States of Jersey

JTSF Jersey Teachers' Superannuation Fund

Annual Report 2017

Jersey Teachers' Superannuation Fund

Contents

Introduction

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

Overview

Total Fund value as at 31 December 2017	Fund value Increase in 2017	Investment Return in 2017	Benchmark
£533.6 million	**£49.0 million**	**12.5%**	**9.0%**

During the year the Fund increased in value by £49.0 million to £533.6 million (2016: £484.6 million) at the end of the year. The Fund's investments returned 12.5% over the year and outperformed its benchmark by 3.5%. The Fund performance was largely due to equity markets performing strongly throughout the year.

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 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 Management Board has increased its strategic allocation to alternatives from 20% to 25% and reduced its strategic allocation to property from 20% to 15%.

Operational day to day control of the Fund, including the selection of investment managers has been delegated to the Treasury Advisory Panel (TAP) and the Treasury & Resources Department. During the year the Fund made its initial investment in the Opportunity Pool with the appointment of three managers.

The Fund undergoes an actuarial valuation every 3 years. The last valuation was conducted by the Fund Actuary as at 31 December 2016. 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 106.3%. The Fund had a surplus of £35.1 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).

The Public Employees Pension Team (PEPT), formerly known as the Dedicated Pensions Unit (DPU), 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 PEPT processed 88% 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, Advisors and Managers

Chairperson	
Mr G Pollock	
Employer Representatives	**Member Representatives**
Mr J Leonard Mr T Le Sueur OBE Mr T McKeon (resigned Dec 17) Mr J Mills CBE Mr J Turner Mr G White	Mr C Beirne Mr G Burton Mr R Dupré Mr M Bardsley Mr T Shaw Mr A Desmond

Advisors to the Management Board

Actuary	Aon Hewitt Ltd	Independent Auditors	PricewaterhouseCoopers LLP
Custodian	Northern Trust	Investment Consultants	Aon Hewitt Ltd
Bankers	HSBC Plc	Legal Advisors	Carey Olsen
Secretary	J Ward		

Fund Administrator - The Treasurer of the States of Jersey

Investment Managers – Appointed by the TAP

Antin Infrastructure Fund III (Appointed Jan 2017)	Insight Investment Limited
Adelphi Capital	Legal & General Investment Management (Disinvestment Aug 2017)
Anchorage Capital Group	Lansdowne Partners (UK) LLP
AQR	Leadenhall Insurance Linked Securities (Appointed Apr 2018)
Ares Direct Lending (Appointed Apr 2018)	Longview Partners
Arrowgrass Capital Partners	M&G Debt Opportunities (Appointed Apr 2018)
Baillie Gifford & Co	Maverick Capital
Basalt Infrastructure Partners Fund II	Och-Ziff Capital Management Group
Blackrock Investment Management Limited	Pictet Asset Management Ltd (Appointed Apr 2018)
Brevan Howard Asset Management	PIMCO (Appointed Apr 2018)
Broad Street Real Estate Credit Partners III (Appointed Jan 2017)	Royal London Asset Management
Caxton Associates	Schroder Investment Management Limited
Capital Fund Management	Threadneedle Asset Management Limited
Davidson Kempner Capital Management	Unigestion SA
Goldman Sachs Broad Street Estate Credit Partners III	Walter Scott & Partners Limited
GreenOak European Secured Lending (Appointed Jan 2017)	Wellington Management Company, LLP
Highline Capital Management	Winton Capital

Participating Employers

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

Scheme Employer
States of Jersey (includes all States’ non-fee paying and fee paying schools and colleges)
Admitted Bodies
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, 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.

	Sub Committee			
Committee member	Attendance at TAP	Ill Health and Death Benefits	Audit	Communication
Mr G Pollock (Chairperson)				
Mr M Bardsley				
Mr C Beirne		●		
Mr G Burton[1]	●		●	
Mr A Desmond				●
Mr R Dupré				Chairperson
Mr T Le Sueur OBE			Chairperson	
Mr J Mills CBE				
Mr T Shaw		●		●
Mr J Turner				●
Mr J Leonard				
Mr G White				
Number of meetings in 2017	6	As required	3	As required

[1] Following the transfer of the Fund's assets into the CIF this member represents the Management Board at the CIF's TAP.

Review of the Year

Actuarial valuation

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 2016. 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 2016 Actuarial Valuation was signed and presented to the States in early 2018. 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 2017) 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 £35.1 million in the Fund on 31 December 2016, consisting of total liabilities of £519 million and total assets of £596.5 million, equivalent to a funding level of 106.3%. At the last actuarial valuation in 2013 the Fund had a surplus of £7.4 million and a funding level of 101%.

The demographic assumptions adopted were determined by the Fund Actuary following analysis of the experience of the Fund during the 3 years 2014-2016 and taking account of other relevant data. The financial assumptions were derived from market yields at the valuation date to ensure compatibility with the market value of assets. The following table includes the key financial assumptions used in the valuation.

