States of Jersey

JERSEY TEACHERS' SUPERANNUATION FUND

ANNUAL REPORT 2014

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ANNUAL REPORT 2014

Contents

INTRODUCTION

Welcome to the Eighth annual report and accounts for the Jersey Teachers' Superannuation Fund ("JTSF" or "Fund").

OVERVIEW

During the year the JTSF investments increased in value by over £35.8 million, resulting in a value of £418.6 million at the end of the year (2013: £382.8 million). During the year the investments returned 11.1%.

The Fund undergoes an actuarial valuation every 3 years. The most recent valuation was conducted by the Scheme Actuary as at the 31st December 2013. The Scheme Actuary completed the valuation in early 2015 and the results were presented to the States shortly thereafter. At the end of 2013 the Scheme 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 means that the Fund is able to continue increasing pensions in line with the full annual increase in Jersey RPI. This will be reviewed again at the next actuarial valuation which is expected to take place as at 31st December 2016.

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 broader diversification in terms of investment managers and asset classes. The Management Board maintains decision-making responsibility for the strategic asset allocation of the Fund, the proportion of assets that the Fund invests 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.

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. The website has also been updated to provide more information to scheme members. We hope that the membership found these developments useful. During the year the Dedicated Pensions Unit (DPU) processed 90% of tasks within its 5 day target.

In the light of changes to public sector pension schemes in the UK aimed at maintaining their sustainability and affordability, work has progressed in Jersey to reform the Public Employees Contributory Retirement Scheme (PECRS). It is anticipated that changes will take effect from 1 January 2016. It is expected that reform of JTSF will be considered by the States in the future once the changes to PECRS have been implemented.

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.

£418.6m

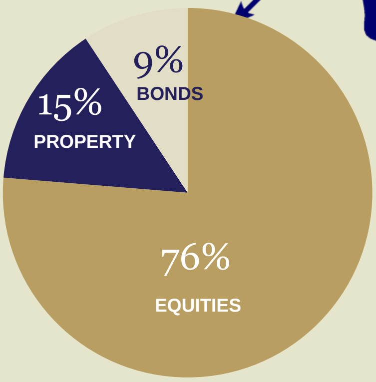
ASSETS UNDER MANAGEMENT

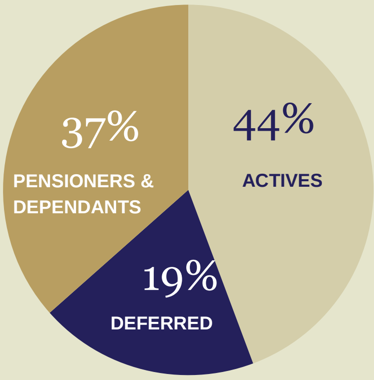
↑11.1%

INCREASE IN
INVESTMENT VALUE OF £36M IN 2014

2,616

NUMBER OF FUND
MEMBERS





£15,900

AVERAGE ANNUAL PENSION
PAID FROM JTSF

MEMBERS, MANAGERS AND ADVISORS

Mr RJ Amy OBE (Chairman) (retired 30 June 14)	**Mr R E Harris**
Mr G Pollock (Chairman) (appointed 1 July 14)	**Mr T Le Sueur OBE**
Mr C Beirne	**Mr T McKeon**
Mr G Burton	**Mr J Mills CBE**
Mr R Dupré	**Mr T Shaw**
Mr A Desmond (appointed 1 January 14)	**Mr D Thebault**
Mr M Bardsley (appointed 6 December 14)	**Mr J Turner**

Investment Managers	Appointed
Baillie Gifford & Co	December 2003
BlackRock Investment Management Limited	August 2010
Insight Investment Limited	January 2014
Legal and General Investment Management	March 2004
Longview Partners	June 2014
Royal London Asset Management	August 2013
PIMCO Europe Limited	January 2014 (Terminated November 2014)
Schroder Investment Management Limited	March 2012
Threadneedle Asset Management Limited	August 2011
Unigestion SA	June 2014

Secretary	Mr RJ Raggett
Investment Consultants	Aon Hewitt
Legal Advisors (Jersey)	Carey Olsen
Legal Advisors (UK)	Nabarro LLP
Bankers	HSBC Plc
Auditor	Deloitte LLP
Actuary	Government Actuary's Department
Custodian	The Northern Trust Company
Administrator	Treasurer of the States of Jersey

PARTICIPATING EMPLOYERS

Permanent teachers of the States of Jersey are automatically admitted to the Fund from age 20. 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
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 Regulations. 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. Each Subcommittee is assisted by the Secretary, Officers and Advisors as appropriate.

Subcommittee:	Attendance at TAP[1]	Ill Health and Death Benefits	Publications	Audit
Number of meetings in 2014	**6**	**deals with individual cases and meets as required**	**As required**	**3**
Committee member				
Mr RJ Amy OBE (Chairman)[2]	●			
Mr G Pollock (Chairman)[2]	●			
Mr M Bardsley				
Mr C Beirne		●		
Mr G Burton	●			●
Mr A Desmond			●	
Mr R Dupre			Chairman	
Mr R Harris	●			●
Mr T Le Sueur OBE				Chairman
Mr J Mills CBE				
Mr T McKeon		Chairman		●
Mr T Shaw		●	●	
Mr D Thebault		●		
Mr J Turner			●	

[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) meetings.
[2] Mr R Amy retired as Chairman to the Management Board on 30 June 2014 and Mr G Pollock was appointed on 1 July 2014.

MANAGEMENT BOARD REPORT

REVIEW OF THE YEAR

Actuarial Valuation

The Management Board has adopted a policy for a formal Actuarial Valuation to be completed by the Independent 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 these 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.

Throughout 2014 the Scheme Actuary worked on the 2013 Actuarial Valuation which 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 for this debt via the employer contribution rate. Of the employer contribution rate of 16.4% of pensionable pay, 5.6% 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, equivalent to a funding level of 101%.

The Scheme 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 scheme benefits. The Scheme Actuary identified that as at the valuation date this is insufficient to fund the benefits being promised which is the equivalent of 13.4% of pensionable salaries. The Scheme Actuary has highlighted that the Management Board need to address this shortfall with the States of Jersey to ensure that the Fund is sustainable for the future and the Management Board are progressing this matter.

The next actuarial valuation will be conducted as at the end of December 2016 with the results expected in early 2018.

Developments in public sector pensions in Jersey

Following the reforms in public sector pensions in the UK, work has been progressing with the review of PECRS in Jersey; a final offer was provided to the Joint Negotiating Group in April 2014. The three major trade unions balloted their members in 2014 and the membership of all three have, by majority of those voting, accepted the proposals.

