States of Jersey

JERSEY TEACHERS' SUPERANNUATION FUND

ANNUAL REPORT 2016

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Contents

INTRODUCTION

Welcome to the tenth Annual Report and Financial Statements for the Jersey Teachers' Superannuation Fund ("JTSF" or "Fund").

OVERVIEW

During the year the JTSF investments returned 14.8%, resulting in a value of £482.6 million at the end of the year (2015: £428.4 million).

The majority of the Fund's assets are managed within the operational control of the States of Jersey Common Investment Fund (CIF). This enables the Fund to achieve a broad diversification in terms of investment managers and asset classes. The Management Board maintains decision-making responsibility for the strategic asset allocation of the Fund, which determines the proportion of Fund assets are invested in equities, bonds and property. This is the most important investment decision that the Board makes because it has the biggest impact on the long term returns of the Fund. During the year the Fund invested with two additional global equity managers, Lansdowne and Walter Scott, and completed the move into the CIF's hedge fund pool which is managed by a number of separate managers.

The Fund undergoes an actuarial valuation every 3 years. The last valuation was conducted by the Fund Actuary as at 31 December 2013 and was completed in early 2015. The Fund Actuary determined that the Fund had a funding level (the relationship between estimated future pension payments and the funds held to pay for those pensions) of 101%. The Fund had a surplus of £7.4 million which meant that the Fund was able to continue increasing pensions in line with the full annual increase in line with the Jersey retail price index (RPI).

During the year the Fund tendered for the provision of actuarial services. In July 2016, Aon Hewitt were appointed to provide actuarial services to the Fund. Aon Hewitt have commenced work on an actuarial valuation which will provide a valuation of the Fund as at 31 December 2016. The results of the 2016 actuarial valuation are expected in early 2018.

The Dedicated Pensions Unit has worked hard during the year to ensure that the membership has been kept up to date with any developments. Where possible the Administrator is using electronic communication channels to distribute information to the membership and employers. During the year the Dedicated Pensions Unit (DPU) processed 93% of administration tasks within its 5 day target.

These and other developments are covered in more detail on the following pages. We hope you find the report interesting and informative. As always we welcome your feedback on the report and indeed on any aspect of the Fund's activities.

MEMBERS, MANAGERS AND ADVISORS

Members of the Management Board	
Mr G Pollock (Chairman)	**Mr J Leonard** (appointed 9 December 2016)
Mr C Beirne	**Mr T Le Sueur OBE**
Mr G Burton	**Mr T McKeon**
Mr R Dupré	**Mr J Mills CBE**
Mr A Desmond	**Mr T Shaw**
Mr M Bardsley	**Mr D Thebault** (resigned 14 May 2016)
Mr G White (appointed 21 February 2016)	**Mr J Turner**

Investment Managers	Appointed
Adelphi Capital	February 2016
Anchorage Capital Group	March 2016
AQR	
Arrowgrass Capital Partners	
Baillie Gifford & Co	
BlackRock Investment Management Limited	
Brevan Howard Asset Management	
Caxton Associates	
Capital Fund Management	
Davidson Kempner Capital Management	March 2016
Goldman Sachs Asset Management	
Highline Capital Management	February 2016
Insight Investment Limited	
Lansdowne Partners (UK) LLP	September 2016
Legal and General Investment Management	
Longview Partners	
Maverick Capital	March 2016
Och-Ziff Capital Management Group	
Royal London Asset Management	
Schroder Investment Management Limited	
Threadneedle Asset Management Limited	
Unigestion SA	
Walter Scott & Partners Limited	March 2016
Wellington Management Company, LLP	
Winton Capital	

Secretary	RJ Raggett (retired 31 July 2016), J Ward (appointed 1 August 2016)	**Bankers**	HSBC Plc
Investment Consultants	Aon Hewitt	**Independent Auditors**	PricewaterhouseCoopers LLP
Legal Advisors	Carey Olsen	**Actuary**	Government Actuary's Department (contract ceased 30 June 2016), Aon Hewitt (appointed 1 July 2016)
Custodian	The Northern Trust Company		
Administrator		Treasurer of the States of Jersey	

PARTICIPATING EMPLOYERS

In addition to States schools, a number of accepted schools participate in the Fund.

Administering Authority
States of Jersey (includes all States' non-fee paying and fee paying schools)
Accepted schools
Beaulieu Convent School Limited
De la Salle College
FCJ Primary School
St George's Preparatory School
St Michael's Preparatory School

GOVERNANCE ARRANGEMENTS

Summary of Governance Arrangements

The Fund is governed by Orders made under the Teachers' Superannuation (Jersey) Law 1979, as amended.

Under those Orders the Management Board has a wide range of responsibilities which include establishing the investment strategy of the Fund, appointing and instructing the Fund actuary, custodian and investment managers, and ensuring benefits are paid to members in accordance with the Orders. In order to facilitate this, the Management Board has set up a number of Subcommittees with specific responsibilities.

The table below sets out the Subcommittees and their membership as at the year end. Each Subcommittee is assisted by the Secretary, Officers from the States of Jersey and Advisors as appropriate.

Subcommittee:	Attendance at TAP	Ill Health and Death Benefits	Audit	Publications
Number of meetings in 2016	**6**	**deals with individual cases and meets as required**	**3**	**-**
Committee member				
Mr G Pollock (Chairman)[1]	●			
Mr M Bardsley				
Mr C Beirne		●		
Mr G Burton[1]	●		●	
Mr A Desmond				●
Mr R Dupré				Chairman
Mr T Le Sueur OBE			Chairman	
Mr J Mills CBE				
Mr T McKeon		Chairman	●	
Mr T Shaw		●		●
Mr D Thebault		●		
Mr J Turner				●
Mr J Leonard				
Mr G White				

[1] Following the transfer of the Fund's assets into the CIF these members represent the Management Board at the CIF's Treasury Advisory Panel (TAP)

MANAGEMENT BOARD REPORT

REVIEW OF THE YEAR

Actuarial Valuation

As required by Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS102), the Financial Statements do not include liabilities in respect of promised benefits.

The Management Board has adopted a policy for a formal Actuarial Valuation to be completed by the Fund Actuary every three years. The most recent Actuarial Valuation was completed as at 31 December 2013. A valuation shows the relationship between estimated future pension payments and the funds held to pay for those pensions. The Actuary uses a range of assumptions including the average life expectancy of Fund members, investment returns, inflation and interest rates in order to assess the financial position of the Fund.

The 2013 Actuarial Valuation was signed and presented to the States in early 2015. The valuation was completed on the basis that agreement will be obtained with the States for the repayment of the Pension Increase Debt. This debt was established in 2007 when changes to the Fund meant responsibility for paying pension increases transferred from the States revenue budget to the Fund. Since 2007 this liability has been shown on the States balance sheet and the States have been making repayments towards this debt via the employer contribution rate. Of the employer contribution rate of 16.4% of pensionable pay, 5.6% (£3.1 million in 2016) is paid towards the Pension Increase Debt.

Taking into account the States of Jersey's expected future payments to cover the Pension Increase Debt, there was a surplus of £7.4 million in the Fund on 31 December 2013, consisting of total liabilities of £558.1 million and total assets of £565.5 million, equivalent to a funding level of 101%.

