

Hampshire Pension Fund – 2009/10 accounts

1. Summary

1.1. This report presents the Pension Fund accounts for 2009/10.

2. 2009/10 accounts

- 2.1. A draft revenue account for 2009/10 is shown in Annex 1 with equivalent figures for the previous year. In accordance with the 2009 Pension Statement of Recommended Practice (SORP), investments are required to be valued at their fair value and where there is an active market the bid price is usually the appropriate quoted market price.
- 2.2. The funding objective is to achieve and maintain a funding level of 100% of liabilities. For this reason, a certain proportion of employer contributions received will be used to reduce an existing deficit. The 2007 Actuarial Valuation stated that the deficit could be eliminated by improving the funding of the Scheme for a period of 25 years from 1 April 2008. In accordance with the Code of Practice, from 2008/09 the normal employers' contributions that relate to deficit funding must be separately identified in the Fund account.
- 2.3. Overall, the Fund continued the pattern of recent years in generating a revenue surplus in 2009/10 of £123.8m. This was significantly lower than the surplus in 2008/09 of £136.4m mainly due to reduced income from investments. The Fund's value at 31 March 2010 was £3,228.2m. This was an increase of 34.7% over the previous year's Fund value, due to the recovery in the global economy having a favourable impact across all asset classes with the exception of property unit trusts.
- 2.4. Employees' contributions rose by 6.0% compared with the previous year, from £54.5m to £57.8m. The average contribution rate for employees in the Hampshire Pension Fund was 6.5% of their pensionable pay, which is unchanged from the previous year. A 1% pay award was implemented by the local authority employers in the Fund in April 2009. The average number of contributors in the Fund increased by 1.7% to 47,470 during 2009/10 (46,676 contributors in 2008/09).
- 2.5. Employers' contributions rose by 9.0% compared with the previous year, from £152.3m to £166.0m. This was due both to the previously mentioned increase in employee pay, a rise in the number of contributors, and the 2.8% increase in employers' contributions from 18.1% to 18.6% of pensionable pay. This was the second of the planned annual step increases in employer rates from the 2007 valuation.
- 2.6. Transfer values received into the Fund rose by 64.7% compared with the previous year, from £13.3m to £21.9m. This is largely due to a backlog of transfers from other local authorities being processed during 2009/10. These transfers had not been processed in 2008/09 due to a delay in receiving new actuarial factors when these were changed in 2008.

- 2.7. Pension payments rose 9.1% from £113.8m to £124.2m. Pensions were subject to an annual inflation rise of 5.0% in April 2009 and the number of pensions in payment rose by 3.3%, from 30,538 to 31,538. The average annual pension paid during 2009/10 was £3,938.
- 2.8. Lump sum benefits increased by 11.3% from £32.0m to £35.6m. There was a 40.0% increase in the amount of pension being given up in exchange for additional lump sum. As a result of the commutation, approximately £0.7m a year less will be paid in ongoing pension payments.
- 2.9. Transfer values paid out to other schemes rose by 144.0% from £7.5m in 2008/09 to £18.3m in 2009/10. This was again due to the backlog of transfers processed in 2009/10.
- 2.10. Administrative expenses increased by 12.7% from £1.97m to £2.22m. The charge per fund member for the County Treasurer's Department has been increased to £15.50 per scheme member as part of a five-year resourcing plan to deal with the increased complexity of the scheme and improve turnaround times for Pensions administration. In addition, the planned diversification of the Fund's investments has required a greater amount of financial monitoring to be undertaken.
- 2.11. Investment management expenses rose by 15.3% from £8.5m to £9.8m. This increase in fees reflects the rise in the Fund's value during 2009/10, given that the fund managers' fees are based on portfolio value.
- 2.12. Investment income fell significantly by 15.1% from £82.2m to £69.8m. This was reflective of the global economic recession which ran for a full year until mid-2009.
- 2.13. Taxation includes irrecoverable withholding tax on overseas investments, and is no longer artificially increased by UK dividend tax credits which the Fund is unable to recover. Therefore, UK dividends are recorded for investment income purposes net of tax, which is in line with the SORP.

3. **Net assets statement**

- 3.1. The net assets statement (or fund balance sheet) is also shown in Annex 1.
- 3.2. The market value of investments rose by 34.7% from £2,396.1bn at 31 March 2009 to £3,228.2bn at 31 March 2010.
- 3.3. Annex 2 contains a series of graphs showing trends in pension activities since 1983/84.

