Council as at 31 March	2,016	4,328

2 Contributions

The total contributions receivable analysed between administering, other scheduled bodies and admitted bodies were as follows :-

	Administering Authority	Restated 2009/10		Total
		Other Scheduled Bodies	Admitted Bodies	
Member contributions	8,092	11,987	2,846	22,925
Employer contributions	25,595	38,513	8,134	72,242
Strain on Fund	170	703	215	1,088
Total	33,857	51,203	11,195	96,255

	Administering Authority	2010/2011		Total
		Other Scheduled Bodies	Admitted Bodies	
Member contributions	7,510	12,883	2,886	23,279
Employer contributions	23,612	40,881	8,173	72,666
Strain on Fund	3,953	2,182	865	7,000
Total	35,075	55,946	11,924	102,945

The 2009/10 employers contributions have been restated in line with 2010/11 to included unfunded pension contributions from employers totalling £4.932m.

3 Benefits

The total benefits payable analysed between administering, other scheduled bodies and admitted bodies were as follows :-

	Total Benefits Payable (incl. Lump Sums)		Lump sums (Retirement and Death Benefits)	
	Restated 2009/2010 £000	2010/2011 £000	2009/2010 £000	2010/2011 £000
Administering Authority	28,288	35,354	7,215	13,537
Other Scheduled Bodies	35,458	38,576	7,670	11,011
Admitted Bodies	5,397	7,845	2,209	2,693
TOTAL	69,143	81,775	17,094	27,241

The 2009/10 total benefits payable have been restated in line with 2010/11 to included unfunded pensions paid totalling £4.932m

4 Investment Income

	2009/10	2010/11
	£000	£000
Interest from Fixed Interest Securities	6,261	4,216
Dividends from Equities	26,480	28,504
Income from Index Linked Securities	3,354	2,943
Income Pooled Investment Vehicles	5,504	5,945
Interest on Cash Deposits	222	239
Other Income	2,210	2,459
	<u>44,031</u>	<u>44,306</u>
Irrecoverable Withholding Tax	(705)	(521)
	<u>43,326</u>	<u>43,785</u>

5 Investments

Market Value of Investments Managed Externally

The Fund's investment assets are under the management of six external fund managers. At 31 March 2011 the market value of these investment assets was £1,900.4m (31 March 2010 £1,738.0m), managed as follows:

	2010		2011	
	£m	%	£m	%
Schroder Properties Limited	148.4	8.5	173.6	9.1
Baillie Gifford & Co	438.0	25.2	490.9	25.8
Fidelity Pensions Management Equity	394.1	22.7	415.7	21.9
Alliance Bernstein	448.6	25.8	468.5	24.7
Goldman Sachs	198.9	11.5	216.8*	11.4
Fidelity Bond	110.1	6.3	117.7	6.2
M & G Investment Management	-	-	6.7	0.4
Financial Debtors	6.3	0.4	13.8	0.7
Financial Liabilities	(6.4)	(0.4)	(3.3)	(0.2)
Net Financial Assets	<u>1,738.0</u>	<u>100.0</u>	<u>1,900.4</u>	<u>100.0</u>

* Within the Goldman Sachs investment total above there is an investment of £102.4m which exceeds 5% of net assets available for benefits. This is in the GS Sterling Credit Portfolio. Although it is classed as a single investment, this is a pooled fund with over 300 holdings designed to ensure a diversified exposure to corporate bonds.

Derivatives - Futures

Summary of contracts held at 31 March 2011

	Settlement Date	Economic Exposure £000	Asset £000	Liability £000	Net £000
FTSE100	3 months	470	9	-	9
S and P 500	3 months	1,648	53	-	53
Eurx E-Schatz	3 months	(351)	-	(12)	(12)
Eurx Bobl	3 months	1,778	58	-	58
Eurx Bund	3 months	6,142	197	-	197
LIF Long Gilt	3 months	11,351	96	-	96
10 yr Treasury Note	3 months	(4,042)	-	(64)	(64)
5 yr Treasury Note	3 months	8,066	-	(77)	(77)
CBT Treasury Bonds	3 months	142	2	-	2
US Treasury Bonds	3 months	(1,384)	-	-	-
2 yr Treasury Note	3 months	9,918	55	-	55
Currency Forwards	Various	15,086	1,601	-	1,601
		<u>48,824</u>	<u>2,071</u>	<u>(153)</u>	<u>1,918</u>

The economic exposure represents the nominal value of security purchased under future contracts and therefore the value subject to market movements. All future contracts are exchange traded.

The Fund uses futures for the purposes of efficient portfolio management and/or risk reduction.

Investment Movement Summary

	Value at 01/04/2010 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Value at 31/03/2011 £m
Schroder Property	143.9	18.3	(2.5)	4.7	164.4
Baillie Gifford Global	263.8	49.6	(82.8)	28.0	258.6
Fidelity Equity	394.1	235.2	(232.5)	18.8	415.6
Alliance Bernstein	439.9	192.7	(180.6)	9.3	461.3
Goldman Sachs	194.2	81.9	(73.2)	12.4	215.3
Fidelity Bond	110.1	4.5	(0.4)	3.5	117.7
Baillie Gifford UK	168.2	34.7	(28.7)	28.1	202.3
M&G Fund	-	6.6	-	0.1	6.7
	1,714.2	623.5	(600.7)	104.9	1,841.9
Financial Liabilities	(6.4)				(3.3)
Cash Deposits	23.8			(4.7)	48.1
Financial Debtors	6.4				13.7
Net Financial Assets	1,738.0			100.2	1,900.4

Transaction Costs

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the fund such as fees, commissions, stamp duty and other fees. The total for the year was £1.220m (2009/2010 £1.481m).

Purchases & Sales

Purchases and Sales in 2009/2010 and 2010/2011 amounted to:-

	2009/2010 £m	2010/2011 £m
Purchases	746.8	623.5
Sales	672.5	600.7

Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2011 was nil (31 March 2010 Nil).

6 Additional Voluntary Contributions (AVCs)

As AVCs are invested separately from the investments of the scheme itself and secure extra benefits on a money purchase basis for members that have elected to contribute, it has been decided in accordance with The Pensions Scheme (Management and Investment of Funds) Regulations 1998 not to include the relevant figures in the financial statements. AVCs managed by Standard Life had contributions of £414,457 in 2010/2011 (2009/2010 £463,253) and value at 5 April 2011 was £4,481,860 (6 April 2010 £4,418,419). AVCs managed by Prudential had contributions of £81,197 in 2010/2011 (2009/2010 £nil).