	2016 valuation %
Discount rate (investment return)	5.7
Jersey inflation	2.85
Rate of salary increase	3.85
Management expense	1.2
Mortality assumption	SAPS S2 "All lives" tables with 95% scaling factor and allowance for future improvements in mortality, with a long-term rate of improvement of 1.5% p.a.

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, and that there was a shortfall of contribution rate equivalent to 3.1% of pensionable salaries. Whilst the Fund had a surplus as at the 31 December 2016 this is expected to be eliminated over time.

Developments in public sector pensions in UK and Jersey

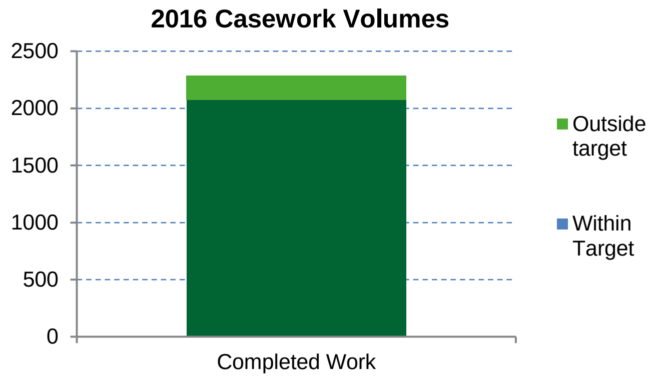
Following the reform of the public sector pensions in the UK, changes have been made to the Public Employees Contributory Retirement Scheme (PECRS) in Jersey. From 1 January 2016, all eligible employees have been admitted into the Career Average Revalued Earnings (CARE) pension scheme known as the Public 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. The JTSF is in the Public Sector Transfer Club (PSTC) arrangements but is only permitted to accept club funding of final salary benefits. Teachers who have accumulated CARE benefits are not able to transfer them into the Fund.

Administration

The Public Employees Pension Team (PEPT) deals with over 2,700 Fund members in order to administer the Fund on behalf of the Treasurer of the States of Jersey (the Administrator of the Fund).

The PEPT provides this service to the Management Board and reports its performance on a quarterly basis. The chart below shows the actual casework volumes during the year and also the volumes completed within the targets set between the Management Board and the Administrator. During 2017, 88% of all tasks were completed within the required time targets of 5 days. During the year the States of Jersey awarded backdated pay awards to employees which meant the PEPT had to recalculate all benefits put into payment during the preceding year. This additional workload impacted on the PEPT’s ability to achieve its targeted service standards.



The PEPT is also responsible for providing information to employers, employees and other interested parties. The PEPT 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 PEPT 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.

In August 2017, the payment of pensions to over 1,000 pensioners was migrated to a new industry-standard payroll system implemented by the States of Jersey. Following 3 months of parallel running the payment of pensioners was seamlessly migrated to the new system.

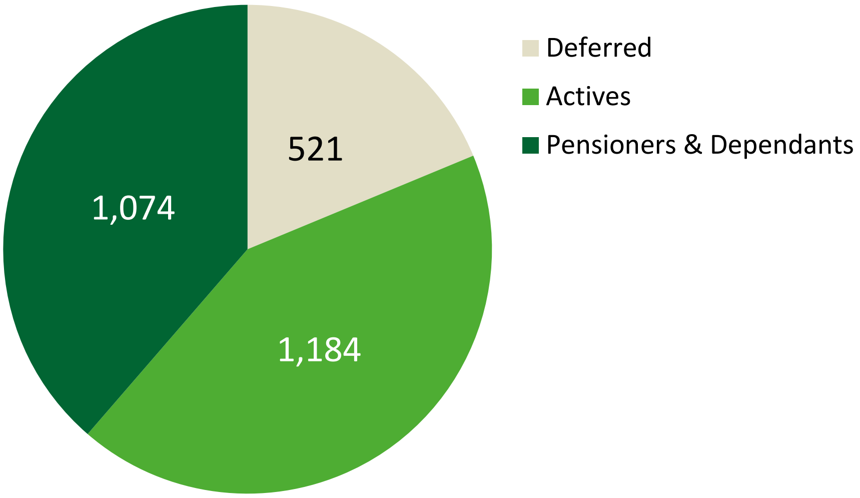
During 2017 the PEPT made use of the UK National Fraud Initiative which is able to confirm the continued benefit entitlement of UK resident pensioners. The Fund also uses the States of Jersey Tell Us Once service which means we are now notified of member deaths in Jersey. These developments have enabled the PEPT to provide additional reassurance to the Management Board that Fund benefits are being paid only to eligible Fund members.

