

Pension Fund

1. Under Local Government Pension Scheme Regulations the County Council is required to maintain a Pension Fund for certain employees together with the majority of employees of District Councils and other bodies that were formerly under the control of Local Authorities, such as higher education establishments and the civilian employees of Leicestershire Police and Fire Authorities. Teachers, Firefighters and Police Officers all have their own schemes. In addition, certain other bodies are eligible to join if the County Council agrees, and a number of voluntary/charitable bodies and Loughborough University have obtained membership in this way. Membership of the scheme is optional for all employees, although a written election not to join must be made if employees wish to remain outside the scheme.

2. Actuarial Position:

Local Government Pension Funds, in common with other pension funds in both public and private sectors, have periodic valuations to assess the extent to which assets accumulated are adequate to meet future liabilities. To ensure that the fund remains financially sound to meet benefit payments, the actuary recommends the rate of employers' contributions on an individual employer basis for each employing body in the fund on a triennial basis.

The Council's actuary, Hymans Robertson and Co, completed the latest valuation, as at 31 March 2001. This review resulted in a requirement for the common contribution rate of employer's contributions to increase from 185% to 215% of an employee's contribution. This increase is being phased in over a period of up to 3 years commencing in 2002/03 and be completed in the 2004/05 financial year. This common rate for all employers is adjusted to reflect the individual circumstances of different employing bodies.

3. The average total employers rate during 2003/04 was approximately 201% (192% 2002/03) of the employees' rate. Thus for an employee paying 6% of earnings, the employer on average will pay 12.06% (11.52% 2002/03).

Fund Account for the Year Ended 31 March 2004

2002/03			2003/04	
£000		Notes	£000	£000
	Contributions and Benefits			
66,239	Contributions Receivable	3	74,840	
15,856	Transfers in	4	10,146	
82,095			84,986	
(46,411)	Benefits payable	5	(50,968)	
(11,499)	Leavers	6	(10,188)	
(922)	Administration Expenses	7	(927)	
(58,832)			(62,083)	
23,263	Net additions from dealings with members			22,903
	Returns on investments			
30,190	Investment income	8	29,504	
(302,546)	Change in market value of investments	9	247,067	
(2,670)	Investment management expenses	11	(3,102)	
(275,026)	Net returns on investments			273,469
(251,763)	Net increase/(decrease) in the fund during the year			296,372
1,344,463	Net assets of the scheme At 1 April			1,092,700
1,092,700	At 31 March			1,389,072

Net Assets Statement for the year ended 31 March 2004

2002/03			2003/04
£000		Notes	£000
	Investments	10	
29,129	Fixed interest securities		48,268
521,521	Equities		554,321
23,510	Index-linked securities		17,069
401,619	Managed and unitised funds		650,016
77,125	Properties		79,555
35,926	Cash deposits and equivalents		33,502
1,088,830			1,382,731
3,870	Current Assets and Liabilities	13	6,341
1,092,700	Net Assets of the Fund at 31 March		1,389,072

Notes to the Accounts

1. Introduction

The accounts have been prepared in accordance with the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" issued by the Pensions Research Accountants Group in July 1996.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

The actuarial position of the scheme is dealt with in the Pension Fund annual report.

2. Accounting policies

a) **Employers' Contributions**

Employers' Contributions are accounted for on an accruals basis at the percentage rates recommended by the Actuary. The rates paid during both 2002/3 and 2003/04 were set as part of the 2001 Actuarial Valuation.

b) **Investment Income**

Investment income is accounted for on an ex-dividend basis for all fixed interest investments and UK equity investments. Property rents are accounted for on the date that they become payable. Overseas equity income is accounted for on an 'as received' basis.

c) **Benefits**

Benefits are accounted for as and when they are paid.

d) **Death Grants, Transfer Values and Refunds of Contributions**

- i) Transfer values and Refunds of Contributions are accounted for on a cash basis.
- ii) Death Grants are accrued as being payable on the date of death.

e) **Valuation of Investments**

The Valuation of Investments is carried out as follows:

- i) All UK investments traded within SETS (An automated trading system operated by the London Stock Exchange) are valued using the last SETS traded price. All other UK investments are valued on the basis of middle market prices (average of buying and selling price at the close of trading),
- ii) Pooled investment funds are valued at mid point of the latest prices quoted by their respective managers prior to the year end,
- iii) Overseas investments are valued on the basis appropriate to the market concerned, using the closing rates of exchange at the year end,
- iv) Freehold and leasehold properties, other than the Fund's farm have been valued on an open market basis by Adrian Payne of Colliers CRE as at 31 March 2004. Mr Payne is an Associate of the Royal Institute of Chartered Surveyors.