7 Actuarial Present Value of Promised Retirement Benefits

The actuarial value of the promised retirement benefits as at 31 March 2011, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £2,396.1m (2010 £2,676.8m) of which £1,775.9m is vested obligation and £620.2m is non-vested obligation. This figure is used for statutory accounting purposes by Tayside Superannuation Fund and complies with the requirements of IAS26. The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting of contributions payable to the Fund.

8 Sundry Debtors and Creditors

Sundry Debtors total £3.131m as at 31 March 2011 (£4.156m 31 March 2010), this figure contains pending sales ledger income £2.055m, management fees rebate from Fidelity £0.611m and miscellaneous debtors £0.465m

Sundry Creditors total £8.233m as at 31 March 2011 (£4.903m 31 March 2010), this figure contains unpaid benefits £3.110m, custodian fees £0.064m, investment Manager fees £0.836m and pending purchase ledger payments £4.183m and miscellaneous creditors £0.040m.

9 Other Financial Liabilities and Financial Debtors

Other Financial Liabilities total £3.252m as at 31 March 2011 (£6.408m 31 March 2010). This wholly represents pending purchase transactions.

Financial Debtors total £13.835m as at 31 March 2011 (£6.282m 31 March 2010). This is made up of pending sales transactions £8.404m and investment income £5.431m.

10 Allocation of Overheads and Audit Fee

The Pensions and Superannuation Investment sections of Dundee City Council is responsible for administering the two Pension Funds. The above sections receive an allocation of the overheads of the Council, this is based on the amount of central services consumed. In turn, these sections allocates this charge to the two Pension Funds. Costs which can be directly charged to each fund will be during the financial year, costs which are shared by both Funds are allocated in proportion to the membership of the Funds as at 31 March 2011.

This is the first year in which the Pension Funds have been subject to a separate external audit to that of the Council. The Funds have incurred an audit fee of £32,750, this fee is for both Funds.

TAYSIDE SUPERANNUATION FUND

Actuarial Statement for 2010/2011

This statement has been prepared in accordance with Regulation 76 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 1998.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), effective from 1 April 2008. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund
- to minimise the degree of short-term change in employer contribution rates
- to ensure that sufficient cash is available to meet all liabilities as they fall due for payment
- to help employers manage their pension liabilities
- to maximise the returns from investments within reasonable and considered risk parameters, and hence minimise the cost to the employer

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 76 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 1998 was as at 31 March 2008. This valuation revealed that the Fund's assets, which at 31 March 2008 were valued at £1,558.3 million, were sufficient to meet 97.6% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2008 valuation was £37.6m. Individual employers' contributions for the period 1 April 2009 to 31 March 2012 were set in accordance with the Fund's funding policy as set out in its Funding Strategy Statement.

Principal Actuarial Assumptions and Method Used to Value the Liabilities

Full details of the methods and assumptions used are described in the valuation report dated December 2008, a copy of which can be found on Tayside Superannuation Funds website (www.dundee.gov.uk/pensions).

Method

The method adopted at this valuation is known as the "Projected Unit Method". The key feature of this method is that in assessing the future service cost we will calculate the contribution rate which meets the cost of one year benefit accrual. This is the same method adopted at the previous valuation and is an appropriate method for a Fund which is open to new members.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2008 valuation were as follows:

	Nominal %p.a.	Real %p.a.
<u>Investment Return</u>		
Equities	7.8%	4.1%
Gilts	4.6%	0.9%
Bonds & Property	5.9%	2.2%
Discount Rate	7.1%	3.4%
Pay increases	5.2%	1.5%
Price Inflation / Pension Increases	3.7%	

The key demographic assumption was the allowance made for longevity. The longevity assumptions adopted at this valuation were in line with standard PA92 mortality tables.

Experience Over the Period Since April 2008

The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 31 March 2011. It showed that the funding level (excluding the effect of any membership movements) of the fund was 96%.

The next actuarial valuation will be carried out as at 31 March 2011. The Funding Strategy Statement will also be reviewed in February 2012.

TAYSIDE TRANSPORT SUPERANNUATION FUND ACCOUNTS

2009/2010 £000	<u>FUND ACCOUNT</u>	Note	2010/2011 £000	£000
	CONTRIBUTIONS AND BENEFITS			
	Contributions receivable:			
1,000	From employers		1,030	
<u>110</u>	From members		<u>107</u>	
1,110				1,137
-	Transfers In			-
	Benefits payable:			
(1,808)	Pensions		(1,810)	
<u>(263)</u>	Lump Sums		<u>(258)</u>	
(2,071)				(2,068)
	Payments to and on account of Leavers:			
-	Refund of Contributions		-	
<u>(36)</u>	Transfers Out		-	
(36)				-
<u>(36)</u>	Administration Expenses	7		<u>(38)</u>
(1,033)	Net Withdrawals from dealings with Members			(969)
	RETURNS ON INVESTMENTS			
1,017	Investment Income	2	1,085	
9,743	Change in Market Value of Investments	3	3,709	
<u>(114)</u>	Investment Management Expenses		<u>(133)</u>	
<u>10,646</u>	Net Returns on Investments			<u>4,661</u>
9,613	NET INCREASE / (DECREASE) IN FUND DURING THE YEAR			3,692
<u>32,669</u>	OPENING NET ASSETS OF THE SCHEME			<u>42,282</u>
<u>42,282</u>	CLOSING NET ASSETS OF THE SCHEME			<u>45,974</u>

TAYSIDE TRANSPORT SUPERANNUATION FUND ACCOUNTS

2010 £000	<u>NET ASSETS STATEMENT (AS AT 31 MARCH)</u>	2011 £000	2011 £000
	INVESTMENT ASSETS AT MARKET VALUE		
			Note
	Listed Investments		
9,800	- UK Equities	11,342	
3,285	- UK Fixed Interest - Public Sector	1,873	
-	- UK Fixed Interest - Other	413	
4,791	- UK Index Linked - Public Sector	5,327	
-	- UK Index Linked - Other	-	
12,167	- Overseas Equities	10,488	
88	- Overseas Fixed Interest - Other	1,629	
-	- Overseas Fixed Interest - Public Sector	-	
14	- Derivates (Futures)	168	
	Unlisted Investments		
8,487	- UK Open Ended Investment Companies	9,122	
172	- Overseas Open Ended Investment Companies	76	
2,356	- Property Unit Trusts	2,453	
777	Cash Balances held by Fund Managers	1,650	
<u>-</u>	Financial Debtors	<u>499</u>	6
41,937			
			45,040
	FINANCIAL LIABILITIES		
(8)	Derivatives (Futures)	(13)	
<u>(65)</u>	Other Financial Liabilities	<u>(86)</u>	6
<u>(73)</u>	Total Financial Liabilities		<u>(99)</u>
41,864	Net Financial Assets		44,941
	CURRENT ASSETS		
103	Sundry Debtors	1	
<u>343</u>	Cash and Bank	<u>1,053</u>	
446		1,054	
	LESS CURRENT LIABILITIES		
<u>(28)</u>	Sundry Creditors	<u>(21)</u>	5
<u>418</u>	NET CURRENT ASSETS		<u>1,033</u>
<u>42,282</u>	NET ASSETS		<u>45,974</u>