The proposals include the introduction of a Career Average Revalued Earnings (CARE) Pension Scheme where pensions are based on an individual's average salary over their career rather than their final-salary as is currently the case. Under the proposals members accrued rights are protected including the linking to final salary at the end of career for any service accrued up to the date of change. There are also further protections for those closest to retirement.

These proposals do not apply to the JTSF. The proposed changes to PECRS follow similar changes to all the major public sector pension schemes in the UK which are moving to CARE by April 2015. The UK Teachers Pension Scheme will become a CARE scheme in April 2015. It is expected that changes to JTSF will be considered following the introduction of the CARE scheme to PECRS.

Investments

The strong performance in recent years has continued with double digit return in 2014 arising from strong growth in the equity markets where the Fund has the majority of its assets. As at 31 December 2014 the value of the Fund assets was £418.6 million (2013: £382.7 million).

The Management Board works with its Investment Advisor, 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. Oversight of this arrangement occurs with members of the Management Board attending TAP meetings throughout the year. Annually each investment manager presents to the TAP meeting where performance, developments and holdings are reviewed.

This year members of the Management Board attended the asset allocation debate where investment managers across different asset classes discuss where they think future asset growth will occur; this informed the Management Board in its review of investment strategy. For more detail on the Fund's investments see pages 13 – 16 and the Statement of Investment Principles on pages 31 – 33.

JTSF is a mature pension fund. 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

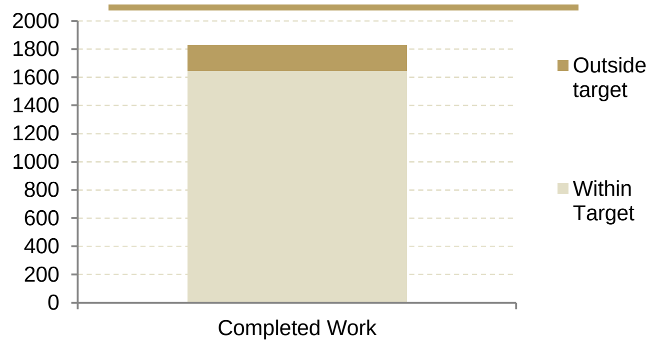
The Dedicated Pensions Unit administers JTSF for over 2,600 Fund members.

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. The DPU reports to the Management Board quarterly on how it is performing. 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 the last year 90% of tasks were completed within the targets set.

2014 CASEWORK VOLUMES



The DPU is 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 for the administration of fund benefits. Increased use of modern communication channels is being made to provide information in a manner requested by scheme members. Delivering communications electronically is also much more cost effective for the Scheme, enabling more of employee and employer contributions to be invested to fund future benefits.

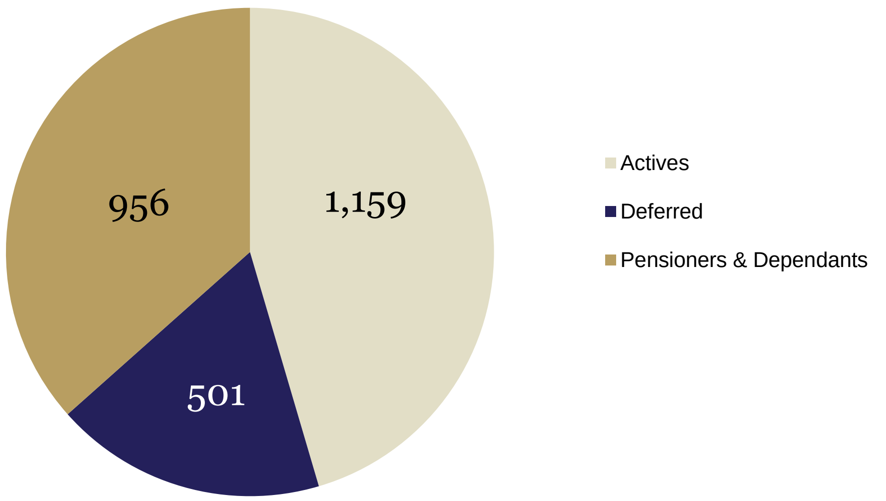
Fund members are increasingly aware of the value of their pension benefits. During the last year the DPU has continued to develop member communications and the administration of the Fund. The last year was the first full year of operation for the new industry standard pension administration system implemented in 2013. Throughout the year all correspondence was electronically scanned and workflow management used to process tasks. A record by record check of member service history was also completed.

During the last year the DPU made use of the UK Audit Commission's National Fraud Initiative which is able to confirm the continued benefit entitlement of UK resident pensioners. Using this service has enabled the DPU to provide reassurance to the Management Board that scheme benefits are correctly being paid to eligible scheme members.

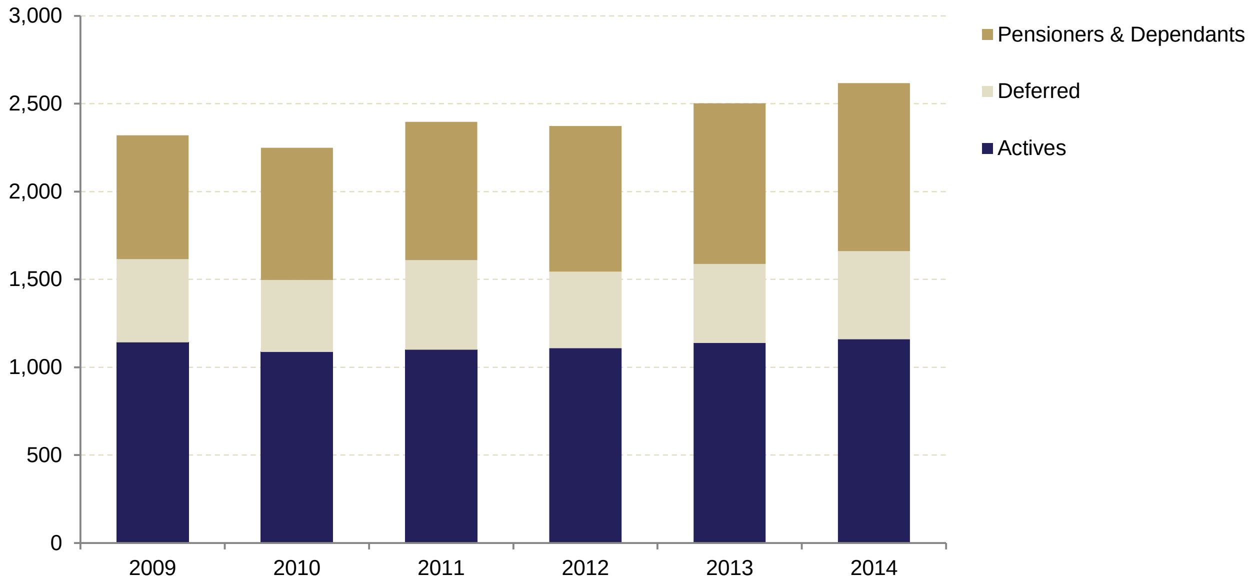
MEMBERSHIP

As at the end of December 2014 the Fund had 1,159 active members, 501 deferred beneficiaries and 956 pensioners and dependants.