The demographic assumptions for the valuation were based on the 2010 review updated for future improvements in mortality as released by the Office for national Statistics on 2012. The following table includes the key financial assumptions used in the valuation

	2013 valuation %
Overall rate of return, net of inflation	3.5
Gross rate of return	7.0
Rate of return, net of earnings	2.0
Price increases	3.5
Real earnings growth	1.5

The Fund Actuary confirmed that after 5.6% of the employer contribution rate is used to repay the Pension Increase Debt, the employer is paying 10.8% of pensionable pay towards the funding of fund benefits. The Fund Actuary identified that as at the valuation date this was insufficient to fund the benefits being promised, which cost the equivalent of 13.4% of pensionable salaries. The Fund Actuary has highlighted that the Management Board needs to address this shortfall with the States of Jersey to ensure that the Fund is sustainable for the future.

Work on the 2016 actuarial valuation has commenced, with the results expected in early 2018.

Developments in public sector pensions in UK and Jersey

Following the reform of the public sector pensions in the UK, changes have been made to the Public Employees Contributory Retirement Scheme (PECRS) in Jersey. From 1 January 2016, all eligible employees have been admitted into the Career Average Revalued Earnings (CARE) pension scheme known as the Public Employees Pension Scheme (PEPS). Existing employees, with the exception of those closest to retirement, will move to PEPS in 2019.

The changes to PECRS follow similar changes to all the major public sector pension schemes in the UK including the UK Teachers Pension Scheme which became a CARE scheme in April 2015. These proposals do not apply to the JTSF. Currently the JTSF is in the outer club of the Public Sector Transfer Club (PSTC) arrangements and is able to accept club funding of final salary benefits only. Teachers who have accumulated CARE benefits are not able to transfer them into the Fund.

Investments

The strong performance in markets has led to the Fund seeing double digit returns as the managers performed strongly in these buoyant markets. As at 31 December 2016 the value of the Fund's investments was £482.6 million (2015: £428.4 million).

The Management Board works with its Investment Consultant, Aon Hewitt, to set the strategic asset allocation for the Fund. Operational control and day to day management of the assets passed to the Treasurer and the Treasury Advisory Panel (TAP) in 2013 with the Fund moving into the CIF. Oversight of this arrangement is carried out by members of the Management Board attending TAP meetings throughout the year. Periodically investment managers present to the TAP meeting where performance, developments and holdings are reviewed.

For more detail on the Fund's investments see pages 10 – 13 and the Statement of Investment Principles which can be found on www.gov.je/teacherspensions

JTSF is a mature pension fund in that pension contributions and investment income are not sufficient to cover the benefits and expenses. The Fund's cash flow is monitored, enabling assets to be sold efficiently during the year to ensure the Fund's cash requirements are met.

ADMINISTRATION

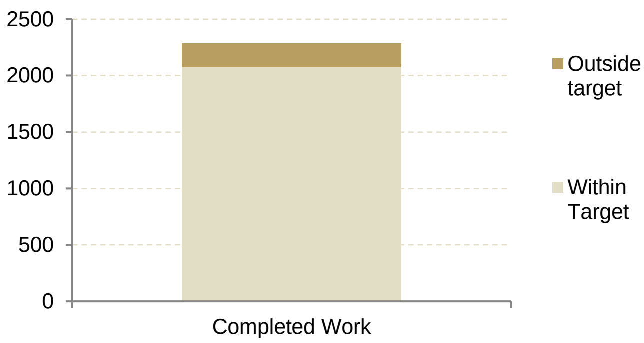
The Dedicated Pensions Unit administers JTSF for over 2,600 Fund members.

RUNNING THE FUND

The Fund is administered by the Dedicated Pensions Unit (DPU) on behalf of the Treasurer of the States of Jersey (the Administrator of the Fund).

The DPU provides this service to the Management Board under a formal Administration Agreement and reports its performance to the Management Board on a quarterly basis. The chart shows the actual casework volumes during the year and also the volumes completed within the targets set in the Administration Agreement between the Management Board and the Administrator. During 2016 93% of all tasks were completed within the required time targets set.

2016 CASEWORK VOLUMES



The DPU is also responsible for providing information to employers, employees and other interested parties. The DPU is reliant on information provided by the States of Jersey and the five Accepted Schools within the Fund to administer fund benefits accurately and efficiently.

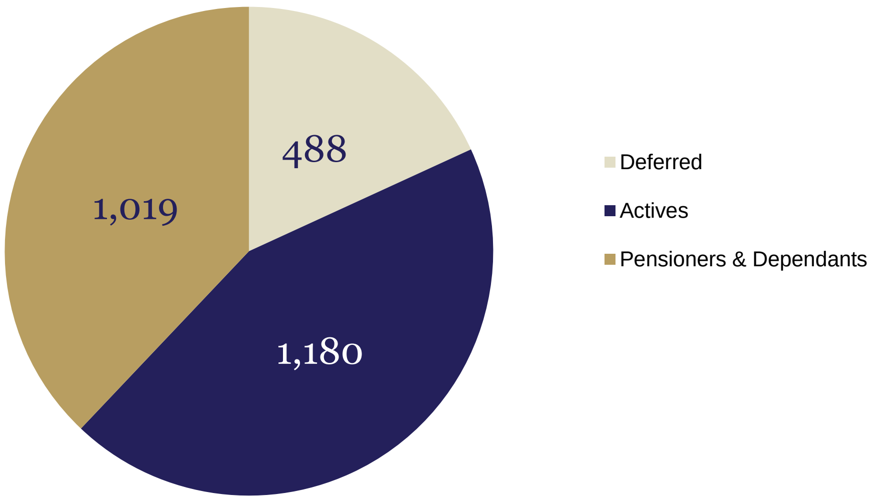
Fund members are increasingly aware of the value of their pension benefits. During the last year the DPU has continued to develop member communications and the administration of the Fund. Throughout the year all correspondence was electronically scanned and workflow management used to process tasks.

During 2016 the DPU made use of the UK National Fraud Initiative which is able to confirm the continued benefit entitlement of UK resident pensioners. The Fund also uses the States of Jersey Tell Us Once service which means we are now notified of member deaths in Jersey. These developments have enabled the DPU to provide additional reassurance to the Management Board that fund benefits are being paid only to eligible Fund members.

