

**PLA Pension Fund**

**ANNUAL REPORT & ACCOUNTS**

**for the year ended 31 March 2015**



## COMMITTEE AND ADVISERS

### **Committee:**

#### **Chairman**

Mr W Everard (to 31 December 2014)  
Ms H Deeble (from 1 January 2015)

#### **Port Authority Committee Men**

Mr B Chapman  
Mr R Lenthall (to 31 December 2014)  
Mr J Mills (to 31 August 2014)  
Mr R Mortimer (from 27 May 2014)  
Dr S Steedman  
Mr A Griffiths (from 26 September 2014)

#### **Members' Committee Men**

Mr R G Brodie  
Mr P Durkin  
Mr P F Golds  
Miss A Jeffrey  
Mr L Steggles

#### **Treasurer:**

Mr D Giles

#### **Secretary:**

Mr W T Bean (to 31 December 2014)  
Miss D Bottacchi (from 3 February 2015)

#### **Actuary:**

Mr M Whitfield, Aon Hewitt

#### **Auditors:**

Ernst & Young LLP

#### **Investment Consultant:**

Aon Hewitt

#### **Investment Managers:**

Invesco Asset Management  
AXA Investment Managers Ltd (to May 2014)  
JP Morgan Alternative Asset Management  
Prisma Capital Partners  
Antin Infrastructure Partners Fund II  
M&G Investment (from September 2014)  
PIMCO (from September 2014)  
Insight Investment (from May 2014)

#### **Custodians:**

Citibank International  
HSBC (to May 2014)  
International Fund Services  
PFPC Trust Company  
BNP Paribas Securities Luxembourg  
State Street (from September 2014)  
Brown Brothers Harriman Trustee Services (from September 2014)  
Northern Trust (from May 2014)

#### **Solicitors:**

Sacker and Partners

#### **Bank:**

National Westminster Bank PLC

In accordance with the provisions of Rule 23(2), a new Committee was appointed to serve for the period 1 April 2012 to 31 March 2017.

During the year to 31 March 2015, the Committee met on four occasions.

## Changes in the Fund Rules

The Rules of the Fund were amended at a general meeting of members held on 15 April 2013.

These changes moved all active members of the Fund to the CARE benefit structure with effect from 1 January 2014.

There were also amendments to the CARE benefit structure effective from 1 January 2014, details as follows:

- Changes to revaluation of pensions - members benefits accrued from 1 January 2014 will revalue by the rate required by law i.e. assessed by reference to the annual increase in the Government's Consumer Prices Index not exceeding 2.5% in any given year.
- Changes to annual pension increases – members benefits accrued from 1 January 2014 will increase by the rate required by law i.e. assessed by reference to the Government's Consumer Prices Index not exceeding 2.5% in any given year.
- Termination of Additional Voluntary Contributions with effect from 1 January 2014.
- Change to the number of Committee men. When the current term of office expires in March 2017 the new Committee will comprise of the Chairman, four committee men appointed by the Authority, three by the Fund's members and one by the Fund's pensioners.

There were no other changes in the benefit and contribution structure of the Fund nor in any of the other provisions of the Rules.

## Membership

### Active members

Membership at 31 March 2014.....	<b>310</b>
New members.....	24
Total.....	334
Membership ceased	
• left service on pension.....	5
• withdrawal after attaining Normal Pension Age – pension paid but remained in service.....	6
• withdrawal before attaining Normal Pension Age – remained in service	1
• left service before retirement age.....	12
• Death in service.....	-
• Transfer out.....	- <b>24</b>
Membership at 31 March 2015.....	<b>310</b>

### Pensioner numbers

	Members' Pensions	Annuities & Widows', Widowers' & Dependants' pensions	EX PLANPS Pensioners & Widows
At 31 March 2014	1825	618	13
Commenced during the year	16	28	1
Ceased during the year	81	40	1
At 31 March 2015	1760	606	13
Variation during the year	-65	-12	0

At 31 March 2015, there were 139 deferred pensioners, compared with 143 at 31 March 2014.