TOTAL MEMBERSHIP = 2,616



FUND MEMBERSHIP NUMBERS OVER THE LAST 6 YEARS



QUERIES AND COMPLAINTS

The Management Board and DPU take queries and complaints 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.

PENSION INCREASES

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

Pension increases for the last thirteen years have been:

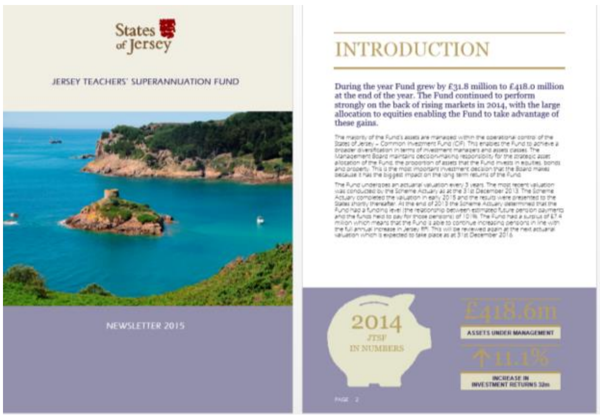
1st January	Jersey Cost of Living Index (RPI) % & JTSF Pension Increase %
2003	4.9
2004	4.0
2005	5.3
2006	2.2
2007	3.7
2008	4.5
2009	3.3
2010	1.7
2011	2.3
2012	5.0
2013	2.1
2014	1.9
2015	1.3

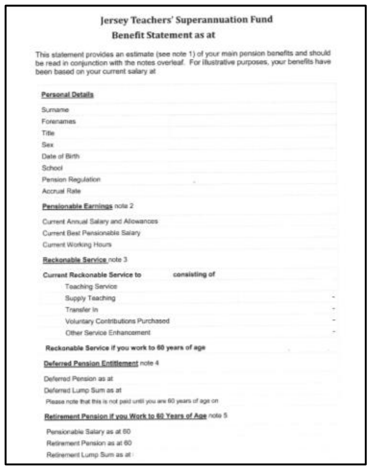
Pension increases are subject to the financial position of the Fund remaining satisfactory and thus not guaranteed.

COMMUNICATIONS

The Dedicated Pensions Unit is committed to providing all groups with as much information as possible concerning the operation of the Jersey Teachers' Superannuation Fund. We communicate with:

- **Fund Members (actives, deferred and pensioners)**
- **Prospective Fund Members**
- **Representatives of Fund Members**
- **Employers**




Jersey Teachers' Superannuation Fund
Benefit Statement as at

This statement provides an estimate (see note 1) of your main pension benefits and should be read in conjunction with the notes overleaf. For illustrative purposes, your benefits have been based on your current salary at

Personal Details
Surname
Forenames
Title
Sex
Date of Birth
School
Pension Regulation
Accrual Rate

Pensionable Earnings note 2
Current Annual Salary and Allowances
Current Best Pensionable Salary
Current Working Hours

Reckonable Service note 3
Current Reckonable Service to **consisting of**
Teaching Service
Supply Teaching -
Transfer In -
Voluntary Contributions Purchased -
Other Service Enhancement -
Reckonable Service if you work to 60 years of age

Deferred Pension Entitlement note 4
Deferred Pension as at
Deferred Lump Sum as at
Please note that this is not paid until you are 60 years of age on

Retirement Pension if you Work to 60 Years of Age note 5
Pensionable Salary as at 60
Retirement Pension as at 60
Retirement Lump Sum as at

ANNUAL NEWSLETTER

Active, deferred and pensioner members automatically receive an annual newsletter explaining the activities of the Fund and events during the year. Last year the DPU distributed the Newsletter via e-mail to those members for whom it has e-mail addresses.

ANNUAL BENEFIT STATEMENTS

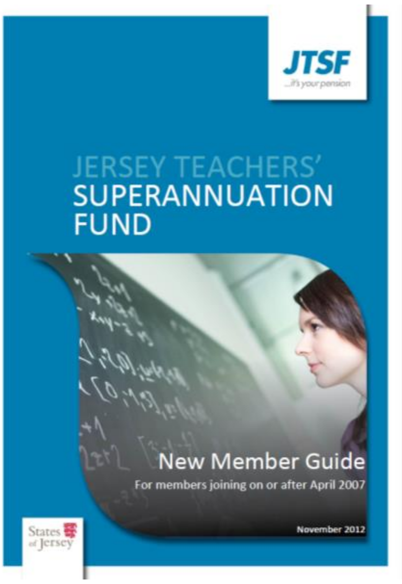
Active and deferred members with two or more years of pensionable service receive a personal benefit statement on an annual basis which outlines the benefits accrued to date and the benefits that could be accrued by retirement date. The 2014 statements for active members were sent in September.

WEBSITE
www.gov.je/teacherspension

During the year the DPU has continued to develop the JTSF website. Fund information in an electronic format is available to all Fund members and prospective employees. The DPU is committed to providing information electronically where possible so as to meet user expectations and minimise printing costs. There were over 990 hits on our new website last year, a 65% increase on the previous year.

↑ 990 HITS

ON OUR WEBSITE IN 2014



FUND LITERATURE

The DPU produces member booklets that explain the provisions and benefits of the Fund. These are available to all Fund members and prospective Fund members on our website.