Marjory Stewart, FCCA, CPFA
Director of Finance
Dundee City Council
23 November 2011

NOTES TO TAYSIDE TRANSPORT SUPERANNUATION FUND ACCOUNTS

1 Related Parties

There were no transactions with related parties during the year other than the balances with Dundee City Council disclosed in the net asset statement, details are provided below :-

	2010 £000	2011 £000
<u>Balances</u>		
Due from Dundee City Council as at 31 March	Nil	Nil

2 Investment Income

	2009/10 £000	2010/11 £000
Interest from Fixed Interest Securities	205	26
Dividends from Equities	486	693
Income from Index Linked Securities	234	272
Income Pooled Investment Vehicles	90	91
Interest on Cash Deposits	8	13
Other Income	-	(3)
	<u>1,023</u>	<u>1,092</u>
Irrecoverable Withholding Tax	(6)	(7)
	<u>1,017</u>	<u>1,085</u>

3 Investments

Market Value of Investments Managed Externally

The Fund's investment assets are under the management of three external fund managers. At 31 March 2011 the market value of these investment assets was £44.9m (31 March 2010 £41.9m), managed as follows:

	2010		2011	
	£m	%	£m	%
Schroder Properties Limited	2.5	5.8	2.6	5.7
Baillie Gifford & Co	22.7	54.2	23.7	52.9
Goldman Sachs	16.8	40.0	18.2*	40.5
Financial Debtors	-	-	0.5	1.1
Financial Liabilities	-	-	(0.1)	(0.2)
Net Financial Assets	<u>41.9</u>	<u>100.0</u>	<u>44.9</u>	<u>100.0</u>

* Within the Goldman Sachs investment total above there is an investment of £8.6m which exceeds 5% of net assets available for benefits. This is in the GS Sterling Credit Portfolio. Although it is classed as a single investment, this is a pooled fund with over 300 holdings designed to ensure a diversified exposure to corporate bonds.

Derivatives - Futures

Summary of contracts held at 31 March 2011

	Settlement Date	Economic Exposure £000	Asset £000	Liability £000	Net £000
FTSE100	3 months	-	-	-	-
S and P 500	3 months	-	-	-	-
Eurx E-Schatz	3 months	(29)	-	(1)	(1)
Eurx Bobl	3 months	149	5	-	5
Eurx Bund	3 months	515	16	-	16
LIF Long Gilt	3 months	952	8	-	8
10 yr Treasury Note	3 months	(339)	-	(5)	(5)
5 yr Treasury Note	3 months	677	-	(7)	(7)
CBT Treasury Bonds	3 months	12	-	-	-
US Treasury Bonds	3 months	(116)	-	-	-
2 yr Treasury Note	3 months	832	5	-	5
Currency Forwards	Various	1,266	134	-	134
		<u>3,919</u>	<u>168</u>	<u>(13)</u>	<u>155</u>

The economic exposure represents the nominal value of security purchased under future contracts and therefore the value subject to market movements. All future contracts are exchange traded.

The Fund uses futures for the purposes of efficient portfolio management and/or risk reduction.

Investment Movement Summary

	Value at 01/04/2010 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Value at 31/03/2011 £m
Schroder Property	2.3	0.2	-	(0.1)	2.4
Baillie Gifford Global	13.7	2.3	(3.8)	(0.3)	11.9
Goldman Sachs	16.4	6.9	(6.1)	0.9	18.1
Baillie Gifford UK	8.7	1.8	(1.5)	1.4	10.4
	<u>41.1</u>	<u>11.2</u>	<u>(11.4)</u>	<u>1.9</u>	<u>42.8</u>
Financial Liabilities	-	-	-	-	(0.1)
Cash Deposits	0.8	-	-	1.8	1.7
Financial Debtors	-	-	-	-	0.5
Net Financial Assets	<u>41.9</u>	-	-	<u>3.7</u>	<u>44.9</u>

Transaction Costs

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the fund such as fees, commissions, stamp duty and other fees. The total for the year was £28,745 (2009/2010 £35,705).

Purchases & Sales

Purchases and Sales in 2009/2010 and 2010/2011 amounted to:-

	2009/2010 £m	2010/2011 £m
Purchases	13.5	11.2
Sales	14.0	11.4

Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2011 was nil (31 March 2010 Nil).

4 Actuarial Present Value of Promised Retirement Benefits

The actuarial value of the promised retirement benefits as at 31 March 2011, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £57.1m (2010 £63.1m) of which £55.5m is vested obligation and £1.6m is non-vested obligation. This figure is used for statutory accounting purposes by Tayside Superannuation Fund and complies with the requirements of IAS26. The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting of contributions payable to the Fund.

5 Sundry Creditors

Sundry Creditors total £0.21m as at 31 March 2011 (£0.028m 31 March 2010), this figure contains custodian fees £0.006m and investment manager fees £0.012m.

6 Other Financial Liabilities and Financial Debtors

Other Financial Liabilities total £0.086m as at 31 March 2011 (£0.065m 31 March 2010), this wholly represents pending purchase transactions.

Financial Debtors total £0.499m as at 31 March 2011 (Nil 31 March 2010), this is made up of pending sales transactions £0.322m and investment income £0.177m.

7 Allocation of Overheads and Audit Fee

The Pensions and Superannuation Investment sections of Dundee City Council is responsible for administering the two Pension Funds. The above sections receive an allocation of the overheads of the Council, this is based on the amount of central services consumed. In turn, these sections allocates this charge to the two Pension Funds. Costs which can be directly charged to each fund will be during the financial year, costs which are shared by both Funds are allocated in proportion to the membership of the Funds as at 31 March 2011.

This is the first year in which the Pension Funds have been subject to an separate external audit to that of the Council. The Funds have incurred an audit fee of £32,750, this fee is for both Funds.