Membership

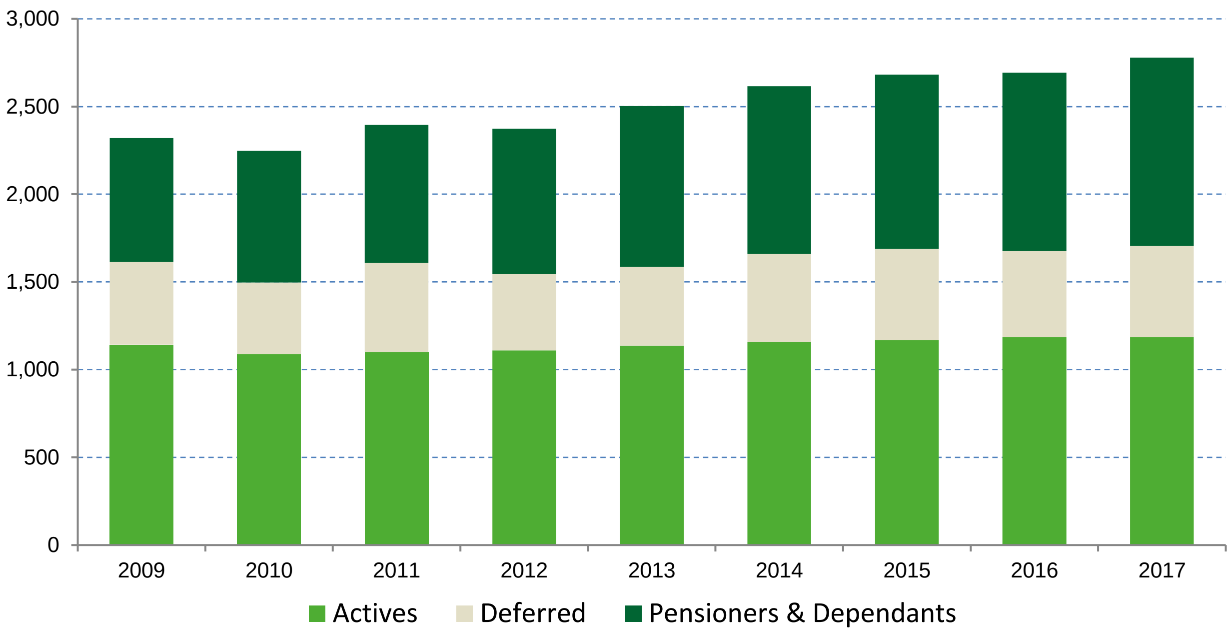
As at 31 December 2017 the Fund had 1,184 active members, 521 deferred beneficiaries and 1,074 pensioners and dependants.

Total Membership

Total number of members in the JTSF is 2,779.



Fund Membership Numbers over the last 9 years



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.

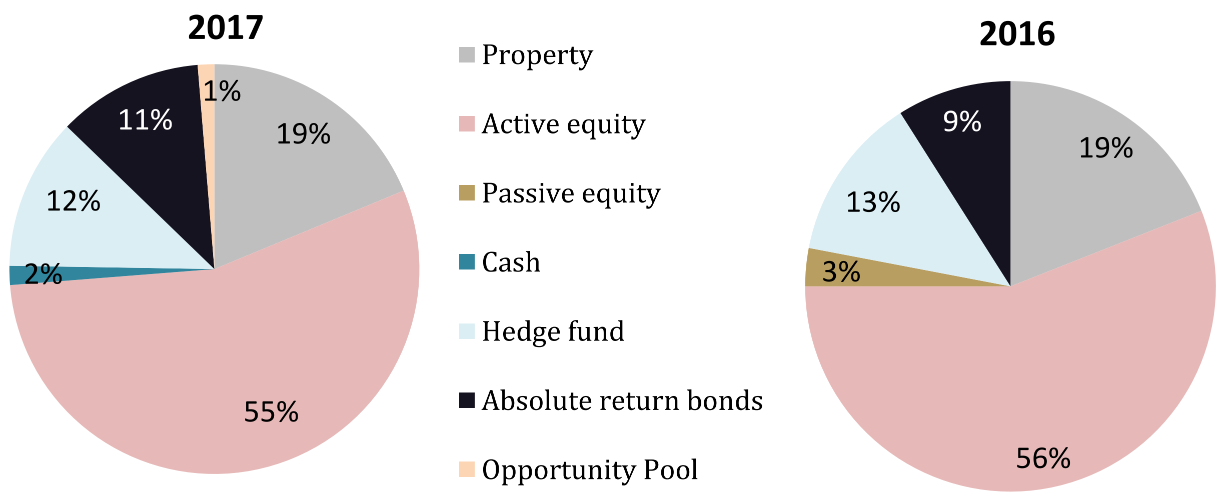
Pension increases in the past five years have been:

1st January	Jersey RPI % & JTSF Pension Increase %
2014	1.9
2015	1.3
2016	0.9
2017	1.9
2018	3.6

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

Assets Under Management

As at 31 December 2017 the Fund's assets under management, split between 28 investment managers, had a market value of £533.2 million (2016: £482.6 million). At the total Fund level the assets are diversified across different investment managers, investment styles and asset classes. The Fund was invested in the following asset categories.