PENSIONS MEETINGS

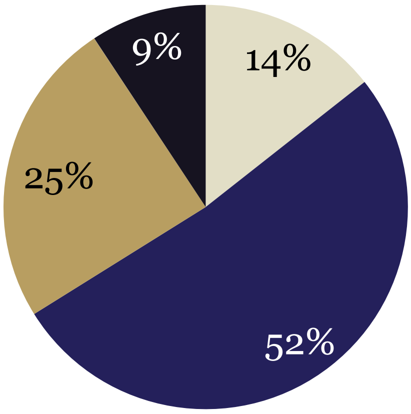
The DPU has been providing one to one meetings on request for some time. At these meetings an experienced staff member will answer individual questions on membership of the Fund, but please note that financial advice cannot be given. If you would like a personal pension consultation please contact the DPU on 01534 440637 (E-mail: jtsf@gov.je)

INVESTMENTS

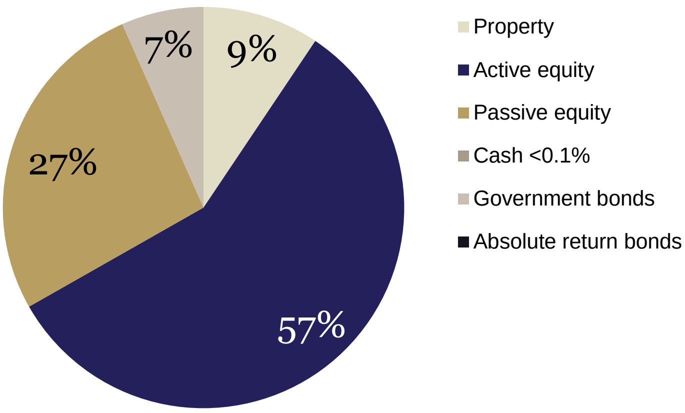
ASSETS UNDER MANAGEMENT

As at 31 December 2014 the Fund's assets under management, split between 9 investment managers, had a market value of £418.6 million (2013: £382.8 million). These were invested in the following asset categories as shown in the diagrams below. The Fund has been within its strategic ranges throughout the year.

2014



2013



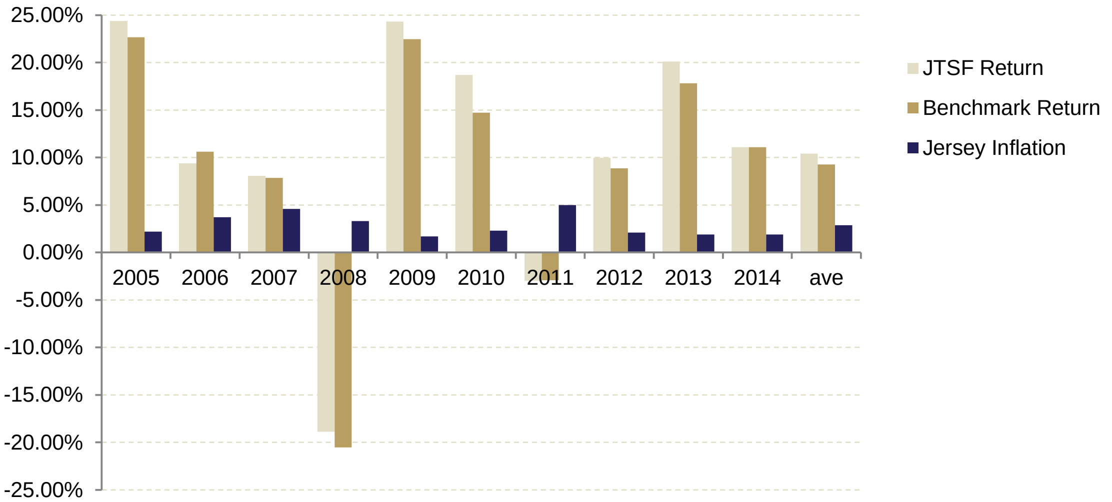
The following table shows the managers responsible for individual portfolios and the value of the Funds they manage at 31 December 2014.

Fund Manager	% of Fund	Value of Fund (£m)	Portfolios held
Equity			
Baillie Gifford & Co	15.7%	66.1	Active Equity
Legal and General Asset Management	24.6%	102.7	Passive Equity
Schroder Investment Management	15.8%	66.2	Active Equity
Unigestion	5.1%	21.4	Emerging Market Active Equity
Longview Partners LLP	15.1%	63.1	Active Equity
Bond			
Insight Investments Limited[1]	9.2%	38.8	Absolute return
Property			
Threadneedle Asset Management	4.3%	18.0	Property
Blackrock	10.1%	42.2	Property
Cash			
Royal London Asset Management	<0.1%	0.1	
	100%	**418.6**	

[1] As detailed in the investment report, the relationship with PIMCO was terminated in November 2014. These assets remained in the absolute return bond pool and were held in cash.

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 pleasing; 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 2005 to 2014. Over that whole period the Fund's investments achieved a return of 10.4% per annum against a benchmark of 9.3% per annum. Jersey inflation over the same period was 2.9% per annum meaning that the Fund's investments have achieved a real rate of return above Jersey RPI of 7.5% per annum.



The table below shows the value of assets under management with each of the individual portfolio managers and their investment return in 2014 compared to the relevant benchmark.

Fund Manager	Value of Fund (£m)	Performance	Performance 1 yr Benchmark	(under)/over performance
Equity				
Baillie Gifford & Co	66.1	11.5	11.2	0.3
Legal and General Asset Management	102.7	11.1	11.3	(0.2)
Schroder Investment Management	66.2	9.8	11.2	(1.4)
Unigestion[1]	21.4	2.5	0.4	2.1
Longview Partners LLP[1]	63.1	14.5	8.4	6.1
Bond				
Insight Investments Limited	38.8	2.1	4.5	(2.4)
Property				
Threadneedle Asset Management	18.0	14.6	17.2	(2.6)
Blackrock	42.2	7.6	17.2	(9.6)
Cash				
Royal London Asset Management	0.1	0.1%	n/a	n/a
	418.6	**11.1**	**11.1**	**-**

[1] For the 6 months since inception.

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 pages 31 – 33.

Asset Category	Current Benchmark %	Actual Assets %[1]
Growth Investments	70	76.3
Equities	70	76.3
Bond-Like Investments	30	23.7
Property	20	14.4
Bonds	10	9.3
Total	100	100

[1] As at 31 December 14

EQUITIES

After the Fund transferred its assets to the CIF in 2013, Aon Hewitt, the Fund's investment advisor, completed a review of the strategic asset allocation. This review decreased the proportion of assets held in equities from 80% to 70% and increased the number of active equity managers the Fund invests with.

Longview Partners LP was added to manage an active global equity mandate alongside Baillie Gifford and Schroders; Unigestion SA was added to manage an active emerging market equity mandate. Legal and General Investment Management remain as the global passive equity manager tracking the FTSE All World Index.

The performance of the active equity managers has been mixed with Schroders trailing the benchmark with a slight under performance of 1.4%. Baillie Gifford outperformed the benchmark by 0.3%, after returning varied performance during the year. The new manager Longview Partners was appointed in May and produced excellent returns beating the benchmark by over 6% with a portfolio that had a heavy US bias.