TAYSIDE TRANSPORT SUPERANNUATION FUND

Actuarial Statement for 2010/2011

This statement has been prepared in accordance with Regulation 76 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 1998.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), effective from 1 April 2008. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund
- to minimise the degree of short-term change in employer contribution rates
- to ensure that sufficient cash is available to meet all liabilities as they fall due for payment
- to help employers manage their pension liabilities
- to maximise the returns from investments within reasonable and considered risk parameters, and hence minimise the cost to the employer

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 76 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 1998 was as at 31 March 2008. This valuation revealed that the Fund's assets, which at 31 March 2008 were valued at £41.0 million, were sufficient to meet 92.3% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2008 valuation was £3.4m. Employer contributions for the period 1 April 2009 to 31 March 2012 were set in accordance with the Fund's funding policy as set out in its Funding Strategy Statement.

Principal Actuarial Assumptions and Method Used to Value the Liabilities

Full details of the methods and assumptions used are described in the valuation report dated December 2008, a copy of which can be found on Tayside Superannuation Funds website (www.dundee.gov.uk/pensions).

Method

The method adopted at this valuation is known as the "Attained Age Method". The key feature of this method is that in assessing the future service cost we calculate the contribution rate which meets the cost of benefits accruing up to retirement age. This is the same method adopted at the previous valuation and is an appropriate method for a Fund which is closed to new members.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2008 valuation were as follows:

	Nominal %p.a.	Real %p.a.
<u>Investment Return</u>		
Equities	7.8%	4.1%
Gilts	4.6%	0.9%
Bonds & Property	5.9%	2.2%
Discount Rate - pre retirement	7.8%	4.0%
Discount Rate - post retirement	5.3%	1.5%
Pay increases	5.2%	1.5%
Price Inflation / Pension Increases	3.7%	

The key demographic assumption was the allowance made for longevity. The longevity assumptions adopted at this valuation were in line with standard PA92 mortality tables.

Experience Over the Period Since April 2008

The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 31 March 2011. It showed that the funding level (excluding the effect of any membership movements) of the fund was 95%.

The next actuarial valuation will be carried out as at 31 March 2011. The Funding Strategy Statement will also be reviewed in February 2012.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of Preparation

The Scottish Government have issued statutory accounting guidance in Finance Circular 1/2011 which requires that the Local Government Pension Scheme (LGPS) financial statements for 2010/11, which Administering Authorities are required to publish within an LGPS Annual Report, should be prepared in accordance with the local authority accounting Code published by CIPFA. The statutory guidance provides that for 2010/11 onwards the LGPS Annual Report should be published separately from the Authority's own financial statements and that LGPS Annual Report contents should comply with the requirements of Scottish Statutory Instrument 2010/234 . LGPS financial statements are required to receive a separate audit report.

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards. This is the first year of the application of International Financial Reporting Standards, resulting in the need to revise notes to the financial statements. A summary of the more important accounting policies, which have been consistently applied, is set out below:

Investments

Investments are included at market values, which are assessed as follows:-

- a UK quoted securities are valued at "bid" market prices at close of business on the last working day of the financial year.
- b Overseas securities are valued at "bid" market prices from the relevant overseas stock exchanges converted at closing rates of exchange on the last day of the financial year.
- c Unlisted investments, which comprise the Fund Manager's Unit Trusts and Open Ended Investment Companies, are valued at "bid" market prices on the last working day of the financial year as supplied by the Fund Manager.

Income and Expenditure

The accounts have been prepared on an accruals basis; that is income and expenditure is included as it is earned or incurred, not as it is received or paid, except for Transfer Values which are included when they are paid or received.

Investment Income

Income from fixed interest, index linked securities and other interest receivable is taken into account on an accruals basis. Income from all other Marketable Securities is taken into account on the date when stocks are quoted ex-dividend.

Contributions

Contributions represents the amounts received from organisations participating in the Fund, these may be from the administering authority, other scheduled bodies or admitted bodies. Such amounts relate both to their own employer contributions and to those of their pensionable employees. Employee and employers contributions due as at 31 March 2011 have been accrued.

Foreign Currency

Income and expenditure arising from transactions denominated in a foreign currency are translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred. Where the transaction is to be settled at a contracted rate that rate is used.

Investment Management Expenses

Investment Management expenses consist of direct charges in line with Management Agreements, Management Charges levied on pooled funds, overseas charges and non-recoverable withholding tax, less Brokers' commission rebate.

Acquisition Cost

Any acquisition costs of investment are included in the Book Cost of the investment.

GOVERNANCE COMPLIANCE STATEMENT

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
Structure			
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Principal responsibility for the administration of benefits and strategic management of fund assets rests with the Policy & Resources Committee.	Yes	The Superannuation Investment Sub-Committee of the Policy & Resources Committee has a remit to supervise and control the operations and investments.
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Membership of the Superannuation Investment Sub-Committee includes 3 observer members who represent scheme members.	Partial	Representatives are consulted and included in all communications relating to the Superannuation Investment Sub-Committee.
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Minutes of the Superannuation Investment Sub-Committee are reported to the Policy & Resources Committee.	Yes	
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	All members of the Superannuation Investment Sub-Committee are members of the Policy & Resources Committee.	Yes	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
Representation			
<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:-</p> <p>i) employing authorities (including non-scheme employers, e.g. admitted bodies);</p> <p>ii) scheme members (including deferred and pensioner scheme members);</p> <p>iii) where appropriate independent professional observers; and</p> <p>iv) expert advisors (on an ad-hoc basis)</p>	<p>Membership of the Superannuation Investment Sub-Committee includes 3 observer members who represent scheme members.</p> <p>Investment Consultant</p>	<p>No</p> <p>Yes</p> <p>No</p> <p>Yes</p>	<p>Regular communication is undertaken with key stakeholders. Employer Forum held annually for scheduled and admitted bodies.</p> <p>No requirement for this has been identified.</p>
<p>That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>	<p>All members receive the same access to all papers and training opportunities and are given the opportunity to contribute to the decision making process.</p>	<p>Yes</p>	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
Selection and Role of Lay Members			
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Induction and Refresher Training is provided to all members.	Yes	
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Members are bound by a Code of Conduct which requires them to declare any interest related to specific matters on the agenda. This is stated at the start of each agenda.	Yes	
Voting			
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Voting rights are detailed in the Tayside Superannuation Funds Statement of Investment Principles.	Yes	Statement of Investment Principles is accessible via the Council website.