Investment Performance

During the year the JTSF investments increased in value by £50.6 million to be valued at £533.2 million (2016: £482.6 million) at the end of the year. The Fund's investments returned 12.5% over the year and outperformed its benchmark by 3.5%. The strong Fund performance was largely due to equity markets performing strongly throughout the year.

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 TAP in 2013 with the Fund moving into the Common Investment Fund (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.

JTSF is a mature pension fund in that pension contributions and investment income alone 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.

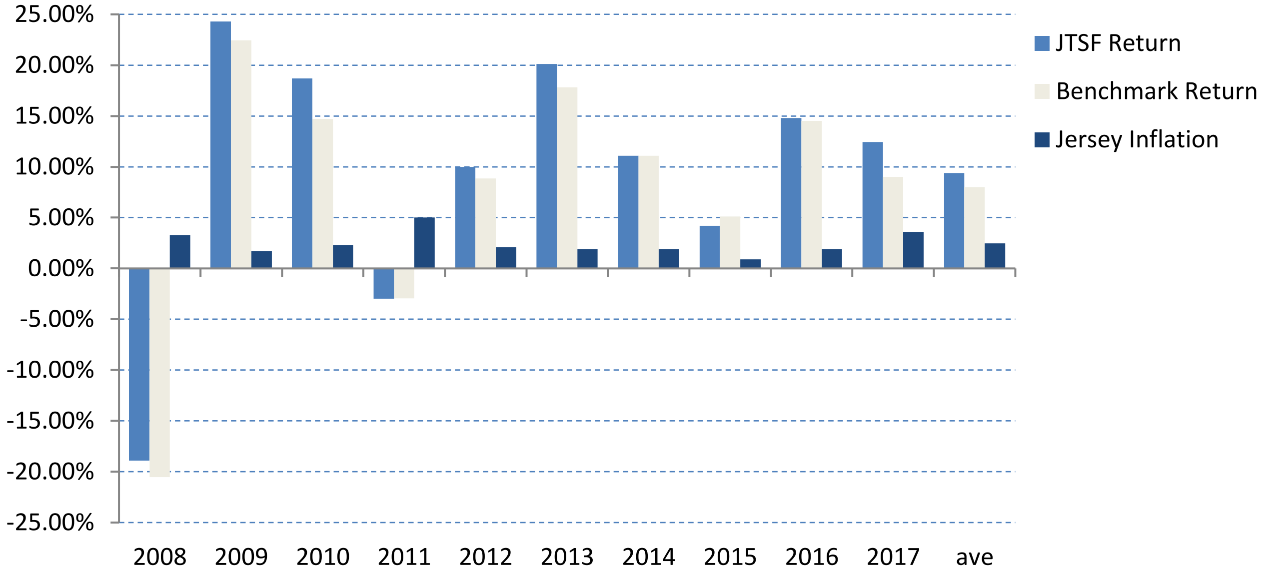
The Fund's assets are invested to generate returns to pay Fund benefits over the long term. The Fund had positive investment returns in all investment pools during the year with the exception of absolute return bond pool. The strongest returns were experienced in the Emerging Market equities pool where the Fund's investments increased in value by over 20%.

			2017 performance		
	Fund Manager	Value of Fund (£m)	Performance %	Benchmark %	Over / (under) %
Equity	Global Active Equity Pool	263.6	17.8	15.5	2.3
	Emerging Market Equity Pool	29.0	20.7	25.4	(4.7)
Alternatives	CIF Hedge Fund Pool	63.9	3.1	1.1	2.0
Bonds	Absolute Return Bond Pool	60.9	(0.2)	0.2	(0.4)
Cash	Long Term Cash Pool	8.0	0.5	0.5	-
Property	Property pool	99.7	9.6	10.2	(0.6)
Other	Opportunities pool	6.9	n/a[1]	n/a	n/a
		532.0[2]	**12.5**	**9.0**	**3.5**

Note [1]. The Opportunities pool was only funded during 2017 not allowing enough time for a meaningful investment return.
Note[2]. Only the assets managed by the CIF are included in this table.

The strong performance over the last year whilst positive for the Fund should be viewed in the longer term context. The Management Board does not expect the Fund to achieve positive investment returns every year but through diversification of asset class, investment managers and investment approaches it aims to deliver the investment returns required to meet pension payments in the long term.

The following graph shows the overall fund investment returns compared with the benchmark for the 10 years from 2008 to 2017. Over that whole period the Fund's investments achieved a return of 9.4% per annum against a benchmark of 8.0% per annum. Jersey RPI over the same period was 2.5% per annum meaning that the Fund's investments have achieved a real rate of return above Jersey RPI of 6.9% per annum.



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 the current investment strategy in terms of long-run asset allocation. The Fund is underweight in alternatives due to the time it takes to invest in these asset classes with these positions currently being built. The Statement of Investment Principles sets out in more detail the governing decisions about investments for the Fund this can be found on the Fund website at www.gov.je/teacherspensions.