The strategic review led to a reorganisation with the emerging market equity managers. The passively managed mandate with Legal and General Investment Management was transferred to an actively managed mandate with Unigestion. This mandate seeks to outperform over the complete market cycle by proactively managing future risks. In the short period since inception in July the mandate has returned 2.5% against the benchmark return of 0.4%.

BONDS

As part of the strategic review in December 2013 it was decided to transfer the Fund's bond holdings from index link gilts to the absolute return bond pool in the CIF managed by PIMCO and Insight. This transfer occurred on the 2 January and an additional £13 million was transferred into bonds from the active equity portfolios in June to bring the bond holdings close to the strategic asset allocation.

In October a co-founding director of PIMCO resigned which led to its absolute return bond fund in which the CIF invests being downgraded by Aon Hewitt the investment advisor. Due to the new rating the CIF immediately exited the fund; the assets were held in cash within the absolute return bond pool whilst a new manager was sourced. Post year end Wellington Management Company LLP and Goldman Sachs Asset Management International have been appointed to manage these assets.

PROPERTY

The strategic review led to the allocation to property doubling to 20% of the Fund's assets. Due to the current demand in the market for property funds it has not been possible to acquire the required assets to bring the Fund up to the full allocation. During the year the Fund purchased the required units in the Blackrock fund, but has been unable to purchase sufficient Threadneedle units. At the year end the Fund held just under 15% of the assets in property. During 2015 progress has been made with £10 million being invested in Threadneedle.

STRATEGY REVIEW

Following advice received in December 2014 as part of the continual monitoring of the Fund's strategic asset allocation, the Management Board has directed the Treasury to complete the following transactions post year end.

- To hold the assets reserved for property in cash as opposed to equities.

- For the TAP to investigate the possibility of investing in a total return fund in the CIF.

CONCLUSION

Over the last year the Fund's investments have performed strongly, delivering a return of 11.1%. 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.

During the year we received the results of the 31 December 2013 actuarial valuation which showed a £7.4 million surplus. This has enabled the Fund to continue increasing pensions in line with the Jersey cost of living index. This will be reviewed again at the next actuarial valuation which is expected to take place as at 31st December 2016.

2014 was the first full year of operation for the new industry standard pension administration system on which member benefits are administered. Throughout the year all correspondence was electronically scanned; workflow management was used to process benefit administration tasks. A check of member service records was also completed. The DPU have also worked to make more information available on the website, which has seen a 65% increase in usage in 2014. It is hoped scheme members will have experienced an improved service in the last year as a result of these developments.

The Scheme relies greatly on the hard work of officers, consultants, actuaries, advisers and investment managers to ensure that the high standards expected for the management of the Fund are maintained. This has been my first year as Chairman of the Management Board, a role into which I was appointed in July 2014. I would like to thank all those involved in the Fund for the support that they have provided during my first year as Chairman and look forward to working with the team in the years to come.

Gordon Pollock BSc FFA
Chairman of the Management Board
30 June 2015

FUND ACCOUNT

for the year ended 31 December 2014

	Note	2014 £'000	2014 £'000	2013 £'000
Contributions and Benefits				
Contributions	4		12,145	11,702
Transfer In			814	642
			12,959	12,344
Benefits				
Benefits	5		18,925	18,036
Payments to and on Account of Leavers	6		114	111
Members Administrative Expenses	7		637	639
			19,676	18,786
Net withdrawals from dealings with members			(6,717)	(6,442)
Returns on Investments				
Investment Income	8		25	4,398
Investment Administrative Expenses	9		(123)	(251)
* CIF expenses included in the calculation of the NAV	10	(2,144)		(680)
* Change in Market Value of Investments (CIF)		44,142		7,105
Change in Market Value of CIF Investments			41,998	6,425
Change in Market Value of Investments (non CIF)			(90)	56,077
Gain on Currency and Foreign Exchange			-	36
Investment Management Expenses			20	(789)
Net Returns on Investments			41,830	65,896
Net increase in the Fund at year end			**35,113**	**59,454**
Net Assets of the Fund at 1 January			**386,196**	**326,742**
Net Assets of the Fund at 31 December			**421,309**	**386,196**

All results were derived from continuing operations.

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

NET ASSET STATEMENT

as at 31 December 2014

	Note	2014 £'000	2013 £'000
Investments			
Equities	11	560	666
Bonds	11	16	-
Units in the Common Investment Fund	11	417,979	382,047
		418,555	382,713
Cash with Custodian for Investment		25	44
		418,580	382,757
Current Assets	13	3,312	5,053
Current Liabilities	14	(583)	(1,614)
Net Assets of the Fund at year end		**421,309**	**386,196**

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 does take account of such obligations, is dealt with in the statement by the actuary on pages 29 to 30 of the Annual Report and these Financial Statements and Notes should be read in conjunction with it.

In accordance with Regulations 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.

Richard Bell
Treasurer of the States
These accounts were received and approved by the Management Board on 30 June 2015.

Gordon Pollock, BSc FFA
Chairman of the Management Board
30 June 2015

NOTES TO THE ACCOUNTS

for the year ended 31 December 2014

1. CONSTITUTION

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

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The Fund has adopted the Statement of Recommended Practice, 'Financial Reports of Pension Funds (revised May 2007)' (the "SORP") and these Financial Statements have been prepared in accordance with the SORP.

3. ACCOUNTING POLICIES

a) Investment income

Income from fixed interest securities and bank interest is accounted for on an accruals basis. 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

Benefits are recognised as they become due and payable.

c) Contributions

Employer and employee contributions are recorded when the employee contributions are deducted from payroll. Both are based on a percentage of salary for the period to which they relate. Additional contributions (e.g. payments to augment pensionable service by the purchase of additional years either by the employer or, through the additional voluntary contribution facility, by the employee) are recorded when they are deducted from payroll.

d) Transfers

Transfer payments received or made during the year in respect of members joining or leaving the Fund are included in the accounts on a receipt basis.

e) Management, performance fees and other expenses

The appointed investment managers are entitled to a fee based upon a percentage of the net assets under management. The percentage varies from 0.04% to 1.00% based on the complexity of the asset class under management.

The investment consultant receives a flat fee for services rendered.

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

Since moving in to 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 10 for information.

f) Valuation of investments

Market values of listed investments held at the year end are taken at bid-prices or last trade prices depending on the convention of the Stock Exchange on which these are quoted. Foreign currency prices are expressed in sterling at the closing exchange rates on the last business day in the Fund's financial year.