Pension Fund Accounts	2008/09	2009/10
Fund Account	£000	£000
Dealings with members and employers		
Contributions		
- from employers		
- normal	118,586	125,759
- augmentation	4,313	4,741
- deficit funding	29,442	35,470
- from members		
- normal	52,931	56,060
- additional voluntary	1,584	1,724
Transfers in		
Individual transfers in from other schemes	13,328	21,872
Benefits		
Pensions	-113,835	-124,207
Commutation of pensions and lump-sum retirement benefits	-29,516	-31,426
Lump-sum death benefits	-2,510	-4,168
Payments to and on account of leavers		
Individual transfers out to other schemes	-7,475	-18,302
Refunds of contributions	-35	-35
State scheme premiums	7	7
Administrative expenses	-1,971	-2,220
Net additions from dealings with members and employers	64,849	65,275
Returns on investments		

Pension Fund Accounts	2008/09	2009/10
Fund Account		
	£000	£000
Investment income		
Interest from fixed-interest securities	5,471	5,210
Dividends from equities	58,892	49,733
Income from index-linked securities	55	108
Income from pooled investment vehicles	1,067	1,283
Net rents from properties	8,181	9,110
Income from property unit trusts	1,242	1,237
Income from other alternative investments	108	928
Interest on cash deposits	6,472	1,637
Other	663	564
Change in market value of investments		
Realised	-269,756	-11,844
Unrealised	-418,574	720,117
Taxation	-2,034	-1,504
Investment management expenses	-8,516	-9,777
Net returns on investments	-616,729	766,802
Net increase (decrease) in net assets during the year	-551,880	832,077
Add opening net assets of the Fund	2,947,980	2,396,100
Closing net assets of the Fund	2,396,100	3,228,177

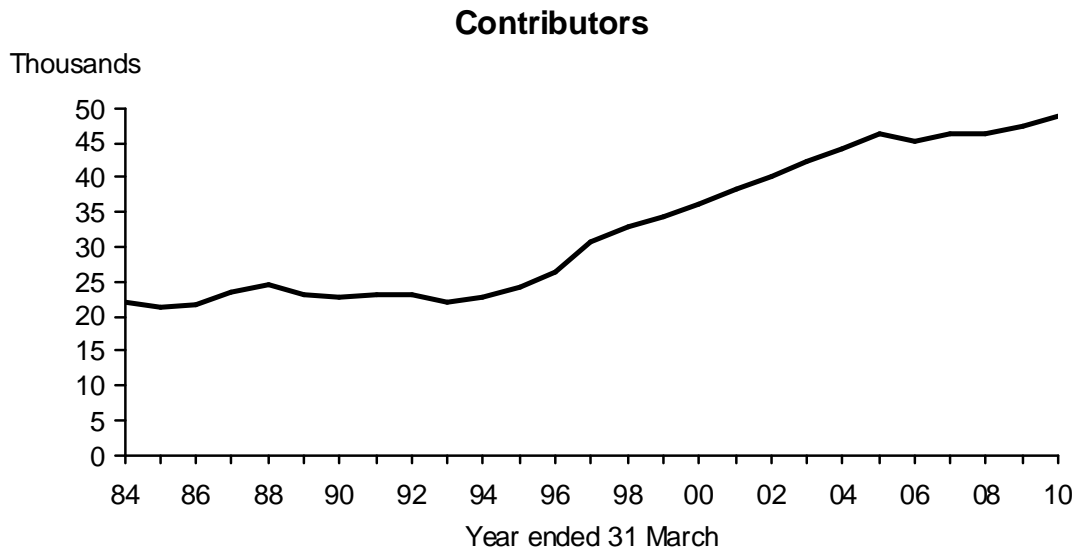
Net assets statement	31 March 2009 £000	31 March 2010 £000
Investment assets		
Fixed-interest securities	109,947	149,844
Index-linked securities	3,868	5,219
Equities	1,194,721	1,823,228
Pooled investment vehicles:		
- index-linked	616,714	680,988
- equities	23,545	33,380
Derivative contracts	0	24,133
Property	93,550	134,273
Property unit trusts	62,918	60,656
Other alternative investments	105,679	128,326
Cash deposits	164,527	198,839
Investment liabilities		
Derivative contracts	0	-33,465
Net investment assets	2,375,469	3,205,421
Net current assets and liabilities		
Contributions due from employers	9,509	12,037
Other current assets	15,345	14,117
Current liabilities	-4,223	-3,398
Net assets - balance of Fund	2,396,100	3,228,177
Reconciliation of the net movements of assets of the Fund		
Opening net assets	2,947,980	2,396,100

Net assets statement	31 March 2009 £000	31 March 2010 £000
Net income available for investment:		
net additions from dealing with members	64,849	65,275
investment income less expenses	71,601	58,529
Revenue surplus	136,450	123,804
Change in market value of investments	-688,330	708,273
Closing net assets	2,396,100	3,228,177