Asset Class	JTSF %	Range %	Actual[1] %
Return seeking assets	**75.0**	**+/- 10.0**	**68.3**
Equities – Developed markets	45.0	+/- 10.0	49.6
Equities – Emerging markets	5.0	+/- 2	5.4
Alternatives	25.0	+/- 10.0	13.3
Risk reducing assets	**25.0**	**+/- 10.0**	**31.7**
Bonds & cash	10.0	+/- 10.0	13.3
Property	15.0	+/- 5.0	18.4

[1] As at 31 December 2017

During the year the Management Board reviewed its strategic asset allocation and as a result the following changes were implemented.

- The Fund's strategic allocation to property was reduced from 20% to 15% with a corresponding increase allocation to alternatives (20% to 25%);
- A specific allocation to emerging markets, of 5%, was introduced to the Fund's equity allocation.
- Initial investments were made in the opportunity pool with the aim of investing in non-traditional asset classes which exploit the illiquidity premium and provided returns uncorrelated to equities.
- Antin, GreenOak and Basalt were appointed as investment managers in the opportunity pool to enable the Fund to move towards its strategic asset allocation.

Conclusion

Over the last year the Fund's investments saw strong returns, with the managers delivering a return of 12.5% at the total fund level, outperforming its benchmark by 3.5%. The Fund increased in value by £49.0 million to £533.6 million at the end of the year.

The Management Board have continued to keep their strategic investment allocation under review and made changes where it is felt in the best interest of the Fund and its members in accordance with advice from the Investment Consultant. Initial investments were made in the opportunity pool with the aim of exploiting the illiquidity premium and achieving returns uncorrelated to equities in the future.

During the last year the actuarial valuation was progressed by the Fund Actuary. As at 31 December 2016 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 106.3%. The Fund had a surplus of £35.1 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 PEPT completed 88% 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
Chairperson of the Management Board
10 May 2018

Fund Account for the year ended 31 December 2017

Dealing with Members		Notes	2017 (£'000)	2016 (£'000)
Payments In	Employer contributions		9,111	9,116
	Employee contributions		3,108	3,129
	Total Contributions	**4**	**12,219**	**12,245**
	Transfers in	19	1,166	886
			13,385	**13,131**
Payments out	Benefits	5	21,337	20,337
	Payments to and on account of leavers		51	42
	Transfers out		1,768	48
	Administrative expenses	6	568	517
			23,724	**20,944**
	Net withdrawals from dealings with members		**(10,339)**	**(7,813)**
Net returns on investments				
Investment administrative expenses		7	(81)	(84)
* CIF expenses included in the calculation of the NAV		8	(4,174)	(2,427)
* Change in Market Value of Investments (CIF)			63,553	65,093
Change in Market Value of CIF Investments		9	59,379	62,666
	Net returns on investments		**59,298**	**62,582**
Net increase in the Fund's assets during the year			48,959	54,769
Opening net assets			484,591	429,822
	Closing net assets		**533,550**	**484,591**

*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 2017

Investment assets	Notes	2017 (£'000)	2016 (£'000)
Units in the Common Investment Fund	10	532,022	482,643
Additional Voluntary Contributions	19	1,166	-
Total investment assets		**533,188**	**482,643**
Current assets	14	1,386	2,078
Current liabilities	15	(1,024)	(130)
Total net assets available for benefits		**533,550**	**484,591**

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 page 7 of the Annual Report, and these Financial Statements 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 24 form part of these Financial Statements.

Richard Bell
Treasurer of the States
10 May 2018

Gordon Pollock, BSc FFA
Chairperson of the Management Board

These Financial Statements were received and approved on behalf of the Management Board on 10 May 2018.

Notes to the Financial Statements for the year ended 31 December 2017

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”).

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) 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.

b) 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.

c) 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.

d) Management, performance fees and other expenses

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

Since moving into the CIF all expenses borne by the CIF are included in the change in net asset value of the units; a breakdown of these expenses is included in note 8 for information.

e) 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.

f) 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.

g) Currency

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

h) Other expenses

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

4. Contributions

States Employees	2017 (£'000)	2017 (£'000)	2016 (£'000)	2016 (£'000)
Employers				
Normal	7,600		7,627	
		7,600		**7,627**
Employees				
Normal	2,580		2,608	
Additional voluntary contributions	13		9	
		2,593		**2,617**
Accepted Schools				
Employers				
Normal	1,511		1,489	
Employees				
Normal	515		512	
		2,026		**2,001**
Total Contributions		**12,219**		**12,245**

The employer's contribution rate includes 5.6% towards repayment of the Pension Increase Debt.

5. Benefits

	2017 (£'000)	2016 (£'000)
Pensions	18,477	17,375
Commutations and lump sum retirement benefits	2,860	2,811
Death benefits	-	151
Total Benefits	**21,337**	**20,337**

6. Administrative Expense

	2017 (£'000)	2016 (£'000)
Salaries and office costs	300	333
Actuarial fees	154	61
Audit fees	34	30
Legal fees	19	21
Chairperson and secretary fees	55	64
Other expenses	6	8
Total Administrative Expenses	**568**	**517**

7. Investment Administrative Expenses

	2017 (£'000)	2016 (£'000)
Custodian expenses	39	35
Investment advisory expenses	42	49
Total Investment Administrative Expenses	**81**	**84**

8. Common Investment Fund (CIF) Expenses

	2017 (£'000)	2016 (£'000)
Custodian expenses	50	69
Investment advisory expenses	85	60
Investment management expenses	4,000	2,280
Security lending fees	12	15
Other investment expenses	27	3
Total CIF Expenses	4,174	2,427

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 3d.