Transaction costs, being incremental costs that are directly attributable to the acquisition or disposal of an investment, are added to purchase costs and netted against sale proceeds as appropriate.

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 accounts.

g) Taxation

The Fund is exempt from Jersey income tax by virtue of Article 131 of the Income Tax (Jersey) Law 1961. 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 gains made from investments held. The Fund is liable for tax on stock lending.

h) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the rate ruling at the balance sheet date. Transactions denominated in currencies other than sterling are translated at the date of the transaction. Exchange gains and losses on investments and gains and losses arising on foreign exchange contracts are shown in the Fund Account.

i) Cash

Broker cash is held at Northern Trust and is available on demand. A cash account is also held at HSBC Jersey.

j) Actuarial valuation

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 the obligations to pay pensions and benefits which fall due at year end. The actuarial position, which does take into account such obligations are disclosed in the Actuarial Statement on pages 29 to 30 of the Annual Report and these accounts should be read in conjunction with this statement.

4. CONTRIBUTIONS

	2014 £'000	2013 £'000
States employees		
Employers		
Normal	7,538	7,256
Additional		
Purchase of added years	-	21
	7,538	7,277
Members		
Normal	2,622	2,545
Additional voluntary contributions	6	5
	2,628	2,550
Accepted Schools		
Employers		
Normal	1,467	1,381
Members		
Normal	512	494
	1,979	1,875
	12,145	**11,702**

5. BENEFITS PAYABLE

	2014 £'000	2013 £'000
Pensions	15,825	14,520
Commutations and lump sum retirement benefits	3,098	3,516
Death benefits	2	
	18,925	**18,036**

6. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2014 £'000	2013 £'000
Refunds to members leaving service	43	22
Individual transfers to other Schemes	71	89
	114	**111**

7. BENEFITS ADMINISTRATIVE EXPENSES

	2014 £'000	2013 £'000
Salaries and office costs	398	354
Actuarial fees	117	72
Audit fees	46	23
Legal fees	13	88
Chairman and secretary fees	63	60
Pension systems	-	42
	637	**639**

8. INVESTMENT INCOME

	2014 £'000	2013 £'000
Dividends from equities	25	1,087
Income from managed or unitised property funds	-	3,211
Security lending	-	174
Other income	-	6
	25	4,478
Less tax on security lending	-	(25)
Less irrecoverable withholding tax	-	(55)
Total investment income	**25**	**4,398**

Since transferring the majority of the Fund's assets into the CIF, investment income is included in the change in market value detailed in note 11.

9. INVESTMENT ADMINISTRATIVE EXPENSES

	2014 £'000	2013 £'000
Custodian expenses	40	40
Investment advisory expenses	83	124
Security lending fees	-	52
Other investment expenses	-	35
	123	**251**

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

10. COMMON INVESTMENT FUND EXPENSES

	2014 £'000	2013 £'000
Custodian expenses	88	29
Investment advisory expenses	23	12
Investment management expenses	1,962	596
Security lending fees	44	3
Other investment expenses	27	40
	2,144	**680**

These fees are included when calculating the change in Net Asset Value of the CIF unit. They are provided for information purposes only as explained in note 3e. The 2013 figure is for the 5 months from 1 August 2013 (the date the assets were transferred into the CIF) to the 31 December 13

11. INVESTMENT ASSETS

	Note	Value at 1.1.14 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in Market Value £'000	Value at 31.12.14 £'000
Overseas bonds - non CIF[1]		-	-	-	16	16
Overseas Equities - non CIF[1]	12	666	-	-	(106)	560
CIF Units		382,047	125,715	(131,781)	41,998	417,979
		382,713	**125,715**	**(131,781)**	**41,908**	**418,555**

[1] Legacy assets from prior to entering the CIF.

Indirect costs including the bid offer spread costs have been added to the purchase cost or deducted from sale proceeds as appropriate.

Managed and unitised fixed income and managed property funds income are wholly UK quoted investments.

12. COMMON INVESTMENT FUND POOLS

	2014 £'000	2013 £'000
Schroders	66,205	107,875
Baillie Gifford	65,517	111,151
Legal & General Global Equity	102,698	92,436
Legal & General Emerging Market Equity	-	9,297
Unigestion Emerging Market Equity	21,392	-
Legal & General Index Linked Gilts	-	25,341
Longview	63,150	-
Absolute Bond Return	38,835	-
Threadneedle & Blackrock Property	60,121	35,886
RLAM Long Term Cash Pool	61	61
	417,979	**382,047**

The above figures show the asset split of the pooled funds held within the CIF and is for information purposes only.

13. CURRENT ASSETS

	2014 £'000	2013 £'000
Contributions due	989	961
Accrued Income	-	3
Unsettled sales transactions	-	52
Cash balances	2,317	4,037
Other Debtors	6	-
	3,312	**5,053**

14. CURRENT LIABILITIES

	2014 £'000	2013 £'000
Creditors	145	260
Advances from States of Jersey	438	1,354
	583	**1,614**

The Financial Statements do not include the liabilities to pay future pensions and other benefits in the future; in the opinion of the Management Board the Fund has no material contingent liabilities.

15. 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 £438,300 (2013: £1,354,379) was owed to the States of Jersey in respect of transactions with the Treasury and Resources Department. During the year an amount of £391,076 (2013: £346,828) was paid to the States of Jersey in respect of the services provided.

16. 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 £191,926 (2013: £156,676) this amount has been included in the change in the market value of the CIF pool in which the stock lending occurs.

17. POST BALANCE SHEET DATE EVENTS

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

INDEPENDENT AUDITOR'S REPORT

We have audited the Financial Statements of Jersey Teachers' Superannuation Fund for the year ended 31 December 2014 which comprise the Fund Account, Net Asset Statement and the related Notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Management Board, as a body, in accordance with Teachers' Superannuation (Administration) (Jersey) Order 2007. Our audit work has been undertaken so that we might state to the Management Board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Management Board as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Management Board, Treasurer of States and auditor

As explained more fully in the Statement of Management Board and the Treasurer of States' Responsibilities, the Treasurer of the States is responsible for the preparation of the Financial Statements and for being satisfied that they give 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). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Board; and the overall presentation of the financial statements. 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.

Opinion on financial statements

In our opinion the Financial Statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 December 2014 and of the amount and disposition at that date of its assets and liabilities, other than the 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.

Deloitte LLP

Deloitte LLP
Chartered Accountants
Jersey, Channel Islands
30 June 2015

STATEMENT OF RESPONSIBILITIES

Responsibilities in respect of the Accounts of the Jersey Teachers' Superannuation Fund.