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
Training/Facility Time/Expenses			
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	All new members of the Superannuation Investment Sub-Committee are offered training by officers. Further training is offered periodically, generally from investment consultants, investment managers of the fund and actuaries. In addition, if other training opportunities are identified, including attendance at conferences and seminars, these are offered to members, as appropriate. Costs and expenses incurred are met by the Pension Fund.	Yes	
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Training policy applies to all members of the Superannuation Investment Sub-Committee.	Yes	
That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Training is provided as needs are identified. A log of all training undertaken is maintained.	Yes	
Meetings (Frequency/Quorum)			
That an administering authority's main committee or committees meet at least quarterly.	Policy & Resources Committee meets 4-weekly. Additional meetings are held when necessary.	Yes	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Superannuation Investment Sub-Committee meets quarterly. Additional meetings are held when necessary.	Yes	
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Employer Forum for scheduled and admitted bodies is held annually, including presentations on topical subjects.	Yes	
Access			
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	All members are treated equally in terms of access to committee papers and advice.	Yes	
Scope			
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	The Superannuation Investment Sub-Committee has a remit to supervise and control operations and investments.	Yes	
Publicity			
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Governance Policy Statement was approved in May 2009, following consultation with all employers.	Yes	Governance Policy Statement and Governance Compliance Statement will be available on the Council website following committee approval.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Dundee City Council as administering body for Tayside Superannuation Fund and Tayside Transport Superannuation Fund (the funds) and the Accounts Commission for Scotland

I certify that I have audited the financial statements of the Tayside Superannuation and Tayside Transport Superannuation funds for the year ended 31 March 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the fund accounts, the net assets statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Responsible Director of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the funds' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the financial transactions of the funds during the year ended 31 March 2011, and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion the information given in the Foreword by the Director of Finance for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Compliance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.

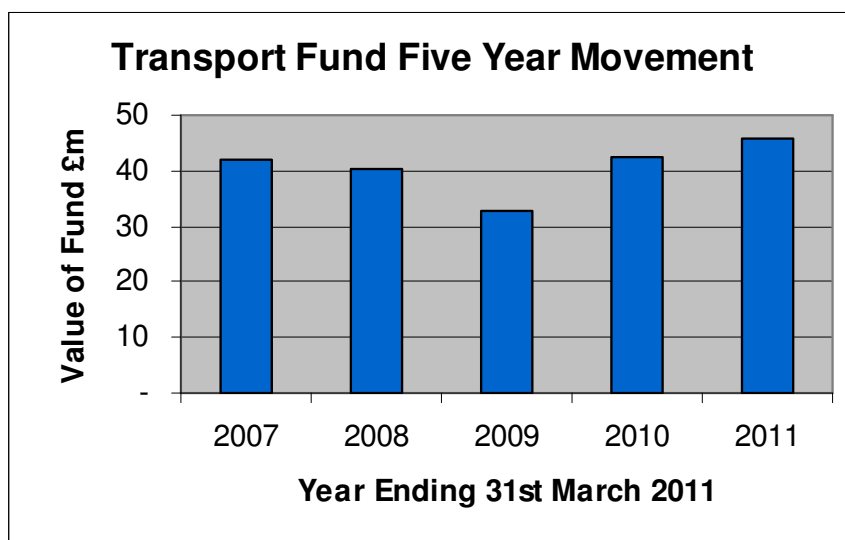
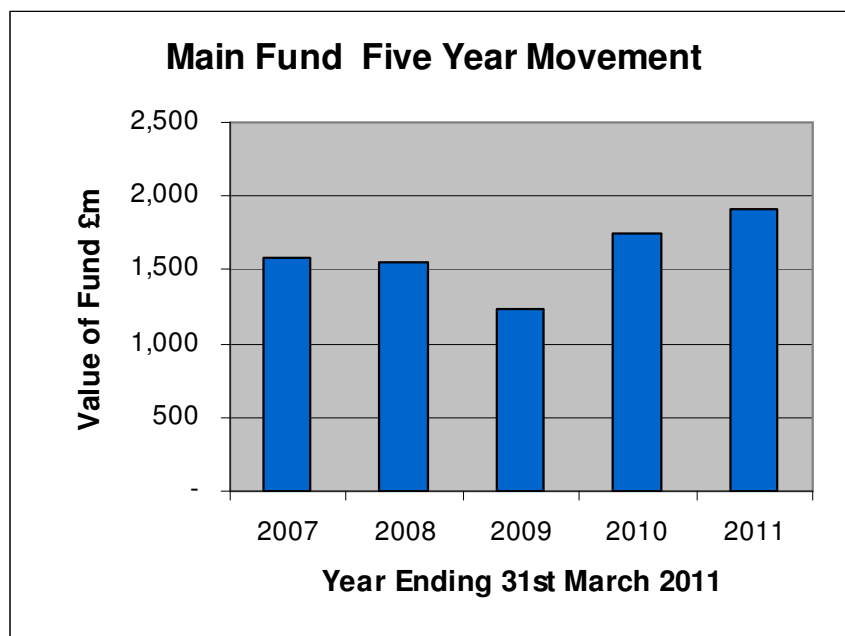
Mark Taylor
Assistant Director
Audit Scotland
Osborne House
1/5 Osborne Terrace
Edinburgh
EH12 5HG