9. Reconciliation of Net Investments

	Note	Value at 1.1.17 (£'000)	Purchases at cost (£'000)	Sales proceeds (£'000)	Change in Market Value (£'000)	Value at 31.12.17 (£'000)
CIF Units	10	482,643	34,905	(44,905)	59,379	532,022
Additional Voluntary Contributions		-	1,166	-	-	1,166
Total Investments Units		**482,643**	**36,071**	**(44,905)**	**59,379**	**533,188**

10. Pooled Investment Vehicles

	2017 (£'000)	2017 % of CIF pool	2016 (£'000)	2016 % of CIF pool
Common Investment Fund				
Legal & General Global Equity	-	-	16,358	8.7
Unigestion/AQR Emerging Market Equity	28,977	13.8	24,002	12.5
Active Global Equity	263,573	19.4	245,890	18.7
Absolute Return Bond	60,939	11.1	43,180	16.5
Absolute Return	63,909	16.5	62,234	10.5
Threadneedle & Blackrock Property	99,671	100.0	90,913	100.0
Opportunities Pool	6,944	25.0	-	-
RLAM Long Term Cash Pool	8,009	2.7	66	>0.1
Total CIF	532,022		482,643	

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

11. 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.

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.

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

	Level			
Investment assets	1 (£'000)	2 (£'000)	3 (£'000)	2017 Total (£'000)
Pooled investment vehicles	178,003	122,556	231,463	532,022
Additional Voluntary Contributions	-	-	1,166	1,166
Total investments	**178,003**	**122,556**	**232,629**	**533,188**

Analysis for the prior year end is as follows:

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

12. 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:

Credit risk: 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 (excluding Additional Voluntary Contributions) are affected by financial risks:

	Market Risk				2017 Value (£m)	2016 Value (£m)
Asset Category	Credit	Currency	Int Rate	Other		
Pooled Funds						
Equities		✓		✓	292.5	286.2
Property	✓		✓		99.7	90.9
Bonds	✓	✓	✓		60.9	43.2
Alternatives	✓	✓		✓	70.9	62.2
Cash	✓		✓	✓	8.0	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 table on page 12 details the current investment strategy of the Fund.

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.

	2017 (£m)	2016 (£m)
HSBC	1.0	1.0
Northern Trust	8.0	0.1
Absolute return bond pool	60.9	43.2

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 compliant 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 67.0% of the total investment portfolio (2016: 72.2%).

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 £679,746 (2016 £1,049,000) in this account.

13. Concentration of investments

The Fund invests in a range of pooled funds which at an underlying level contain a wide range of diversified investment holdings, for example the largest holding Active Global Equity contains over 500 underlying stocks controlled by a number of investment managers. The pooled investment funds that account for more than 5% of the net assets of the Fund were:

	2017 £'000	2017 %	2016 £'000	2016 %
Active Global Equity	263,573	50%	245,890	51%
Threadneedle & Blackrock Property	99,671	19%	90,913	19%
Absolute Returns	63,909	12%	62,234	13%
Absolute Return Bond	60,939	11%	43,180	9%
Unigestion/AQR Emerging Market Equity	28,977	5%	24,002	5%

14. Current Assets

	2017 (£'000)	2016 (£'000)
Contributions due	703	1,011
Cash balances	680	1,049
Other debtors	3	3
Advances to States of Jersey	-	15
	1,386	**2,078**

15. Current Liabilities

	2017 (£'000)	2016 (£'000)
Other creditors	114	130
Advances from States of Jersey	910	-
	1,024	**130**

16. Contingencies and Commitments

In the opinion of the Trustees, the Fund had no contingent liabilities at 31 December 2017 (2016: nil).

As at 31 December 2017 there was a planned commitment of approximately £50,000,000 (2016: £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.

17. Related party transactions

The Treasury & Resources 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 £910,493 was owed to the States of Jersey (2016: £15,020 was owed by the States of Jersey) in respect of transactions with the Treasury and Resources Department. During the year an amount of £295,865 (2016: £308,617) was paid to the States of Jersey in respect of the services provided. The Chairperson and Secretary to the Management Board receive remuneration as detailed in note 6, the Chairperson is a member of the TAP for which he receives remuneration. Within the Management Board there are 4 active (2016: 4) and 2 pensioner members (2016:2). There were no other related party transactions identified during the year.

18. 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 £40,905 (2016: £51,392) was received. This amount has been included in the change in the market value of the CIF pool in which the stock lending occurs. During the year to 31st December 2017 stock lending ceased across the portfolio.