The Jersey Teachers' Superannuation Fund requires the Treasurer of the States in his capacity as Administrator, to prepare annual accounts of the Fund in accordance with Article 22 of the Teachers' Superannuation (Administration) (Jersey) Order 2007 and have them professionally audited.

The Treasurer of the States is therefore responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating within the accounts whether they are prepared in accordance with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes (revised May 2007)', or, if they are not, to indicate any material departures and;
- preparing the accounts in accordance with the provisions of the Regulations.

The Treasurer of the States is responsible for keeping proper accounting records, in accordance with the Regulations including the maintenance of an appropriate system of internal controls. The Management Board and the Treasurer of the States are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2014, 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/(Deficiency)		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 scheme 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 scheduled to be 31 December 2016.

Ken Kneller

Ken Kneller
Fellow of the Institute and Faculty of Actuaries
Government Actuary's Department
10 April 2015

STATEMENT OF INVESTMENT PRINCIPLES

This Statement sets out the principles governing decisions about the investment of the assets of the Jersey Teachers' Superannuation Fund ("JTSF" or "the Fund"). This Statement is issued by the Management Board ("the Board") and provides a formal statement of investment policies.

The Board is responsible for setting the investment strategy to manage the Fund's assets in accordance with the relevant orders. In Q2 2013 the decision was taken by the Board to transfer the majority of the Fund's assets into the States of Jersey – Common Investment Fund ("CIF"). Following this decision operational control of the assets was placed with the States of Jersey Treasury Advisory Panel ("TAP"). The TAP typically meets a minimum of four times a year to consider investment performance, appointment / dismissal of investment managers and reviewing potential new asset class strategies. The Board reviews its investments at each of its quarterly meetings, using the quarterly monitoring report prepared for the CIF.

INVESTMENT OBJECTIVES

The Board's key investment objective is to invest the assets of the Fund to ensure as far as possible that members' benefits can be paid as and when they fall due. In order to achieve this, the Board is aware that there are two main variables, contributions and investment returns.

Taking account of the contributions available (which are set in the Fund's orders), the funding position and current pension increases, the Board establishes a level of investment return which should be targeted (this is currently a real return of 3.5%). The Board, with the support of their investment advisor (Aon Hewitt), then develops a long-term investment strategy in order to achieve a return above the target return without taking undue levels of risk. This investment strategy is kept under annual review by the Board.

INVESTMENT STRATEGY

As noted above, the Board establishes the long-term investment strategy for the Fund's assets. The most important decision within this is the split between return seeking and risk reducing assets. This will have the biggest influence on the overall level of return and risk that is achieved. The table below details the investment strategy, along with the level of flexibility that the TAP has to manage around the long-term targets.

Asset Class	Long Term Strategy%	Range
Return Seeking Assets		
Equities	70	66 - 74
Risk Reducing Assets		
Property	20	0 – 22
Bonds/Cash	10	6 - 14

The investment strategy above is set following advice from the Board's investment advisor. Having been approved by the Board, it is referred to the Minister for Treasury & Resources for approval. The investment strategy is kept under annual review by the Board.

Return seeking assets are defined by the Board as those assets that are aiming to achieve a reasonably high level of investment return over the long-term. The downside of targeting a higher return is that the value of these assets will typically be more volatile over time.

The core "return seeking" asset used by the Fund is equities as the 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.

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.

INVESTMENT MANAGERS

To manage the above investment strategy, the Board delegates operational management to the TAP who delegate the day-to-day management to a number of investment managers that are appointed by the TAP. These managers are appointed on a discretionary basis where they have delegated responsibility for buying and selling investments on behalf of the CIF (and hence the Fund), subject to agreed constraints and relevant legislation.

- Prior to the appointment of an investment manager, the following steps are adhered to:
- Competitive tendering to allow all potential managers to apply to the set mandate.
- A presentation (along with supporting material) by the investment manager to the TAP.
- Due diligence on the investment manager from a legal, investment and operational perspective.
- Approval from the Minister of Treasury and Resources for a Fund appointment.

After appointment, the investment managers are also subject to regular review by the TAP. Where appropriate, changes will be made, for example, if the investment manager is not delivering expected returns, is downgraded by the investment advisor, or as a result of a wider change in the Fund's investment strategy.

The current investment managers appointed by the Fund are shown below. Each manager makes use of a custodian who will independently hold the assets for the investment manager. This custodian is either appointed by the TAP (Northern Trust in the case of segregated mandates) or by the investment manager (in the case of a pooled investment).

Asset Class	Mandate	Manager
Return Seeking Assets		
Equities	Global Equity	Baillie Gifford & Co
	Global Equity	Schroder Investment Management Ltd
	Global Equity	Legal & General Investment Management
	Global Equity	Longview Partners
	Emerging Market Equities	Unigestion SA
Risk Reducing Assets		
Property	UK Commercial Property	Threadneedle Assets Management Ltd
	UK Commercial Property	BlackRock Investment Management Ltd
Bonds	Absolute Return	Insight Investment Ltd
Cash	Cash	Royal London Asset Management

INVESTMENT RISK

One of the key concerns of the Board is investment risk. In order to achieve the target level of investment return, investment risk needs to be taken, which exposes the Fund to downside risk, specifically the risk that the return does not keep pace with what is required which has funding implications for the Fund.

This risk can materialise in a number of different ways. Examples of some of the major risks include the following (this is not meant to be an exhaustive list):

- Equity risk: The risk of falling equity markets which can be caused for a variety of different reasons.
- Liability risk: The risk that the Fund's liabilities increase more quickly than anticipated. This could be caused (amongst other things) by falling interest rates, rising inflation and longevity improving (members on average living longer).
- Credit risk: The risk that the Fund does not receive the payments it is expecting from its various bond investments.
- Liquidity risk: The risk arising from holding assets that are not readily marketable and realisable.
- Manager risk: The risk that the Fund's managers do not deliver against expectations.
- Political / regulatory risk: The risk that a change in environment in which the Fund operates in has implications for the Fund's investments .

The Board primarily manages these risks through the adoption of a long-term investment strategy that is diversified both by asset class and manager.

RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE

The Board believe that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment returns. The TAP have given the Investment Managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Fund's investments.

Similarly, the Fund's voting rights are exercised through the CIF by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

The TAP will monitor the investment managers' adherence to the above as part of their regular presentations to the TAP.

GLOSSARY

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

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.