23 November 2011

VALUATION AND DISTRIBUTION OF ASSETS OF THE SUPERANNUATION FUNDS

Valuation

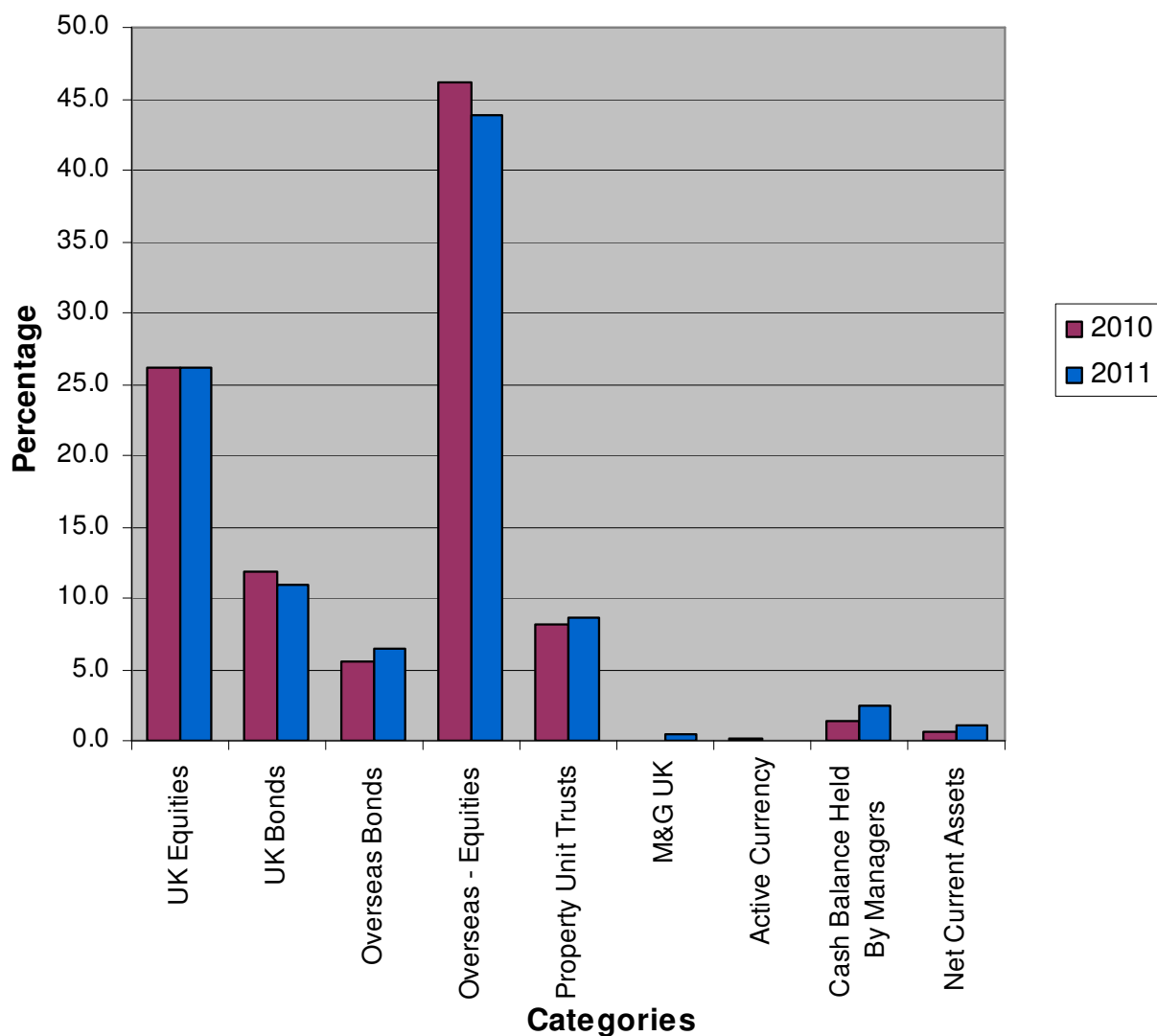
	<u>Main Fund</u>		<u>Transport Fund</u>	
	<u>2009/10</u>	<u>2010/11</u>	<u>2009/10</u>	<u>2010/11</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Value at Start of Year	1,240.9	1,749.2	32.7	42.3
New Cash Inflow/(Outflow)	67.5	59.2	(0.1)	-
Appreciation/(Depreciation) during the year	<u>440.8</u>	<u>100.2</u>	<u>9.7</u>	<u>3.7</u>
Value at End of Year	<u>1,749.2</u>	<u>1,908.6</u>	<u>42.3</u>	<u>46.0</u>



Main Fund

Sector	Valuation (£m) and Distribution (%)			
	31/03/2010		31/03/2011	
	£m	%	£m	%
UK Equities	458.0	26.2	499.6	26.2
UK Bonds	206.0	11.8	208.8	10.9
Overseas Bonds	96.5	5.5	121.9	6.4
Overseas - Equities	807.9	46.2	837.9	43.9
Property Unit Trusts	144.0	8.2	164.4	8.6
M&G Fund	-	-	6.7	0.4
Active Currency	2.0	0.1	0.9	-
Cash Balance Held By Managers	23.8	1.4	48.1	2.5
Net Current Assets	11.0	0.6	20.3	1.1
	1,749.2	100.0	1,908.6	100.0

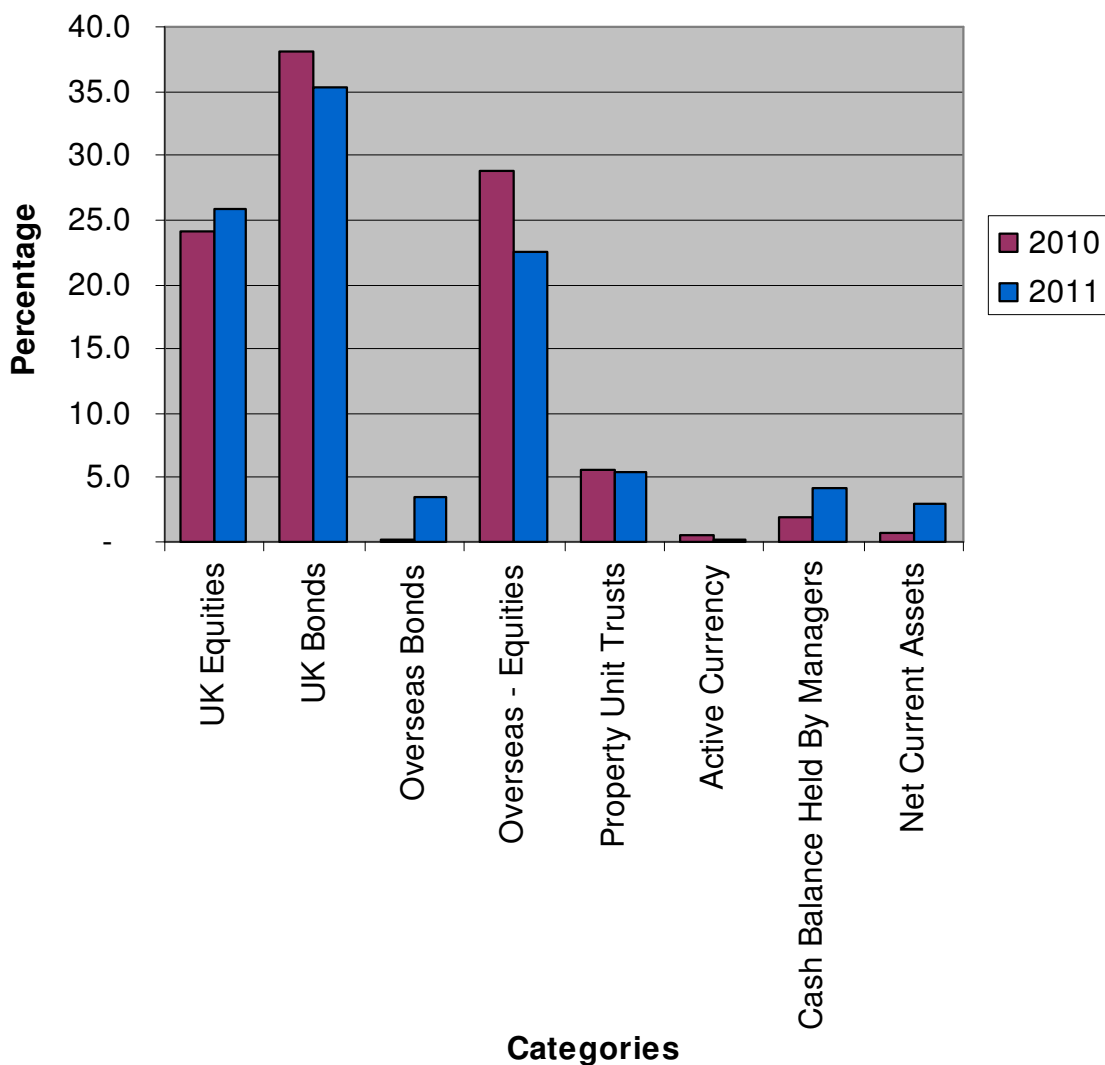
Main Fund % Holding by Investment Category 2010/11