19. Additional Voluntary Contributions

The requirement to include the assets externally managed by the Prudential for AVCs was identified during the year, leading to the assets to be disclosed on the statement of net assets available for benefits. During the year 11 members contributed £14,534 into an Additional Variable Contribution Scheme Managed by the Prudential Assurance Company Limited. At year end the total value of this policy was £1,166,480.

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;
- show a true and fair view of the financial transactions of the Fund during the year ended 31 December 2017, 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 (United Kingdom Accounting Standards comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law); and
- have been properly prepared in accordance with the Teachers’ Superannuation (Administration) (Jersey) Order 2007.

We have audited the financial statements, included in the annual report, which comprise: the statement of net assets available for benefits as at 31 December 2017; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

<u>Independence</u>

We remained independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, and we have fulfilled our responsibilities in accordance with these requirements.

<u>Conclusions relating to going concern</u>

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Treasurer’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund’s ability to continue as a going concern.

Reporting on other information

The other information comprises all the information in the annual report other than the financial statements and our auditors’ report thereon. The Treasurer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Management Board and the Treasurer of the States for the financial statements

As explained more fully in the statement of responsibilities, the Treasurer is responsible for ensuring that the financial statements are prepared and for being satisfied that they show a true and fair view. The Treasurer is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the scheme, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
10 May 2018

Statement of responsibilities

Responsibilities in respect of the Financial Statements

The financial statements, which are prepared in accordance with United Kingdom 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 require, and the Treasurer is responsible for ensuring, that those financial statements:

- 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; and
- contain the information specified in the Teachers’ Superannuation (Administration) (Jersey) Order 2007, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Treasurer is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Fund will continue as a going concern.

The Treasurer is also responsible for making available certain other information about the Fund in the form of an annual report.

The Treasurer also has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it 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

Name of Fund: Jersey Teachers' Superannuation Fund

Effective Date of Valuation: 31 December 2016

1. Security of prospective rights

It is our opinion that, on a going concern basis, the resources of the Fund are likely in the normal course of events to meet in full the liabilities for current members of the Fund as they fall due, assuming all future increases to pensions and deferred pensions effective on or after 1 January 2017 will be in line with the annual increase in the All Items Retail Prices Index for Jersey (Jersey RPI).

This opinion is based on the financial position of the Fund at the effective date, 31 December 2016, and does not take account of more recent developments. Our report on the valuation of the Fund as at 31 December 2016 was signed on 23 February 2018.

The valuation report disclosed a surplus of £35.1M at the effective date of the valuation, equivalent to a funding ratio (assets divided by the present value of the liabilities) of 106.3%. This relates to past service and future service benefits for current members and takes account of the 'pension increase debt' as an asset of the Fund in line with its calculated value at 31 December 2016 of £111.9M.

The pension increase debt relates to the shortfall that arose in the Fund as a result of a decision by the States of Jersey effective in 2007 to pay pension increases (both those already awarded, and those due in future) from the Fund. The detail of the mechanism for repayment of this debt is yet to be agreed between the Fund's Management Board and the States of Jersey. For the purposes of the valuation it was assumed that 5.6% of salaries, out of the overall contributions payable under the Orders governing the Fund, is allocated to meet the pension increase debt.

Based on the above allocation to meet the pension increase debt, the valuation disclosed a shortfall of 3.1% of salaries in the overall contributions payable under the Orders governing the Fund compared to the contributions that would be required to meet benefits for future joiners.

The Fund's Management Board is continuing discussions with the States of Jersey on the appropriate mechanism for repayment of the pension increase debt.

A further valuation is planned to be carried out as at 31 December 2018.

2. Security of accrued rights on discontinuance

It is our opinion that, on a discontinuance basis, the Fund's assets at the effective date were sufficient to cover 95% of its accrued liabilities as at that date, based on pension increases equal to the minimum increases specified in the Orders governing the Fund i.e. nil increases. This assumes that the Fund discontinued on the valuation date, even though the Orders currently governing the Fund do not envisage the Fund's discontinuance (i.e. the future accrual of benefits and payment of contributions into the Fund being discontinued).

By accrued liabilities we mean benefits arising in respect of pensioners, deferred pensioners and active members for service prior to the effective date, on the basis that all active members are treated as if they had terminated pensionable service on the effective date with entitlement to deferred pensions.

The above opinion assumes that, should there ever arise any question of the Fund's discontinuance, the pension increase debt would be paid off in full by the States of Jersey at that point or over an appropriate period of time.

3. Further information

Further information underlying this statement is set out in the Appendix to this statement.

Jonathan Teasdale
Fellow of the Institute and Faculty of Actuaries
Aon Hewitt Limited

10 April 2018

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

PEPT: The Public Employees Pension Team, a section of the States of Jersey Treasury & Resources department who perform the day to day administration of the Fund.

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 know someone who would like this document in another format please let us know

All published documents are available from the Public Employees Pension Team.