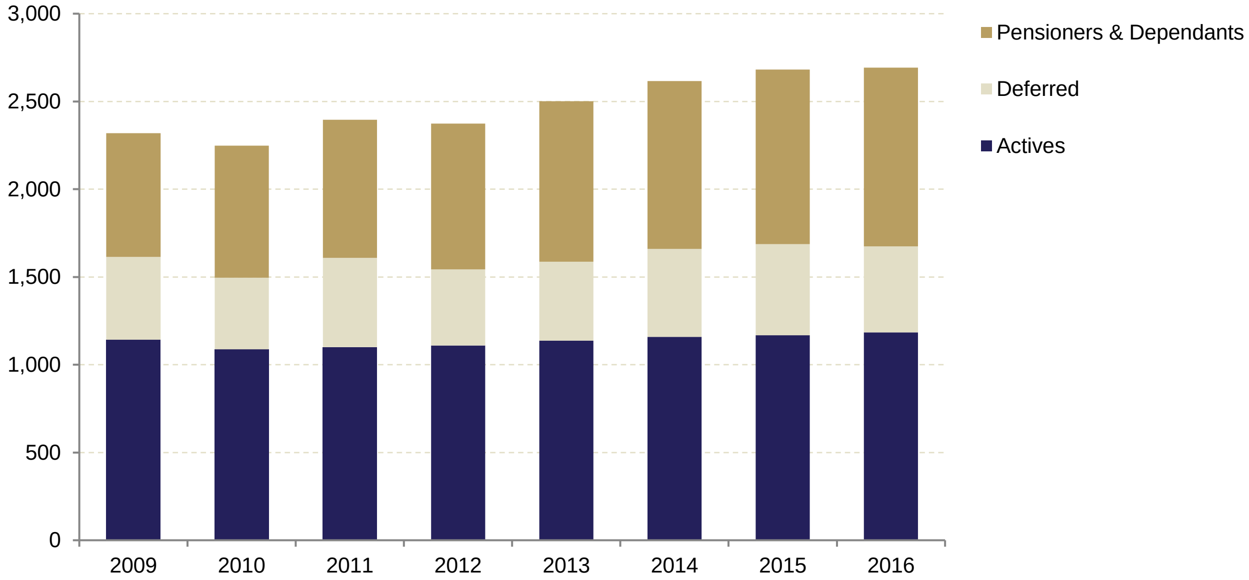
MEMBERSHIP

As at 31 December 2016 the Fund had 1,180 active members, 488 deferred beneficiaries and 1,019 pensioners and dependants.

TOTAL MEMBERSHIP = 2,687



FUND MEMBERSHIP NUMBERS OVER THE LAST 8 YEARS



QUERIES AND COMPLAINTS

The Management Board and DPU take queries and complaints very seriously and make every effort to deal with members' concerns. The Fund's Complaints Procedure is on the States website and copies can be obtained from the DPU, Cyril le Marquand House, The Parade, St Helier, Jersey JE4 8UL.

During 2016 the Fund received no complaints that progressed through the Fund's Complaints Procedure.

PENSION INCREASES

JTSF pensions and deferred pensions are increased in line with Jersey RPI, provided that the Fund's financial position as advised by the Actuary can support such increases.

Pension increases in the past five years have been:

1st January	Jersey RPI % & JTSF Pension Increase %
2013	2.1
2014	1.9
2015	1.3
2016	0.9
2017	1.9

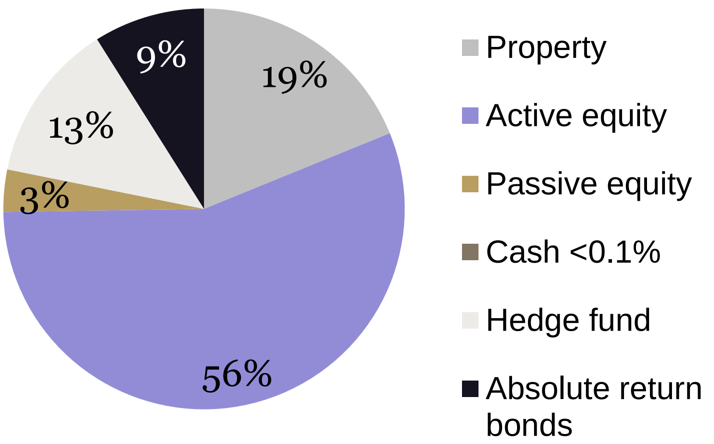
Pension increases are subject to the financial position of the Fund remaining satisfactory and are therefore not guaranteed.

INVESTMENTS

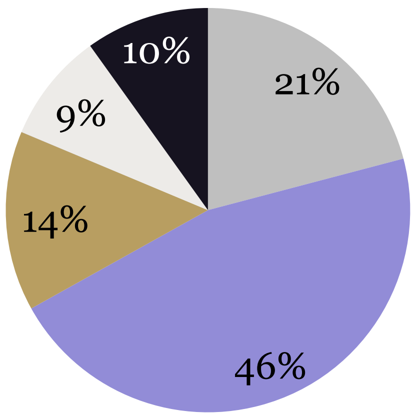
ASSETS UNDER MANAGEMENT

As at 31 December 2016 the Fund's assets under management, split between 25 investment managers, had a market value of £482.6 million (2015: £428.4 million). These were invested in the following asset categories as shown in the diagrams below.

2016

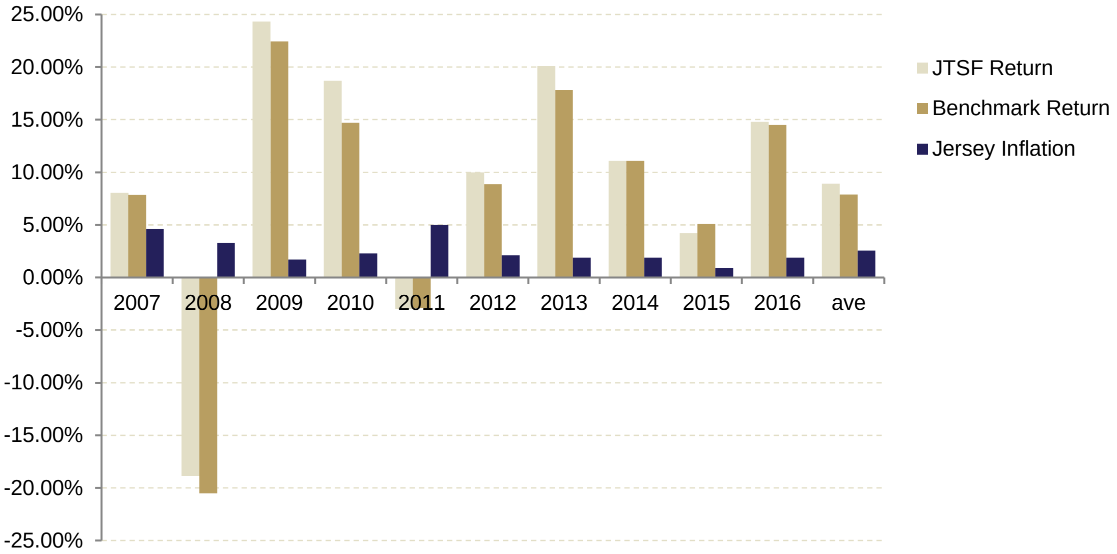


2015



INVESTMENT PERFORMANCE

The Fund's assets are invested to generate returns to pay Fund benefits over the long term. The strong performance over recent years is positive for the Fund; however, this should be viewed in the longer term context. The following graph shows the overall fund investment returns compared with the benchmark for the 10 years from 2007 to 2016. Over that whole period the Fund's investments achieved a return of 8.9% per annum against a benchmark of 7.9% per annum. Jersey RPI over the same period was 2.6% per annum meaning that the Fund's investments have achieved a real rate of return above Jersey RPI of 6.3% per annum.



The table below shows the value of assets under management within each of the CIF pools and their investment return in 2016 compared to the relevant benchmark.