Transport Fund

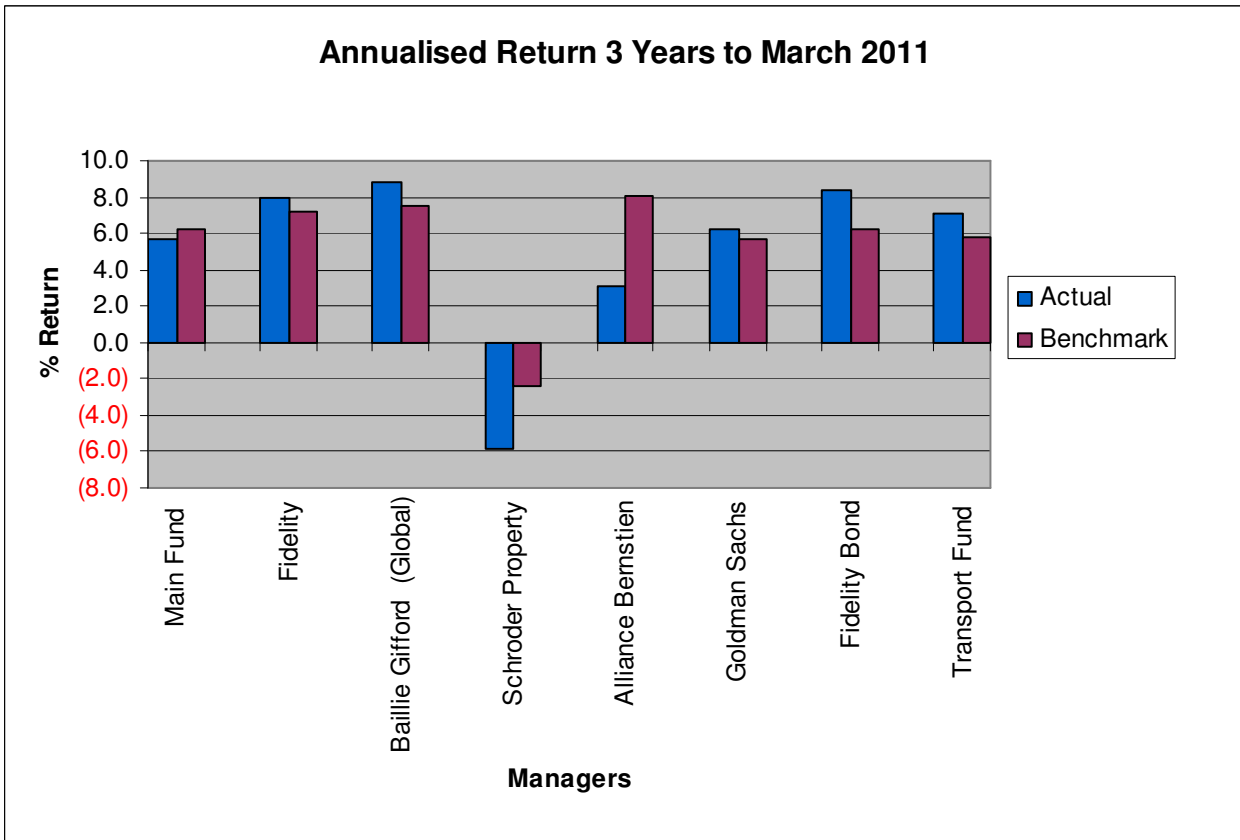
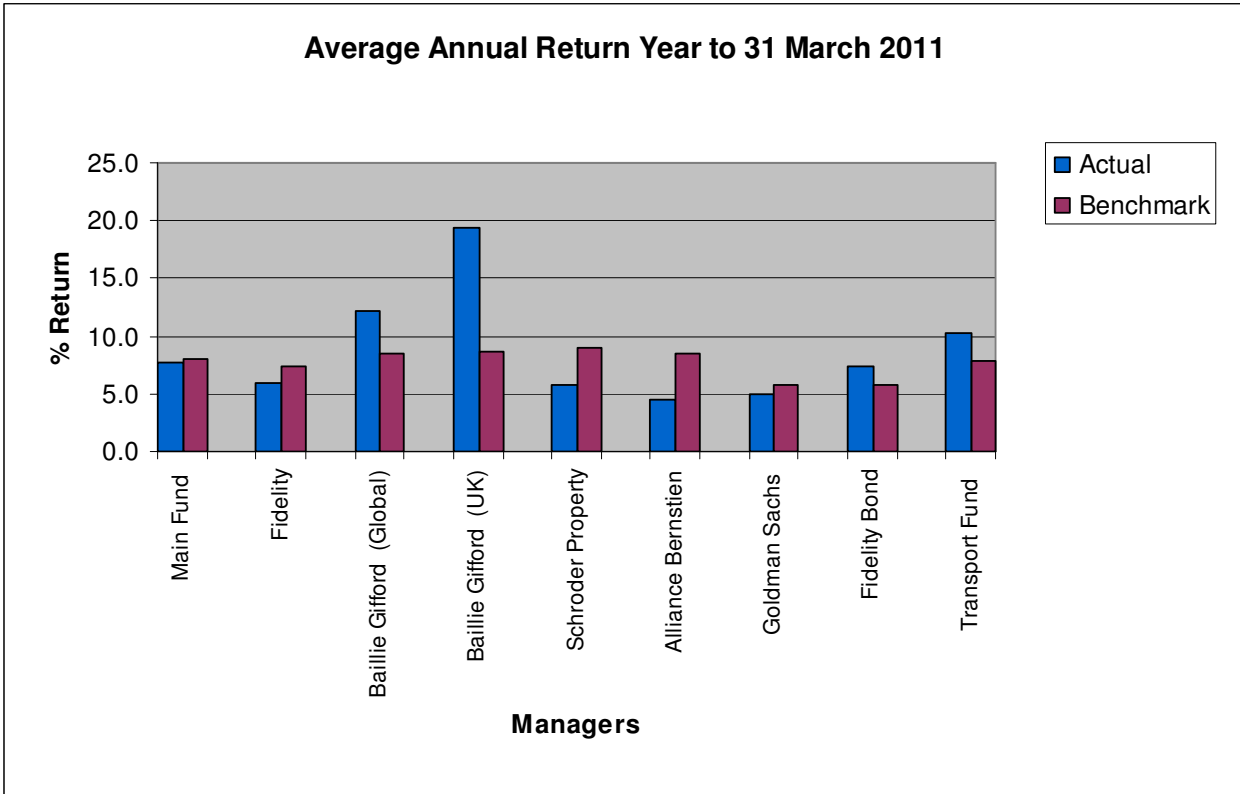
Sector	Valuation (£m) and Distribution (%)			
	31/03/2010		31/03/2011	
	£m	%	£m	%
UK Equities	10.2	24.1	11.9	25.9
UK Bonds	16.1	38.1	16.2	35.2
Overseas Bonds	0.1	0.2	1.6	3.5
Overseas - Equities	12.2	28.8	10.4	22.6
Property Unit Trusts	2.4	5.7	2.5	5.4
Active Currency	0.2	0.5	0.1	0.2
Cash Balance Held By Managers	0.8	1.9	1.9	4.2
Net Current Assets	0.3	0.7	1.4	3.0
	42.3	100.0	46.0	100.0