Call us on (01534) 440227

Alternatively, you may wish to email us: pept@gov.je

Jersey Teachers' Superannuation Fund
Public Employees Pension Team
Cyril Le Marquand House
PO Box 353
St Helier
Jersey
Channel Islands
JE4 8UL

Opening times: Monday to Friday from 9am to 5pm

Website www.gov.je/statesemployeespension

Details of the Common Investment Fund

The Statement of Recommended Practice, 'Financial Reports of Pension Schemes (November 2014) requires that an 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 standalone 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. 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 2017 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 2017

	2016 CIF Total (£,000)	2017 CIF Total (£,000)	2017 CIF Non JTSF (£,000)	2016 CIF - JTSF (£,000)	2017 CIF - JTSF (£,000)
Revenue					
Investment Income	(47,506)	(49,563)	(41,437)	(8,070)	(8,126)
Change in Fair Value of financial Assets held at Fair Value through Profit and Loss	(436,041)	(320,848)	(265,421)	(57,261)	(55,427)
Total Revenue	**(483,547)**	**(370,411)**	**(306,858)**	**(65,331)**	**(63,553)**
Expenditure					
Supplies and Services	21,831	23,809	19,666	2,409	4,143
Other Operating Expenditure	1,837	1,837	1,834	3	3
Foreign Exchange Loss/(Gain)	1,483	441	413	253	28
Total Expenditure	**25,151**	**26,087**	**21,913**	**2,665**	**4,174**
Net Revenue Income	**(458,396)**	**(344,324)**	**(284,945)**	**(62,666)**	**(59,379)**

Statement of Financial Position as at 31 December 2017

	2016 CIF Total (£,000)	2017 CIF Total (£,000)	2017 CIF Non JTSF (£,000)	2016 CIF - JTSF (£,000)	2017 CIF - JTSF (£,000)
Non-current Assets					
Equity	1,319,504	1,273,213	1,107,685	180,329	165,528
Pooled Investment Vehicles	1,678,044	1,828,341	1,491,205	299,751	337,136
Other Assets	57,213	55,413	55,413	-	-
Total non-current Assets	**3,054,761**	**3,156,967**	**2,654,303**	**480,080**	**502,664**
Current Assets					
Investments held at Fair Value through Profit and Loss	258,394	381,121	373,132	66	7,989
Derivative Financial Instruments expiring within one year	-	4,182	3,472	-	710
Trade and Other Receivables	3,694	3,943	3,703	121	240
Cash and cash Equivalents	31,671	151,027	130,278	3,496	20,749
Total Current Assets	**293,759**	**540,273**	**510,585**	**3,683**	**29,688**
Current Liabilities					
Trade and Other Payables	(2,728)	(2,158)	(1,827)	(423)	(330)
Derivative Financial Instruments expiring within one year	(3,990)	-	-	(697)	-
Total Current Liabilities	**(6,718)**	**(2,158)**	**(1,827)**	**(1,120)**	**(330)**
Assets Less Liabilities	**3,341,802**	**3,695,082**	**3,163,061**	**482,643**	**532,022**

Changes in Market Value of Investments by Pool

	Total CIF Investments held at Fair Value through Profit or Loss					JTSF
	Market Value 1 Jan 2017 (£,000)	Purchases (£,000)	Sales (£,000)	Unrealised Gains (Losses) (£,000)	Market Value 31 Dec 2017 (£,000)	Market Value 31 Dec 2017 (£,000)
Index Linked Bonds Pool	4,233	16	-	70	4,319	-
Short Term Government Bonds Pool	138,896	107,760	(109,530)	2,163	139,289	-
Long Term Cash and Cash Equivalents Pool	171,799	345,933	(224,691)	(114)	292,927	7,989
UK Equities II Pool	253,902	78,580	(73,934)	(3,748)	254,800	-
Passive Global Equities Pool	186,512	67,759	(97,736)	(7,484)	149,051	-
Pooled Property I Pool	90,983	2,898	-	5,712	99,593	99,594
Pooled Emerging Market Equity Pool	191,377	803	(9,018)	38,230	221,392	28,951
Absolute Return Bond Pool	409,404	54,000	-	1,853	465,257	52,053
UK Corporate Bond Pool	72,236	-	(21,310)	(2,044)	48,882	-
Pooled Property II Pool	92,886	3,033	(210)	6,187	101,896	-
Pooled Special Equity Pool	18,635	-	(411)	2,322	20,546	-
Absolute Return Pool	376,306	404	(5,678)	13,024	384,056	63,379
Active Global Equity	1,305,306	141,869	(153,153)	53,898	1,347,920	256,647
Infrastructure Investments	680	2,090	(2,770)	-	-	-
Opportunities Pool	-	9,346	(573)	(613)	8,160	2,040
CIF Total	**3,313,155**	**814,491**	**(699,014)**	**109,456**	**3,538,088**	**510,653**

Note: This table only includes the investments held at fair value through profit and loss in each pool, the total pool value also includes current assets and liabilities and may not equal the figure on the statement of net assets available for benefits.