## Statement of Investment Principles

The Committee, after consultation with the Investment Consultant and the Authority, have prepared a Statement of Investment Principles (SIP) which is available upon request.

The Rules of the Fund do not permit Employer related investments

The Committee's policy on the custody of the Fund's assets is set out in the Rules of the PLA Pension Fund. To ensure compliance with the Pensions Act 1995 a written 'Notice of Appointment' between the Pension Fund and the custodian is in place.



## Transfer Values

Transfer values paid during the year were determined, where appropriate, in accordance with the statutory cash equivalent requirements, and fully reflected the value of the deferred pensioners' accrued benefit rights. During the year, other than AVC transfers out, 2 transfer payments were made. All calculations conform with factors and instructions provided by the Actuary. Transfer values are calculated as the cash value of the deferred pension entitlement, the spouse's pension payable in the event of death and an allowance for guaranteed pension increases.

At the meeting held on 1 June 2009, the Committee agreed to the Authority's proposal that the Fund should cease to accept transfer values with immediate effect.

## Financial and Investment Review

The Committee, after consultation with the Investment Consultant and Actuary, set a broad investment policy with day to day investment decisions being delegated to the Investment Managers.

During the year to 31 March 2015, net assets increased by £34.547m to £319.257m.

The investment management expenses for the year ended 31 March 2015 amounted to £452,000. The rebate due from Invesco Asset Management of £232,000 resulted in net expenses of £220,000.

### Investment Commentary

Year to 31 March 2015

US economic growth was strong in 2014 after the impact of the harsh winter weather faded. Economic activity in the Eurozone deteriorated somewhat through the middle of 2014, with Italy in a slight recession for the remainder of the year. Japan too fell into technical recession in the aftermath of April's sales tax hike. UK growth was encouraging, but decelerated marginally in the first quarter of 2015.

The US Federal Reserve (Fed) continued to slow down the rate of quantitative easing (QE) through 2014. However, Fed chair Janet Yellen emphasised her commitment to maintain accommodative monetary policy. In the Eurozone, weak growth and deflationary concerns caused the European Central Bank (ECB) to announce new stimulus measures including three interest rate cuts, ending with a negative deposit rate, and full blown QE in Q1 2015. The Bank of Japan (BoJ) ramped up its quantitative easing programme in response to weak economic data.

New geopolitical tensions in Iraq added to continuing strains in the Ukraine. Elsewhere, Japanese Prime Minister Shinzo Abe was re-elected in a snap election called in late 2014. Meanwhile, the left-wing anti-austerity party Syriza won the Greek election, causing some volatility in markets as the fate of Greece's hefty debt burden came into question.

Fuelled further by the decision by OPEC, the oil cartel, not to cut production, the oil price fell dramatically by almost 50% over the second half of 2014. This sparked fear among equity markets in December that global demand may be unexpectedly weak. However, the oil price (brent) stabilised to between \$50 - \$60 per barrel in Q1 2015.

Global equities rose steadily through the summer of 2014, but volatility returned in Q4 as equities faltered in both October and December, only to recover most of their losses after each bout. Global equities were given a boost by confirmation by the ECB of the widely anticipated QE programme. Over the 12 months to 31 March 2015, the MSCI All Country World Index returned 18.4% in sterling terms and 13.7% in local currency terms.

UK fixed interest gilts provided a stellar 13.9% return over the period. The sharp rise in yields in 2013 was reversed over the twelve months to March 2015 as concerns over global growth levels and, later, European QE, suppressed bond yields. Index-linked gilts returned 18.6% thanks to falling yields and their longer maturity profile.

UK corporate bonds returned 13.1% over the twelve months to March 2015 as the steep decline in underlying gilt yields compounded the slight fall in credit spreads.

UK property returns were strong, with the IPD Monthly Index rising 18.3% over the period.