Transport Fund % Holding by Investment Category 2010/11



PERFORMANCE RETURNS

On a quarterly basis, the Council's Superannuation Investment Sub-Committee convenes to review the performance of the investments made with the Funds. In that connection, the Council engages Northern Trust to produce performance measurement statistics for the Main Fund and the Transport Fund. From 1 July 2003, the Funds introduced their own specific benchmark to assess performance. In the financial year to 31 March 2011 the benchmark for the Main Fund was a gain of 8.0% and for the Transport Fund 7.8%. Individual managers had their own benchmark within this and a comparison of actual performance with benchmarks is shown below :-



**PRINCIPAL EQUITY HOLDINGS (TOP TEN BY VALUE)
AS AT 31 MARCH 2011**

MAIN FUND AND TRANSPORT FUND COMBINED

<u>Investment</u>	<u>Value (£000)</u>	<u>% of Total Equity Holding</u>	<u>Activities</u>
HSBC Holdings PLC	28,171	2.1	Banks
Rio Tinto	25,321	1.9	Oil and Gas
Vodafone Group PLC	20,703	1.5	Telecommunication Services
BG Group	20,574	1.5	Oil and Gas
BHP Billiton PLC	16,663	1.2	Mining
Glaxo Smithkline PLC	15,812	1.2	Pharmaceuticals
Prudential	15,736	1.2	Life Insurance
Royal Dutch Shell	14,214	1.0	Oil and Gas
British American Tobacco	13,365	1.0	Tobacco
Tesco	12,568	0.9	Food Retailer
	183,128	13.5	
Total Value of Equities	£1,361,410		
Total Value of Funds	£1,954.6m		

SCHEDULED AND ADMITTED BODIES AS AT 31 MARCH 2011

Scheduled Bodies (14) :

Angus College
Angus Council
Dundee City Council
Dundee College
Perth & Kinross Council
Perth College
Scottish Police Services Authority
TACTRAN
Tay Road Bridge Joint Board
Tayside Contracts
Tayside Fire Joint Board (Civilians)
Tayside Joint Police Board (Civilians)
Tayside Valuation Joint Board
Visit Scotland

Admitted Bodies (34) :

Abertay Housing Association
Balnacraig School
Carnoustie Golf Links
Carolina House Trust
Dorward House
Dovetail Enterprises
Duncan of Jordanstone College of Art
Dundee Citizens' Advice Bureau
Dundee Contemporary Arts Ltd
Dundee Leisure Trust
Dundee Science Centre
Dundee Society for Visually Impaired People
Dundee Voluntary Action
Forfar Day Care Committee
Forfarshire Society for the Blind
Highlands & Islands Airports Ltd
Mitie PFI Ltd
Montrose Link Trust
Montrose Port Authority
Perth & Kinross Countryside Trust
Perth & Kinross Leisure
Perth & Kinross Society for the Blind
Perth Citizens' Advice Bureau
Perth Theatre Co Ltd
Pitlochry Leisure Company
Robertsons Facilities Management
Rossie School
Scottish Commission for Regulation for Care
Scottish Social Services Council
Tayside Business Gateway
Tayside Community Justice Authority
Travel Dundee
University of Abertay, Dundee
University of Abertay, Students Association

ADDITIONAL INFORMATION

Key Documents Online

You can find further information on our website www.dundee.gov.uk/pensions The following documents are on the website's publications section :

- Actuarial Valuation Reports
- Funding Strategy Statement
- Statement of Investment Principles
- Treasury Management Strategy
- Annual Report and Accounts

Contact Details

Enquiries relating to investment matters should be addressed to:

Marjory Stewart, Director of Finance
or Sandy Flight, Head of Financial Services
Dundee City Council, Dundee House, Floor 4, 50 North Lindsay Street, Dundee DD1 1NZ
(01382) 433555 or 433359

Enquiries regarding individual benefits, contributions or pensions in payment or requests for further information should be addressed to:

Bob Hassall, Pensions Administration Manager, Dundee City Council, Floor 4, 50 North Lindsay Street, Dundee DD1 1NZ
(01382) 435474

Enquiries regarding publications, please visit www.dundee.gov.uk/pensions

Other Contacts

The Occupational Pensions Advisory Service (OPAS)

In the event of a dispute, members have recourse initially to an internal dispute procedures and if still not satisfied to the Scottish Minister and in addition may contact the following bodies.

The Occupational Pensions Advisory Service (OPAS), 11 Belgrave Road, London, SW1V 1RB

This organisation is available to assist members and beneficiaries of occupational pension schemes in connection with difficulties, which they have been unable to resolve with the trustees or administrators of their scheme. For problems that cannot be settled through OPAS, a Pensions Ombudsman (based at the same address as OPAS) has been appointed. The Ombudsman has power to investigate and determine complaints or disputes of fact or law in relation to occupational pension schemes. The Ombudsman can only become involved after a dispute has been to the Scottish Ministers.

Registry of Occupational Pension Schemes

The Registry acts as a central tracing agency to help individuals keep track of any benefits they may have in previous employers' pension schemes. The Council's Scheme and the names and addresses of all current and previous participating employers have been registered with the Registrar.

Registry of Occupational Pension Schemes, PO Box 1NN, Newcastle upon Tyne, NE99 1NN