Fund Manager	Value of Fund	Performance	Performance 1 yr Benchmark	(under)/over performance
	(£m)	(%)	(%)	(%)
Equity				
Global Active Equity Pool	245.9	27.5	27.3	0.2
Global Passive Pool	16.4	27.8	28.4	(0.6)
Emerging Market Equity Pool	24.0	27.6	32.6	(5.0)
Alternatives				
CIF Hedge Fund Pool	62.2	0.4	(0.9)	1.3
Bond				
Absolute Return Bond Pool	43.2	1.9	0.4	1.5
Property				
Property pool	90.9	1.1	2.8	(1.7)
Cash				
Long Term Cash Pool	0.1	0.8	0.4	0.4
	*			

*May not sum due to rounding

LONG-TERM INVESTMENT STRATEGY

The Management Board develops the long-term investment strategy with the advice of its investment consultant, Aon Hewitt. The table below sets out current investment strategy in terms of long-run asset allocation. The Statement of Investment Principles can be found on the Fund website at www.gov.je/teacherspensions.

Asset Category	Current Benchmark %	Actual Assets %[1]
Growth Investments		
Equities	50	59.3
Alternative	20	12.9
Bond-Like Investments		
Property	20	18.8
Bonds	10	9.0
Total	100	100

[1] As at 31 December 2016

STRATEGY REVIEW

As a result of the overall strategic monitoring of the Fund's asset allocation and the day to day management of the investments the following changes occurred during the year.

- The CIF combined a number of separate accounts into pools focusing on different asset classes, for example the five global active equity manager are now combined in the global active equity pool;
- Appointed Walter Scott and Lansdowne as additional global equity managers;
- Finished the process to fund the Absolute Return Pool by investing with the final 5 hedge fund managers being added (totalling approximately £61 million) across 11 separate managers.
- Agreed to invest an initial 5% of the Fund in the CIF opportunities pool which aims to take advantage of the illiquidity premium in investment in illiquid assets such as property debt and infrastructure.

CONCLUSION

Over the last year the Fund's investments saw strong returns when compared to the prior years, with the managers delivering a return of 14.8%. The Management Board have continued to keep their strategic investment allocation under review and make changes where it is felt in the best interest of the Fund and its members in accordance with advice from the Investment Consultant.

The most recent actuarial valuation, as at 31 December 2013, showed a £7.4 million surplus. This has enabled the Fund to continue increasing pensions in line with the Jersey RPI over the last year. During 2016 the Fund tendered for a provider of actuarial services. The new Fund Actuary appointed, AON Hewitt, commenced work on an actuarial valuation of the Fund as at 31 December 2016. The following statement was received from the Government Actuary's Department, "There are no circumstances connected with our resignation which we consider should be brought to the attention of the members or creditors of the Fund". The results of this latest actuarial valuation are expected in early 2018.

During the year the DPU completed 93% of administration tasks within 5 days. All member correspondence was electronically scanned and workflow management was used to process benefit administration tasks within the 5 day target.

The Fund relies greatly on the hard work of officers, consultants, actuaries, advisors and investment managers to ensure that the high standards expected for the management of the Fund are maintained. I would like to thank all those involved in the Fund for the support that they have provided over the last year.

Gordon Pollock BSc FFA
Chairman of the Management Board
24 May 2017

FUND ACCOUNT

for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Contributions and Benefits			
Employer Contributions		9,116	9,084
Employee Contributions		3,129	3,130
	4	12,245	12,214
Transfers In		886	381
		13,131	12,595
Benefits			
Benefits	5	20,337	19,323
Payments to and on account of leavers		42	14
Transfers out		48	994
Administrative Expenses	6	517	470
		20,944	20,801
Net withdrawals from dealings with members		(7,813)	(8,206)
Net returns on Investments			
Investment Income	7	-	13
Investment Administrative Expenses	8	(84)	(76)
* CIF expenses included in the calculation of the NAV	9	(2,427)	(2,120)
* Change in Market Value of Investments (CIF)		65,093	18,911
Change in Market Value of CIF Investments		62,666	16,791
Change in Market Value of Investments (non CIF)		-	(9)
Net returns on investments		62,582	16,719
Net increase in the Fund during the year		54,769	8,513
Opening net assets		429,822	421,309
Closing net assets		484,591	429,822

*Additional disclosure provided to assist the users of the Financial Statements in their understanding of underlying costs and market movements.

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

as at 31 December 2016

	Note	2016 £'000	2015 £'000
Investment assets			
Units in the Common Investment Fund	10	482,643	428,383
Total Investment assets		482,643	428,383
Current assets	15	2,078	1,984
Current liabilities	16	(130)	(545)
Total net assets available for benefits		484,591	429,822

The Financial Statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Management Board. They do not take into account obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which takes into account such obligations, is dealt with in the report on Actuarial Liabilities on pages 30 to 31 of the Annual Report and these Financial Statements and Notes should be read in conjunction with this report.

In accordance with Article 22 of the Teachers' Superannuation (Administration) (Jersey) Order 2007 the Financial Statements have been prepared by the Treasurer of the States of Jersey and have been audited.

The notes on pages 16 to 26 form part of these Financial Statements.

Treasurer of the States
24 May 2017
These Financial Statements were received and approved on behalf of the Management Board on 24 May 2017.

Gordon Pollock, BSc FFA
Chairman of the Management Board
24 May 2017

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

1. CONSTITUTION

The Jersey Teachers Superannuation Fund (the "Fund") is an independent retirement Fund, governed by Orders made under the Teacher's Superannuation (Jersey) Law, 1979, as amended.

2. BASIS OF PREPARATION

These Financial Statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, Financial Reporting Standards 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (FRS 102) and guidance set out in the Statement of Recommended Practice, 'Financial Reports of Pension Schemes (November 2014)' ("the SORP"). In adopting FRS102, the provisions of 'Amendments to FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland – fair value hierarchy disclosures (March 2016) have been adopted early.

3. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

a) Investment income and expenses

Dividend income from other quoted securities is recognised when the securities are quoted ex-dividend. Since moving into the Common Investment Fund (CIF) all income from units in the pools is included in the change in the net assets value of the Fund.

b) Benefits and payments to and on account of leavers

Benefits are recognised as they become due and payable.

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option exercised.

c) Contributions

Employer and employee contributions are recorded when the contributions are deducted from payroll; these are based on a percentage of the pensionable salary and any pensionable allowances paid to the member.

The Fund has additional voluntary contribution (AVC) arrangements whereby individuals can purchase the equivalent additional years and days of pensionable service, these are recorded when they are deducted from payroll.

d) Transfers

Transfer values represent the capital sums either receivable from other pension arrangements when members join the Fund or payable to other pension arrangements for members who have left the Fund. They are accounted for on an accruals basis on the date the receiving plan accepts the liability. In the case of individual transfer, this is normally when the payment of the transfer value is made.

e) Management, performance fees and other expenses

All fees and expenses are accounted for on an accruals basis.

Since moving into the CIF all expenses are included in the change in net asset value of the units; a breakdown of these expenses is included in note 9 for information.

f) Valuation of investments

The value of CIF units is calculated based on the bid price of the investments in the pool and incorporating any costs associated in the running and management of the pool. Under the SORP there is a requirement that details of the Common Investment Fund's portfolio and income is provided. This is included in the appendix to these Financial Statements.

g) Taxation

The Fund is exempt from Jersey income tax by virtue of Article 131 of the Income Tax (Jersey) Law 1961 (as amended). Thus it is exempt from income tax in respect of income derived from the investments and deposits of the Fund, ordinary annual contributions made by the Fund members and employers and gains made from investments held. The Fund is liable for tax on stock lending.

h) Currency

The Fund's functional currency and presentational currency is pounds sterling.

i) Other expenses

All fees and expenses are accounted for on an accruals basis.