### Fund Values

The market values of the Fund's invested assets (excluding AVCs, cash and accrued income) are shown below:

Assets	31 March 2013	31 March 2014	31 March 2015
AXA (£'m)	171.9	165.0	-
Invesco (£'m)	57.8	58.1	64.3
JP Morgan (£'m)	29.0	31.6	30.4
Prisma (£'m)	28.1	30.3	29.4
PIMCO (£'m)	-	-	92.7
M&G (£'m)	-	-	32.4
Insight (£'m)	-	-	63.7
Antin (£'m)	-	-	4.1
Total (£'m)	286.8	285.0	316.9

Valuation figures above are based on the bid price for AXA and Invesco and NAV price for PIMCO, M&G, Insight, Antin, JPMorgan and Prisma.

Total may not sum due to rounding.

Over the year and annualised three years, the estimated total Fund return after fees were 17.5% and 11.6% p.a. respectively, outperforming the annual and three-year benchmark by 0.9% and 1.4% p.a. respectively.

Over the year the Fund disinvested from the AXA segregated credit and gilt mandate and transferred the assets to the PIMCO Diversified Income Fund, M&G Alpha Opportunities Fund, Insight LDI Funds and Antin Infrastructure Fund.

### Investment Income

Income for the year was as follows:

	2015	2014
Fixed Interest Securities – Government	0.4%	1.2%
Index Linked – Securities	1.3%	4.6%
Fixed Interest Securities – Other	15.5%	68.2%
Interest on Deposit Accounts	0.1%	0.1%
Variable Interest Securities	3.5%	14.4%
Dividends received from pooled investment vehicles	78.5%	11.5%
Pooled Investment Vehicles	0.7%	-

Equity income is re-invested in the Equity Portfolio.

## Contributions

A revised Schedule of Contributions was prepared following the 2012 actuarial valuation as required by Section 227 of the Pensions Act 2004. All contributions due under the Rules from both the Employer and the Employees have been received by the Fund and included in the audited accounts.



## Fund account

For the year ended 31 March 2015

	2015 £000	2014 £000
<b>Income</b>		
Contributions	6,613	8,303
Investment income	21,813	7,836
Foreign currency losses	(2)	(6)
Change in market value	27,205	3,355
<b>Total Income</b>	<b>55,629</b>	<b>19,488</b>
<b>Expenditure</b>		
Benefits payable*	(20,220)	(20,457)
Payments on account of leavers	(662)	(265)
Investment management expenses	(220)	(98)
<b>Total expenditure</b>	<b>(21,102)</b>	<b>(20,820)</b>
Net increase/(decrease) in the Fund during the year	34,547	(1,332)
Opening net assets of the Fund	284,710	286,042
<b>Closing net assets of the Fund</b>	<b>319,257</b>	<b>284,710</b>

\*The total cost of pensions and annuities payable from the Fund at 31 March 2015 was £19,365,634 per annum. This amount was £64,122 per annum lower than at 31 March 2013.

## Net assets statement

As at 31 March 2015

	2015 £000	2014 £000
<b>Investment Assets</b>		
Fixed interest securities	-	100,212
Index linked securities	-	36,286
Variable interest securities	-	19,335
Pooled investment vehicles	316,857	125,379
Derivatives	-	(15)
AVC	1,482	1,572
Cash deposit & other investments	593	4,185
Net investment assets	318,932	286,954
Net current assets/(liabilities)	325	(2,244)
Net assets	319,257	284,710

## Pension increases

In accordance with the Rules of the Fund, an increase in the pensions of retired staff and beneficiaries was made with effect from 1 December 2014. The increase was 3.00% and applied in all instances to staff who had left service prior to 1 July 2013. The increase was also to be applied to deferred pensions and potential benefits, except for former deferred members of the PLANPS where Statutory Revaluation in deferment applies.

In the case of those members of staff who left service between 2 July and 30 November 2014, a proportional amount of the standard increase was paid on 1 December 2014.

In the case of pensioners below the age of 55 years on 1 December 2014, the increase was to apply from their 55<sup>th</sup> birthdays.

Where a pensioner had a Guaranteed Minimum Pension which had been increased by the State in April 2014, the amount of the GMP at State Retirement Age was deducted before applying the increase.