Recent trends in Pension Fund activities

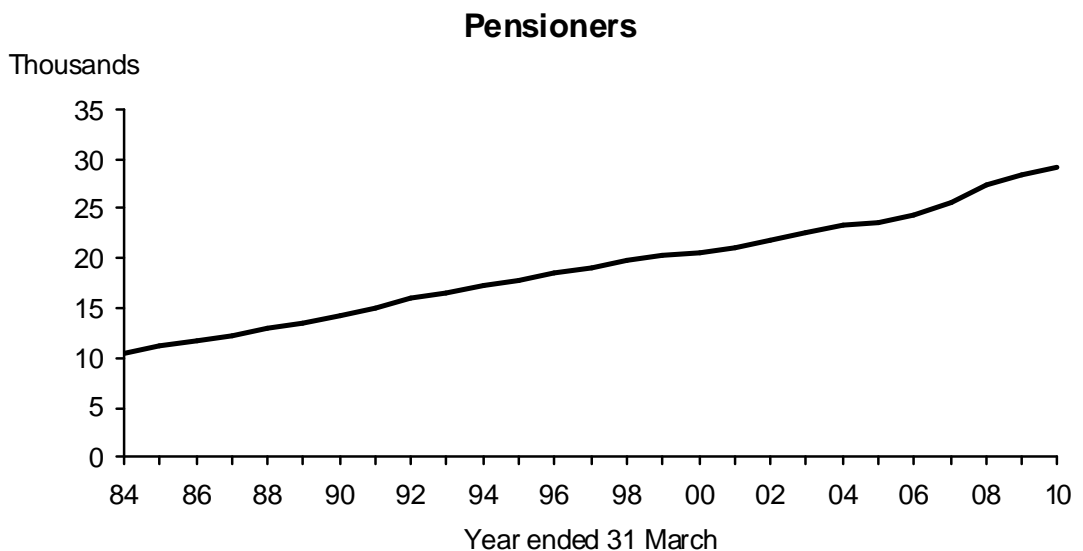
1. Number of contributors

For the past fifteen years all part-time recruits have joined the LGPS automatically, whereas previously they only joined if they opted in. However, the impact of this appears to have worked its way through given that the number of contributors has levelled off since 2005.