4. CONTRIBUTIONS

	2016 £'000	2015 £'000
States employees		
Employers		
Normal	7,627	7,559
Additional		
Purchase of added years	-	60
	7,627	7,619
Employees		
Normal	2,608	2,616
Additional voluntary contributions	9	6
	2,617	2,622
Accepted Schools		
Employers		
Normal	1,489	1,465
Employees		
Normal	512	508
	2,001	1,973
	12,245	**12,214**

The employers contribution rate includes 5.6% towards repayment of the Pension Increase Debt.

5. BENEFITS PAYABLE

	2016 £'000	2015 £'000
Pensions	17,375	16,600
Commutations and lump sum retirement benefits	2,811	2,723
Death Benefits	151	-
	20,337	**19,323**

6. ADMINISTRATIVE EXPENSES

	2016 £'000	2015 £'000
Salaries and office costs	315	286
Actuarial fees	61	65
Audit fees	30	26
Legal fees	21	22
Chairman and secretary fees	64	62
Pension systems	18	-
Other expenses	8	9
	517	**470**

7. INVESTMENT INCOME

	2016 £'000	2015 £'000
Dividends from equities	-	13

The prior year balance relates to legacy assets that have now been transferred into the CIF.

8. INVESTMENT ADMINISTRATIVE EXPENSES

	2016 £'000	2015 £'000
Custodian expenses	35	35
Investment advisory expenses	49	41
	84	**76**

These are expenses paid by the Fund outside of the CIF.

9. COMMON INVESTMENT FUND EXPENSES

	2016 £'000	2015 £'000
Custodian expenses	69	83
Investment advisory expenses	60	56
Investment management expenses	2,280	1,927
Security lending fees	15	41
Other investment expenses	3	13
	2,427	**2,120**

These fees are included when calculating the change in Net Asset Value of the CIF units. They are provided for information purposes only as explained in note 3e.

10. RECONCILIATION OF NET INVESTMENTS

	Note	Value at 1.1.16 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in Market Value £'000	Value at 31.12.16 £'000
CIF Units	11	428,383	273,237	(281,643)	62,666	482,643

11. COMMON INVESTMENT FUND POOLS

	2016 £'000	2016 % of CIF	2015 £'000	2015 % of CIF
Schroders	-	-	57,348	29.7
Baillie Gifford	-	-	61,967	33.7
Legal & General Global Equity	16,358	8.7	61,663	29.9
Unigestion/AQR Emerging Market Equity	24,002	12.5	18,815	12.5
Longview	-	-	59,014	15.8
Active Global Equity	245,890	18.7	-	-
Absolute Return Bond	43,180	16.5	42,402	10.9
Absolute Returns	62,234	10.5	37,600	16.4
Threadneedle & Blackrock Property	90,913	100.0	89,508	100.0
RLAM Long Term Cash Pool	66	>0.1	66	>0.1
	482,643		**428,383**	

The above figures show the asset split of the pooled funds held within the CIF and is for information purposes only. On 1st July 2016 all units held in Schroders, Baillie Gifford and Longview were transferred into a new single Active Global Equity Pool to bring consistency between all participants.

12. FAIR VALUE OF INVESTMENTS

The fair value of investments has been determined using the following hierarchy.

Level 1 – Unadjusted quoted prices in active markets for identical securities that the entity can access at the measurement date.
Level 2 – Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
Level 3 – Significant unobservable inputs i.e. for which market data is unavailable.

The CIF's underlying investment assets have been included at fair value within these levels as follows:

Level	1 £'000	2 £'000	3 £'000	2016 Total £'000
Investment assets				
Pooled investment vehicles	182,552	103,764	196,327	482,643
Total investments	**182,552**	**103,764**	**196,327**	**482,643**

Analysis for the prior year end is as follows:

Level	1 £'000	2 £'000	3 £'000	2015 Total £'000
Investment assets				
Pooled investment vehicles	196,757	90,281	141,345	428,383
Total investments	**196,757**	**90,281**	**141,345**	**428,383**

Level 3 - Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Pooled investment vehicles which are traded regularly are generally included in level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair values applies, valuation techniques are adopted and the vehicles are included in level 3 as appropriate.

The value of other pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated. Where the value of the pooled investment vehicle is primarily driven by fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made.

13. INVESTMENT RISKS

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Fund is exposed to at the end of the reporting period. These risks are set out by FRS 102 as follows:

<u>Credit risk:</u> is the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

Market risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Management Board is responsible for determining the Fund's investment strategy. The Management Board has set the investment strategy for the Fund after taking appropriate advice from its professional advisors. This strategy includes ranges for the proportion of assets to be included in each asset class. The day-to-day management of the asset within each portfolio of the Fund, including the full discretion for stock selection, is the responsibility of the investment managers.

The Fund has exposure to the above risks because of the investments it makes to implement its investment strategy. The Management Board primarily manages these risks through the adoption of a long-term investment strategy that is diversified both by asset class and manager. The risks are monitored on an ongoing basis by the Treasury Advisory Panel by regular reviews of the investment portfolios.

The following table summarises the extent to which the various classes of investments are affected by financial risks:

Asset Category	Market Risk				2016 Value (£m)	2015 Value (£m)
	Credit	Currency	Int Rate	Other		
Pooled Funds						
Equities		√		√	286.2	258.8
Property	√		√		90.9	89.5
Bonds	√	√	√		43.2	42.4
Alternatives	√	√		√	62.2	37.6
Cash	√		√	√	0.1	0.1

Investment Strategy

The main priority of the Management Board when considering the investment policy for the Fund is the aim to ensure that the benefits payable to members are met as they fall due whilst maintaining required liquidity. The following table details the current investment strategy of the Fund.

Asset Class	JTSF %	Range %	Actual %
Return seeking assets	70.0	+/- 10.0	
Equities	50.0	+/- 10.0	59.3
Alternatives	20.0	+/- 10.0	12.9
Risk reducing assets	30.0	+/- 10.0	
Bonds	10.0	+/- 10.0	9.0
Property	20.0	+/- 5.0	18.8

The core "return seeking assets" used by the Fund is equities as the Management Board believes that they represent the cheapest, easiest and most transparent way to achieve a high level of investment return over the long-term. The Board recognises however that the performance of equities can be volatile over time.

During the year the Board has invested in other "growth-like" alternatives (away from equities) that still target a reasonably high investment return, to diversify the Funds' growth assets. These provide a different source of return less correlated to equities, which should help to reduce the risk of being over-exposed to any one market, asset class or manager, and enabling a smoother return over time.

Risk reducing assets are defined by the board as those assets that are aiming to achieve a much more stable return (when compared to return seeking assets) typically with a strong focus on the provision of income.
The core "risk reducing" asset used by the Fund is property with the target allocation focused on UK commercial property and bonds. Within the bond allocation there is a degree of flexibility to invest in a range of bond strategies; the Fund currently invests in Absolute Return Bonds with a focus on capital preservation.

Credit Risk

The Fund's investments are exposed to credit risk, which is the risk to one party that a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The main concentration to which the Fund is exposed arises from investment in debt securities. The Fund is also exposed to credit risk through holdings of cash and cash equivalents, amounts due from brokers and other receivable balances.

As at year end the Fund had the following bond and cash assets.