## Actuarial Valuation

An actuarial valuation was made as at 31 March 2012.

The valuation assessed that the technical provisions (£358.9m) were 73% covered by the market value of the assets (£263.6m) at the effective date.

Treating the Fund as an ongoing entity, this revealed a deficit of £95.3m.

Following discussions between the Committee and the Authority, it was agreed that the Authority will make the following contributions to the Fund in respect of the past service deficit:

- A payment of £2.8m will be paid in level monthly instalments of £233,333 for the period 1 July 2013 to 30 June 2014.
- A payment of £4m will be paid in level monthly instalments of £333,333 for the period 1 July 2014 to 30 June 2033.

Based on the above contributions and allowing for the revised investment strategy and further outperformance on the assets of 1.25% per annum during the Recovery Plan, it is expected that the deficit of £95.3m will be recovered over a period of 20 years if the assumptions are borne out in practice.

A further special contribution of £2.5m (over the requirement of the Schedule of Contributions dated 30 April 2010) was paid by the Authority in December 2012. This sum will be used as a pre payment towards the revised Recovery Plan.

The next actuarial valuation of the Fund is due as at 31 March 2015.

## Data Protection Act 1998

The Committee and the Employer have both a legal obligation and a legitimate interest to process data relating to members for the purpose of administering and operating the Fund and paying benefits under it. This may include passing on data about members to the Fund's actuary, auditor, administrator, and such other third parties as may be necessary for the administration and operation of the Fund.

The Committee and the Employer are both regarded as 'Data Controllers' (for the purposes of the Data Protection Act 1998) in relation to data processing referred to above and can be contacted at the address shown below.

## Disclosure Regulations

### The Pensions Regulator (TPR)

From April 2005 there is a new regulator of work-based pension schemes. Called the Pensions Regulator, it replaces the Occupational Pensions Regulatory Authority (OPRA).

TPR has new powers and a new approach to protecting pension benefits. TPR has a wide range of powers to help put matters right. In extreme cases, the regulator is able to fine trustees or employers, and remove trustees from a scheme.

**TPR**, Napier House, Trafalgar Place, Brighton, East Sussex, BN1 4DW.

### Internal Dispute Resolution Procedure

The Pensions Act 1995 requires all pension schemes to have an internal disputes resolution procedure to deal with any disagreements between the Trustees and any member, prospective member or beneficiary. The procedure will not restrict any member's right to refer any complaint to TPAS or the Pensions Ombudsman, but they may refuse to hear a complaint until it has been considered through the Internal Dispute Resolution Procedure.

If you wish to make a complaint, you must do so in writing to the Pensions Manager. She will consider the complaint and send you her written decision and explanation, where possible within two months. If you are still dissatisfied, you have the right to appeal to the Trustees. Full details of the procedure are available from the Pension Manager.

**The Pensions Manager**, Port of London Authority, London River House, Royal Pier Road, Gravesend, Kent DA12 2BG

### **The Pensions Advisory Service (TPAS)**

TPAS, a voluntary organisation providing free pensions advice, has been established to assist members and beneficiaries of the Fund in connection with any difficulties that they have failed to resolve with the Trustees or administrators. It tries to resolve problems by arbitration, but where arbitration is unsuccessful in reaching a satisfactory agreement between the parties concerned, TPAS can refer cases to the Pensions Ombudsman. He will adjudicate and his decision is binding on both parties.

### **TPAS**

11 Belgrave Road, London SW1V 1RB

The Pensions Ombudsman can be contacted at the same address.

This report is prepared in accordance with the Disclosure Regulations. Enquiries concerning the Fund or an individual's entitlement under it should be addressed to the Secretary.

## **Contact**

For more information about any of the topics covered in this newsletter or for general information about the PLA Pension Fund, please contact:

Secretary

Port of London Authority Pension Fund

London River House

Royal Pier Road

Gravesend, Kent DA12 2BG

**Telephone:** 01474 562287 **Fax:** 01474 562281 **Email:** [pensions@pla.co.uk](mailto:pensions@pla.co.uk)