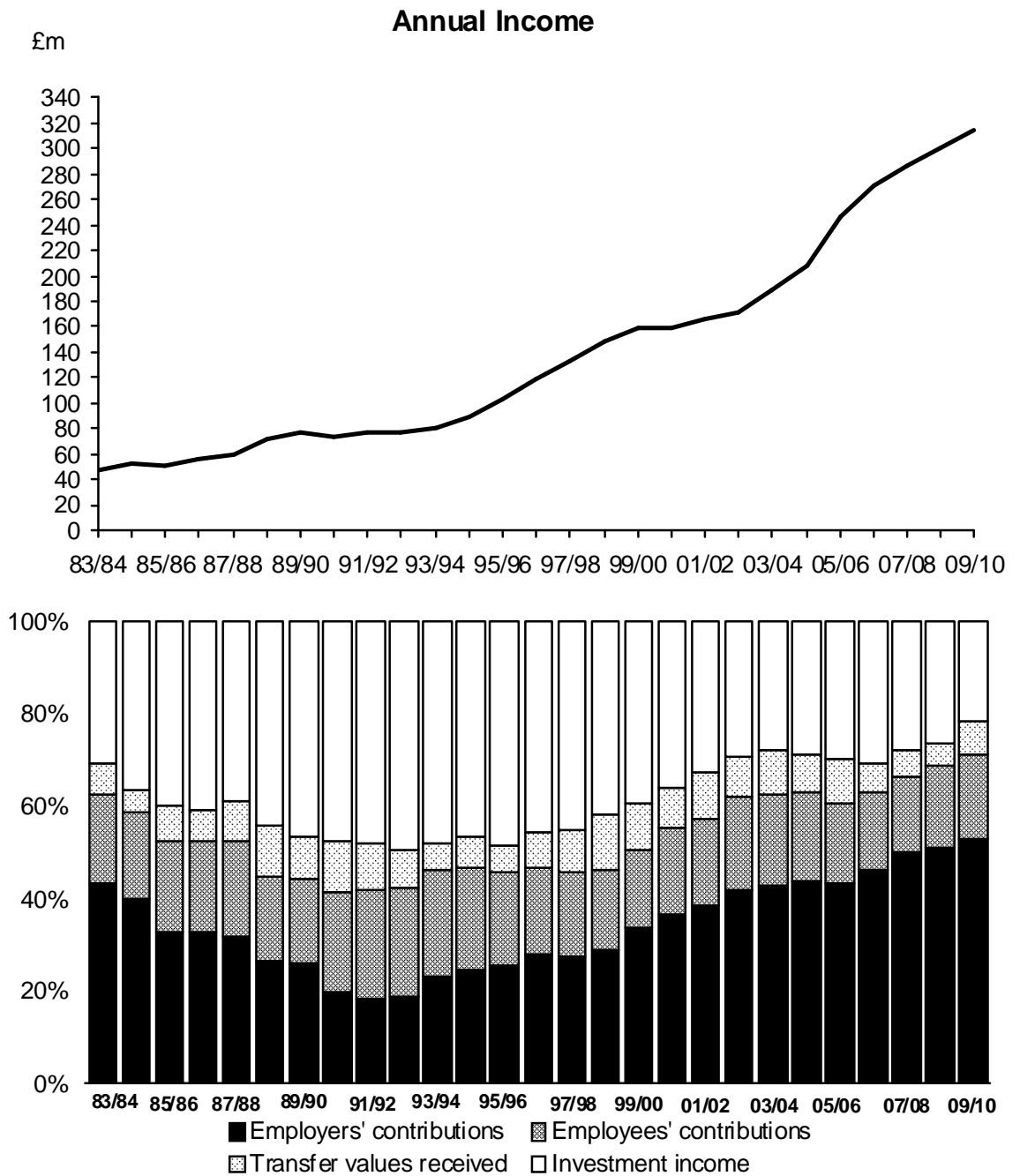
2. Number of pensioners

This graph continues to show a remarkably consistent increase in the number of pensioners in the Fund.



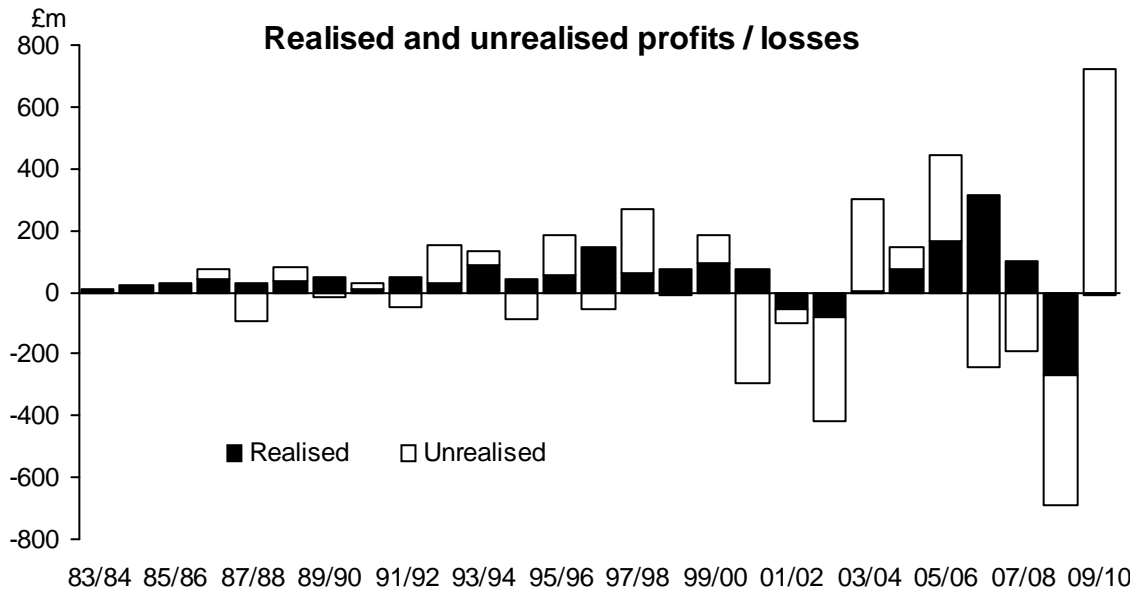
3. Annual Income

These diagrams illustrate the growth of the Fund's annual income since 1983/84, together with the split over the four main elements. Annual income grew steadily throughout the 1980s and 1990s. Whilst it dropped slightly in 2000/01, it has since risen sharply as a result of increased employers' contribution rates.



4. Realised and Unrealised Profits / Losses

This diagram shows the realised profits / losses and, from 1986/87 when figures are available, unrealised changes in market value.



5. Growth of the Pension Fund

In 2008/09, the global credit crisis effectively negated much of the rapid growth experienced in recent years. However, a global economic recovery from mid-2009 has returned the Pension Fund's market value back to a record high of over £3.2bn, as the diagram below shows.