	2016 (£m)	2015 (£m)
HSBC	1.0	1.0
Northern Trust	0.1	0.1
Absolute return bond pool	43.2	42.4

Credit risk is managed through diversification and selection of securities. Selection of securities is delegated to Investment Managers who in turn must comply with risk management conditions within their individual mandates. Compliance with mandates is examined under operation risk and investment manager risk. The arrangements per asset class are further examined below:

Cash

The CIF long term cash pool is managed by the same manager as the deposit accounts of the States of Jersey; credit risk is monitored over the entire cash holding of the States.

Corporate Bonds

The absolute return bond pool invest in corporate bonds. No assets are held directly as the pool invest through Unregulated Collective Investment Trust complaint collective investment vehicles, these pools indirectly expose the CIF to credit risk.

Credit risk within the collective investment vehicles is managed through diversification and selection of securities, the funds may also use derivative instruments such as futures, options and swap agreements for hedging purposes, subject to restrictions. Risk management within the collective investment vehicles is carried out in line with each vehicles individual mandate and investment restrictions.

The investment restrictions and risk disclosures of these vehicles are publicly available at the fund manager's respective website within the vehicle prospectus and annual Financial Statements. Details of the collective investment vehicles are disclosed below:

Currency Risk

The equity pools may invest in equities denominated in currencies other than sterling. As a result, changes in the rates of exchange between currencies may cause the value the pools to vary in line with the value of the investments held within them. This risk is managed through the asset selection of the underlying Investment Managers. Exposure to currency risk through the buying and selling of investments is managed though permitting Investment Managers to utilise forward foreign exchange contracts for hedging purposes. Hedging is permitted into sterling, and cross hedging (hedging into a currency other than sterling) is not permitted unless the cross hedge is part of a set of deals which are designed to achieve in aggregate a hedged position back into sterling. The maximum amount of hedging permitted is 100% of the value of the securities in the relevant country.

Although units in the collective investment vehicles are denominated in Sterling they provide indirect exposure to exchange risk. The table on the following page summarises the indirect exposure the Fund has at year end.

The absolute return bond pool invests through sterling denominated collective investment vehicles which offer no direct exposure to foreign exchange risk. However the underlying manager is free to invest in global fixed income instruments denominated in multiple currencies and, therefore, indirectly expose the CIF to foreign exchange risk.

The managers of the absolute return bond pool are responsible for managing this risk through diversification and selection of securities and may employ techniques and instruments to provide protection against exchange risks in the context of the management of the assets and liabilities of their respective Fund and under the conditions described in their individual investment mandates.

Interest rate risk

The Fund is subject to indirect interest rate risk through a number of pooled investment vehicles that hold investments in bonds and cash. These holdings are monitored in the context of the overall investment strategy. Investment Managers will also manage interest rate risk in line with policies and procedures put in place in the Investment Manager Agreements.

Other Price Risk

Other price risk arises principally in relation to the Fund's return seeking portfolio which includes equities and hedge funds held either as segregated investments or through underlying investments in pooled investment vehicles.

The Fund has set a target asset allocation of 70% of investments being held in growth investments. The Fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets held with various high quality investment managers who are monitored by the investment advisor and Treasury Representatives on an ongoing basis.

At the year end, the return seeking portfolio represented 72.2% of the total investment portfolio (2015: 69.1%).

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due i.e. that cash is not available when required. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This is monitored on an ongoing basis to ensure cash is available to meet the pensioner payroll costs, expenses and also to meet investment commitments.

The Fund has immediate access to cash through HSBC, these amounts are kept to a minimum to reduce credit risk. At the year end the fund held £1,049,000 (2015 £993,000) in this account.

14. CONCENTRATION OF INVESTMENTS

Investments accounting for more than 5 % of the net assets of the Fund were:

		2016 Value £'000	2016 %	2015 Value £'000	2015 %
Schroders		-	-	57,348	13%
Baillie Gifford		-	-	61,967	14%
Legal and General Global Equity		16,358	3%	61,663	14%
Legal and General Emerging Market Equity		24,002	5%	18,815	4%
Longview		-	-	59,014	14%
Active Global Equity		245,890	51%	-	-
Absolute Return Bond		43,180	9%	42,402	10%
Absolute Returns		62,234	13%	37,600	9%
Threadneedle & Blackrock Property		90,913	19%	89,508	21%

On 1st July 2016 all units held in Schroders, Baillie Gifford and Longview were transferred into a new single Active Global Equity Pool to bring consistency between all participants.

15. CURRENT ASSETS

	2016 £'000	2015 £'000
Contributions due	1,011	987
Cash balances	1,049	993
Other Debtors	3	4
Amounts due from the States of Jersey	15	-
	2,078	**1,984**

16. CURRENT LIABILITIES

	2016 £'000	2015 £'000
Creditors	130	206
Advances from States of Jersey	-	339
	130	**545**

17. CONTINGENCIES AND COMMITMENTS

In the opinion of the Trustees, the Fund had no contingent liabilities at 31 December 2016 (2015: nil).

As at 31 December 2016 there was a planned commitment of approximately £20,000,000 to the Opportunities Pool of the Common Investment Fund. This reflects commitments planned to be made by the Pool to underlying managers once selected. As of the year end a single manager had been appointed to the pool, Antin Infrastructure Fund III, with GreenOak Real Estate LP appointed in the first quarter of 2017.

18. RELATED PARTY TRANSACTIONS

The Treasury & Resources, a department of the States of Jersey, provides creditor payment, payroll, cash management and financial ledger services for the Fund. At the year end, a sum of £15,020 was owed by the States of Jersey (2015: £339,100 was owed to the States of Jersey) in respect of transactions with the Treasury and Resources Department. During the year an amount of £308,617 (2015: £278,723) was paid to the States of Jersey in respect of the services provided. The Chairman and Secretary to the Committee of Management receive remuneration as detailed in note 6. Within the Management Board there are 4 active (2015: 4) and 2 pensioner members (2015:2). There were no other related party transactions identified during the year.

19. STOCK LENDING

On 2nd February 2009, the Management Board entered into a securities lending agreement with its custodian, Northern Trust. During the year stock lending income of £51,392 (2015: £136,050) was received. This amount has been included in the change in the market value of the CIF pool in which the stock lending occurs.

20. POST BALANCE SHEET DATE EVENTS

There are no post balance sheet events that need to be disclosed in the Financial Statements.

INDEPENDENT AUDITORS' REPORT TO THE MANAGEMENT BOARD OF THE JERSEY TEACHERS' SUPERANNUATION FUND

REPORT ON THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, Jersey Teachers' Superannuation Fund's financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 December 2016, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Teachers' Superannuation (Administration) (Jersey) Order 2007.

WHAT WE HAVE AUDITED

Jersey Teachers' Superannuation Fund's financial statements comprise:

- the statement of net assets available for benefits as at 31 December 2016;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".
In applying the financial reporting framework, the Treasurer of the States (the "Treasurer") has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE MANAGEMENT BOARD AND THE TREASURER OF THE STATES

As explained more fully in the statement of responsibilities, the Treasurer is responsible for the preparation of the financial statements and being satisfied that they show a true and fair view.