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

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

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 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 JTSF. This debt is to be repaid by the States of Jersey to the Fund over a period to be agreed.

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

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

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

EXTRACT FROM STATES OF JERSEY ACCOUNTS

The Statement of Recommended Practice, 'Financial Reports of Pension Funds (revised May 2007) requires that and extract of the CIF accounts are included in the annual report for Funds that invest in Common Investment Funds. The CIF does not prepare stand alone accounts so the disclosure that is included in the State of Jersey Annual Report have been included in this appendix.

9.34 SOJ Common Investment Fund

a) 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 11th November 2013. 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 2014 contained 14 active pools that holding a range of asset classes (including equity, bonds, gilts, cash and property).

The following are participants in the CIF that are not part of the States of Jersey Accounting Boundary:

- Le Don De Faye
- Rivington Travelling Scholarship Fund
- Greville Bathe Fund
- Ann Alice Rayner Fund
- A H Ferguson Bequest
- Estate of E J Bailhache
- Jersey Teachers Superannuation Fund

During the year the Common Investment Fund appointed a manager to the Emerging Market Equity Pool, added a Special Fund Equity Pool and removed one of two managers of the Absolute Return Bond Pool. In 2013 the Emerging Market Pool held legacy assets of the Jersey Teachers Superannuation Fund, these assets were transferred, along with additional funding from other Participants to an emerging market manager who was appointed in June 2014. The Special Fund Equity Pool was established to invest in pooled versions of the CIFs equity mandates on behalf of the charitable and bequest funds; the purpose of this was to ensure that these funds remain separable from the States separately constituted funds as a precautionary tax measure. The Absolute Return Bond Pool was originally split between two managers, late in the year one of these managers was downgraded by the States Investment Advisor following changes to the their management structure. The manager was removed in November and following a tendering process their assets were reallocated to two new managers on appointment early in 2015.

CIF - Income and Expenditure by Pool

		2013	2014			
		Net Income £'000	Investment Income £'000	Change in Fair Value £'000	Operating Expenditure £'000	Net Income £'000
Index Linked Bonds Pool	1	(131)	29	570	(8)	**591**
Short Term Government Bonds Pool		(371)	8,054	(3,278)	(132)	**4,644**
Long Term Government Bonds Pool		-	-	-	-	**-**
Short Term Corporate Bonds Pool		1,535	-	-	-	**-**
Long Term Corporate Bonds Pool		3,333	-	-	-	**-**
Long Term Cash and Cash Equivalents Pool	2	2,033	606	325	(129)	**802**
UK Equities II Pool		60,164	9,025	202	(2,830)	**6,397**
Global Equities I Pool	7	92,342	7,527	54,498	(3,432)	**58,593**
Global Equities II Pool		55,111	6,172	23,603	(2,254)	**27,521**
Passive Global Equities Pool	3	46,110	8,179	29,092	(729)	**36,542**
Pooled Global Equity Pool	4	5,366	3,380	16,336	(879)	**18,837**
Pooled Property I Pool	5	984	1,939	3,491	(387)	**5,043**
Pooled Emerging Market Equity Pool	6	(4,018)	3	(663)	(368)	**(1,028)**
Global Equities III Pool	8	3,588	2,581	17,097	(1,000)	**18,678**
Absolute Return Bond Pool		(2,417)	303	6,394	(1,480)	**5,217**
UK Corporate Bond Pool		(1,477)	(3)	17,545	(564)	**16,978**
Pooled Property II Pool		(1,255)	2,700	5,566	(553)	**7,713**
Pooled Special Equity Pool		-	-	318	(14)	**304**
CIF Total		**260,897**	**50,495**	**171,096**	**(14,759)**	**206,832**
Less: amount attributable to Participants outside the Group Boundary		9,907	8,078	38,232	(2,516)	**43,794**
Total - SOJ Accounts		**250,990**	**42,417**	**132,864**	**(12,243)**	**163,038**

Name of Pool in States of Jersey Acounts		**Name of Pool in States of Jersey Acounts**
Index Linked Bonds Pool	1	Legal & General Index Linked Gilts
Long Term Cash & Cash Equivalents Pool	2	RLAM Long Term Cash Pool
Passive Global Equities Pool	3	Legal & General Global Equity
Pooled Global Equity Pool	4	Schroders
Pooled Property Pool	5	Threadneedle & Blackrock Property
Pooled Emerging Market Equity Pool	6	Legal & General Emerging Market
Global Equities I Pool	7	Longview
Global Equities III Pool	8	Baillie Gifford

CIF - Changes in Market Value of Investments by Pool

	Market Value 1 Jan 2014 £'000	Purchases £'000	Sales £'000	Unrealised Gains/ (Losses) £'000	Market Value 31 Dec 2014 £'000
Index Linked Bonds Pool	2,837	32	-	570	**3,439**
Short Term Government Bonds Pool	197,537	123,027	(59,217)	(1,026)	**260,321**
Long Term Government Bonds Pool	-	-	-	-	**-**
Short Term Corporate Bonds Pool	1	-	-	(1)	**-**
Long Term Corporate Bonds Pool	-	-	-	-	**-**
Long Term Cash and Cash Equivalents Pool	147,042	291,046	(252,989)	(271)	**184,828**
UK Equities II Pool	251,183	116,605	(112,102)	(21,680)	**234,006**
Global Equities I Pool	331,319	51,276	(44,850)	31,107	**368,852**
Global Equities II Pool	307,804	25,364	(28,289)	15,716	**320,595**
Passive Global Equities Pool	311,812	171,146	(156,383)	26,263	**352,838**
Pooled Global Equity Pool	195,264	7,766	(15,475)	13,950	**201,505**
Pooled Property I Pool	35,742	23,787	18	3,491	**63,038**
Pooled Emerging Market Equity Pool	9,279	92,775	(9,974)	(641)	**91,439**
Global Equities III Pool	153,624	43,968	(31,808)	6,048	**171,832**
Absolute Return Bond Pool	205,434	886,214	(811,168)	5,235	**285,715**
UK Corporate Bond Pool	109,927	48,136	(316)	17,545	**175,292**
Pooled Property II Pool	37,923	37,219	(123)	5,566	**80,585**
Pooled Special Equity Pool	-	6,713	-	318	**7,031**
CIF Total	**2,296,728**	**1,925,074**	**(1,522,676)**	**102,190**	**2,801,316**
Less: amount attributable to Participants outside the Group Boundary	373,553	(20,805)	56,629	27,528	**436,905**
Total - SOJ Accounts	**1,923,175**	**1,945,879**	**(1,579,305)**	**74,662**	**2,364,411**