Our 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Management Board as a body in accordance with the Teachers' Superannuation (Administration) (Jersey) Order 2007 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with ISAs (UK & Ireland). 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 Fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Treasurer; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Treasurer's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
May 2017

STATEMENT OF RESPONSIBILITIES

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Treasurer of States (the "Treasurer"). Article 22 of the Teachers' Superannuation (Administration) (Jersey) Order 2007 requires the Treasurer in his capacity as Administrator, to prepare, and have professionally audited, annual accounts of the Fund which:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- contain the information specified in and properly prepared in accordance with the Teachers' Superannuation (Administration) (Jersey) Order 2007.

The Treasurer is responsible for agreeing suitable accounting policies, to be applied consistently, and for making any estimates and judgements on a prudent and reasonable basis.

The Treasurer also has a general responsibility for ensuring that adequate accounting records are kept and the Management Board and the Treasurer have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The States of Jersey are responsible for the maintenance and integrity of the States of Jersey website. Jersey legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF INDEPENDENT FUND ACTUARY

RESULTS

The Actuary carried out a valuation of the Fund as at 31 December 2013. The report on the valuation was signed on 7 January 2015 and is available on the States of Jersey's web site.

In respect of future accrual, the employers' standard contribution rate was determined using a real rate of return of 3½% a year (in excess of Jersey inflation). The liabilities (including pension increases) in respect of existing members were valued by discounting projected future outgoings at the same real rate of return.

The following table summarises the recommended employers' contribution rate for the period commencing 1 January 2016, and the rates being paid in practice;

Rate	**£ million**
Employers' share of the cost of new accrual	12.2
Expenses	1.2
Recommended employers' rate	13.4
Employers' total contribution rate	16.4
Contributions for debt reduction	(5.6)
Employers' actual contribution rate	10.8
Underpayment against cost of new accrual	(2.6)

Ideally, contributions would be payable at the assessed rate of 13.4% of pay towards ongoing accrual. However, given that the total contribution is currently fixed by regulations at the rate of 16.4% of pay, 5.6% of which is assumed to be used to provide for the pension increase debt, then the remaining 10.8% of pay will not fully cover the assessed costs of ongoing accrual. This is unsustainable in the long term, but is bearable in the short term. The Fund's Management Board is discussing with the States of Jersey how this can be resolved.

In addition, member contributions of 6% (existing members) and 5% (new members) are payable.

The following table summarises the valuation result in respect of the past and future service of existing members, allowing for future contributions.

Value of		**£ million**
Liabilities (past and future service)		558
Future contributions	86	
Investments (at market value)	386	
Pension Increase debt	93	
Total assets		565
Surplus		7
Funding level (including future service)		101%

There is a small surplus of £7 million in the Fund as at 31 December 2013. The assets include a debt owed to the fund by the States of Jersey of £93 million as at 31 December 2013. This is in respect of future pension increases applied to pensions accrued before 1 April 2007. For the purposes of the actuarial valuation the debt has been taken at below face value for technical reasons (a detailed explanation can be found in the full actuarial report). A schedule for repaying the debt has still to be agreed formally with the States of Jersey.

FUNDING LEVEL (EXCLUDING FUTURE SERVICE)

The report also includes an indication of the current funding level as at 31 December 2013, determined by comparing the Fund assets to the past service liabilities. That is, excluding the expected impact of future service and future contributions which were included in the figures given above. This funding level is also on an "ongoing basis". In other words it is assumed that the Fund will continue in operation, members will continue to accrue salary linked benefits, and employers and members will continue to pay contributions.

The value of the Fund assets as at the date of the 2013 valuation was £479 million, including the pension increase debt of £93 million. The value of the past service liabilities as at the date of the 2013 valuation was £438 million, which leads to a current funding level of 109%.

SOLVENCY

The report also includes an indication of the accrued solvency level of the Fund, had it discontinued on the valuation date with cessation of benefit accrual and salary linkage. The assessment is based on actuarial assumptions closer to those that might prevail if the liabilities (including pension increases) were to be secured with an insurance company. For this purpose, the liabilities in respect of active members are based on pensionable salaries at the valuation date.

The accrued solvency level as at 31 December 2013 was estimated to be about 60% (assuming the pension increase debt was paid on the valuation date). This is lower than the funding levels discussed above because the solvency calculation is done on the basis that there is no further accrual of benefits or payment of contributions, and that all the benefits are secured with an insurance company. Securing benefits with an insurance company is expected to be more expensive than providing them from the Fund.

If priority were given to the pensioner members, then, on wind-up as at 31 December 2013, the Actuary estimated that the Fund would have been sufficient to cover the cost of all the pensioner liabilities together with about 30% of the active and deferred liabilities (with all liabilities including pension increases).

This estimate of solvency does not necessarily represent the extent to which the liabilities could have been secured with an insurance company if the Fund had wound up as at the valuation date. Buy-out terms vary with market conditions and it would only be possible to ascertain the actual terms by completing a buy-out with an appropriate insurance company.

NEXT ACTUARIAL VALUATION

The effective date of the next actuarial valuation of the Fund is 31 December 2016 and is currently in progress.

Ken Kneller

Ken Kneller
Fellow of the Institute and Faculty of Actuaries
Government Actuary's Department
21 April 2016

GLOSSARY

Active management: A strategy where the manager makes specific investments with the goal of outperforming an investment benchmark index.

Accepted Schools: Schools whose staff can become members of the Fund by virtue of an agreement made between the Fund and the relevant school.

Actuary: An independent consultant who advises the Fund and every three years formally reviews the assets and liabilities of the Fund and produces a report on the Fund's financial position.

Benchmark: A yardstick against which the investment performance of a fund manager can be compared, usually the index relating to the particular assets held.

CARE: Career Averaged Revalued Earnings

Common Investment Fund: The investment vehicle administered by the States of Jersey that the Fund invests in.

Corporate Bonds: Investment in certificates of debt issued by a company. These certificates represent loans which are repayable at a future date with interest.

Deferred Pension: The inflation linked retirement benefits payable from normal retirement age to a member of the Fund who has ceased to contribute as a result of leaving employment.

Equities: Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at Shareholders' meetings.

Fixed Interest Securities: Investments, mainly government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange before the repayment date.

JTSF: Jersey Teachers' Superannuation Fund.

Market Value: The price at which an investment can be bought or sold at a given date.

Managed and Unitised Funds: A pooled fund in which investors can buy and sell units. The pooled fund then purchases investments and the returns are passed on to the unit holders. This enables a broader spread of investments than investors could achieve individually.

Passive Management: A strategy where the investment manager aims to track a specific index.

PECRS: Public Employees Contributory Retirement Scheme.

Pension Increase Debt: The debt created by changes to the Fund implemented in 2007 which moved responsibility for the payment of pension increases from the States of Jersey to the Fund. This debt is to be repaid by the States of Jersey to the Fund over a period to be agreed.

PEPS: Public Employees Pension Scheme

Return: The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

TAP: Treasury Advisory Panel

Transfer Value: These are sums which represent the capital value of past pension rights which a member may transfer on changing pension funds.

UCIT: Unregulated Collective Investment Trusts. Type of Investment Vehicle used by the Common Investment Fund.

CONTACTS AND FURTHER INFORMATION

If you can read this document but know someone who can't please contact the DPU so we can provide this information in a more suitable format.

All published documents are available from the DPU.

Call us on (01534) 440227

Alternatively, you may wish to email us at jtsf@gov.je

Jersey Teachers' Superannuation Fund
Dedicated Pensions Unit
Cyril Le Marquand House
PO Box 353
St Helier
Jersey
Channel Islands
JE4 8UL

Opening times: we are open Monday to Friday from 9am to 5pm

DETAILS OF THE COMMON INVESTMENT FUND

The Statement of Recommended Practice, 'Financial Reports of Pension Schemes (November 2014) requires that and extract of the CIF Financial Statements are included in the Annual Report for Funds that invest in Common Investment Funds. The CIF does not prepare stand alone Financial Statements so additional information has been included in this appendix, the proportion of the assets and income due to JTSF have been calculated to aid the understanding of the users of the accounts.

Explanation of the CIF

The States of Jersey – Common Investment Fund (the "CIF") was established in 2010 by proposition P.35/2010, lodged by the Minister for Treasury and Resources. The purpose of the proposition was to amend several existing regulations to enable the pooling of States Funds' assets for Investment Purposes and was approved by the States of Jersey on 12th May 2010.

The purpose of the CIF is to create an administrative arrangement which is open only to States Funds including Separately Constituted Funds, Special Funds and Trust and Bequest Funds to provide them with the opportunity to pool their resources and benefit from greater investment opportunities and economies of scale.

The CIF pools together the assets from a number of Funds and collectively invests the underlying assets, enabling them to invest in accordance with their own agreed asset allocations as published in their strategies. The Minister for Treasury and Resources presented his latest investment strategy on 1st December 2015. Investing through a single investment vehicle allows economies of scale to be exploited increasing the potential return of the investments held and diversity of asset classes.

The CIF became operational on 1st July 2010 and as at 31st December 2016 contained 19 investment pools that holding a range of asset classes (including equity, bonds, gilts, cash, hedge funds and property).

Statement of Comprehensive Net Expenditure for the year ended 31 December 2016

	2015 CIF Total £'000	2016 CIF Total £'000	2016 CIF Non JTSF £'000	2015 CIF - JTSF £'000	2016 CIF - JTSF £'000
Revenue					
Investment Income	(53,221)	(47,506)	(39,436)	**(8,682)**	**(8,070)**
Change in Fair Value of Financial Assets held at Fair Value through Profit or Loss	(40,088)	(436,041)	(378,780)	**(10,320)**	**(57,261)**
Total Revenue	**(93,309)**	**(483,547)**	**(418,216)**	**(19,002)**	**(65,331)**
Expenditure					
Supplies and Services	14,321	21,831	19,422	**2,141**	**2,409**
Other Operating Expenditure	2,020	1,837	1,834	**(21)**	**3**
Foreign Exchange Loss/(Gain)	462	1,483	1,230	**91**	**253**
Total Expenditure	**16,803**	**25,151**	**22,486**	**2,211**	**2,665**
Net Revenue Income	**(76,506)**	**(458,396)**	**(395,730)**	**(16,791)**	**(62,666)**

Statement of Financial Position as at 31 December 2016

	2015 CIF Total £'000	2016 CIF Total £'000	2016 CIF Non JTSF £'000	2015 CIF JTSF £'000	2016 CIF JTSF £'000
Non-Current Assets					
Equity	1,268,979	1,319,504	1,139,175	178,724	180,329
Pooled Investment vehicles	1,244,033	1,678,044	1,378,293	245,362	299,751
Other Assets	(0)	57,213	57,213	-	-
Total Non-Current Assets	**2,513,011**	**3,054,761**	**2,574,681**	**424,086**	**480,080**
Current Assts					
Investments held at Fair Value through Profit or Loss	394,149	258,394	258,328	65	66
Trade and Other Receivables	4,862	3,694	3,573	323	121
Cash and Cash Equivalents	35,356	31,671	28,175	4,391	3,496
Total Current Assets	**434,367**	**293,759**	**290,076**	**4,779**	**3,683**
Current Liabilities					
Trade and Other Payables	(4,004)	(2,728)	(2,305)	(482)	(423)
Derivative Financial Instruments expiring within one year	-	(3,990)	(3,293)	-	(697)
Total Current Liabilities	**(4,004)**	**(6,718)**	**(5,598)**	**(482)**	**(1,120)**
Assets Less Liabilities	**2,943,374**	**3,341,802**	**2,859,159**	**428,383**	**482,643**

Changes in Market Value of Investments by Pool

		Total CIF Investments held at Fair Value through Profit or Loss					JTSF
		Market Value 1 Jan 2016 £'000	Purchases £'000	Sales £'000	Unrealised Gains/ (Losses) £'000	Market Value 31 Dec 2016 £'000	Market Value 31 Dec 2016 £'000
Index Linked Bonds Pool		3,402	35	-	796	**4,233**	**-**
Short Term Government Bonds Pool		147,877	82,343	(91,835)	510	**138,895**	**-**
Long Term Cash and Cash Equivalents Pool	1	242,870	500,629	(571,734)	34	**171,799**	**66**
UK Equities II Pool		209,090	63,301	(50,159)	31,669	**253,901**	**-**
Global Equities I Pool	6	358,428	38,326	(440,577)	43,823	**-**	**-**
Global Equities II Pool		316,166	12,321	(371,886)	43,399	**-**	**-**
Passive Global Equities Pool	2	203,197	66,976	(110,576)	26,915	**186,512**	**16,168**
Pooled Global Equity Pool	3	192,720	-	(213,656)	20,936	**-**	**-**
Pooled Property I Pool	4	89,376	2,890	-	(1,283)	**90,983**	**90,983**
Pooled Emerging Market Equity Pool	5	149,988	651	(1,801)	42,539	**191,377**	**23,974**
Global Equities III Pool	7	182,095	19,959	(214,289)	12,235	**-**	**-**
Absolute Return Bond Pool	8	391,253	9,700	(821)	9,273	**409,405**	**43,105**
UK Corporate Bond Pool		88,207	-	(21,187)	5,216	**72,236**	**-**
Pooled Property II Pool		90,296	3,586	(196)	(800)	**92,886**	**-**
Pooled Special Equity Pool		14,544	-	(31)	4,122	**18,635**	**-**
Absolute Return Pool	9	227,651	140,633	(6,320)	14,342	**376,306**	**62,101**
Active Global Equity	10	-	1,415,456	(152,687)	42,537	**1,305,306**	**243,749**
Infrastructure Investments		-	680	-	-	**680**	
CIF Total		**2,907,160**	**2,357,486**	**(2,247,755)**	**296,263**	**3,313,154**	**480,146**

Note: This table only inclues the investments held at fair value through profit and loss in each pool, the total pool value also includes current assets and liabilities as deatiled on page 36.

Name of Pool as disclosed by the CIF		Name of Pool in JTSF Accounts
Long Term Cash & Cash Equivalents Pool	1	RLAM Long Term Cash Pool
Passive Global Equities Pool	2	Legal & General Global Equity
Pooled Global Equity Pool	3	Schroders
Pooled Property I Pool	4	Threadneedle & Blackrock Property
Pooled Emerging Market Equity Pool	5	Unigestion/AQR
Global Equities I Pool	6	Longview
Global Equities III Pool	7	Baillie Gifford
Absolute Return Bond Pool	8	Insight/Goldman Sachs/Wellington
Absolute Return Pool	9	CIF Hedge Fund Pool
Active Global Equity	10	Active Global Equity