- v) The Fund's farm property has been valued on an open market basis as at 31 March 2004 by Mr Andrew Coombe, Senior Land Agent of Leicestershire County Council. Mr Coombe is an Associate of the Royal Institute of Chartered Surveyors.
- vi) The Fund's last independent valuation of the property investments (excluding the farm) was carried out by James Dunn at ATIS Real Weatheralls as at 31 March 2002.

3. Contributions Receivable

	2002/03 £000	2003/04 £000
Employers		
Normal	42,352	48,344
Advanced payments for early retirements	1,439	2,027
Members		
Normal	22,069	24,051
Additional voluntary contributions	379	418
Total	66,239	74,840

4. Transfers In

	2002/03 £000	2003/04 £000
Individual transfers in from other schemes	15,856	10,146
Total	15,856	10,146

5. Benefits Payable

	2002/03 £000	2003/04 £000
Pensions	40,145	42,086
Lump sum retirement benefit	5,437	7,815
Lump sum death benefit	818	1,068
Net Benefits recharged	11	(1)
Total	46,411	50,968

6. Payments to and on account of leavers

	2002/03 £000	2003/04 £000
Refunds to members leaving scheme	369	449
Payments for members joining state scheme	125	223
Individual transfers to other schemes	11,005	9,516
Total	11,499	10,188

7. Administration Expenses

	2002/03 £000	2003/04 £000
Administration and processing	755	792
Actuarial fees	3	0
Legal and other professional fees	43	43
Computer system costs	121	92
Total	922	927

8. Investment Income

	2002/03 £000	2003/04 £000
Income from fixed interest securities	3,034	1,612
Dividends from equities	16,448	15,580
Income from index-linked securities	1,765	550
Income from managed or unitised funds	1,772	4,163
Net rents from properties	5,834	6,302
Interest on cash or cash equivalents	1,241	1,240
Net Currency Profit/(Loss)	(38)	(101)
Other	134	158
Total	30,190	29,504

9. Investments

	Value at 1 April 2003	Net Investments	Change In Market Value	Value at 31 March 2004
	£000	£000	£000	£000
Fixed interest securities	29,129	20,318	(1,179)	48,268
Equities	521,521	(103,260)	136,060	554,321
Index-linked securities	23,510	(7,481)	1,040	17,069
Managed and unitised funds	401,619	141,653	106,744	650,016
Properties	77,125	(1,613)	4,043	79,555
Cash & Cash Equivalents	35,926	(2,783)	359	33,502
	1,088,830	46,834	247,067	1,382,731

The change in the value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

10. Analysis of Investments

	2002/03 £000	2003/04 £000
Fixed interest securities		
UK public sector quoted	7,183	24,365
Overseas public sector	21,946	23,903
	29,129	48,268
Equities		
UK quoted	297,560	376,529
Overseas quoted	223,961	177,792
	521,521	554,321
Index Linked Securities		
UK quoted	23,510	17,069
Unitised Funds		
Property Funds	38,636	55,349
Unit Trust – Other	362,983	594,667
	401,619	650,016
Properties		
UK	77,125	79,555
Cash & Cash Equivalents		
Sterling Denominated	35,926	33,502
Total Investments	1,088,830	1,382,731

11. *Investment Management Expenses*

	2002/03 £000	2003/04 £000
Administration, management and custody	2,635	3,059
Performance measurement services	15	10
Other advisory fees	20	33
Total	2,670	3,102

12. *Property Investments*

	31 March 2003 £000	31 March 2004 £000
Freehold	60,040	62,630
Long Leasehold (over 50 years unexpired)	7,695	7,885
Short Leasehold (under 50 years unexpired)	9,390	9,040
Total	77,125	79,555

13. *Current Assets & Liabilities*

	2002/03 £000	2003/04 £000
Contributions due from employers	3,390	3,469
Cash Balances	28	18
Net securities settlements outstanding	(2,347)	(321)
Tax recoverable	207	136
Income accrued	3,811	3,797
Other Debtors	60	363
Owed to Leicestershire County Council	(207)	67
Fund Management Fees Outstanding	(643)	(700)
Other Creditors	(429)	(488)
Total	3,870	6,341

14. *Related Party Transactions*

From the information currently available there were no material transactions with related parties in 2003/04.

15. *Contingent Liabilities*

At 31 March 2004, the Fund had the following contractual commitments:-

- (i) Undrawn commitments totalling \$105,859,500 (£57,599,641) to seven different pooled private equity funds managed by Adams Street Partners
- (ii) An undrawn commitment of £3,600,000 to the East Midlands Regional Venture Capital Fund.

Glossary of Terms

AGENCY

The provision of a service by an authority on behalf of another authority which is legally responsible for providing that service. The authority providing the service in the first instance is reimbursed by the responsible authority.

CAPITAL RECEIPTS

Income from the sale of capital assets. Such income may only be used to repay loan debt or to finance new capital expenditure.

CAPITAL RESERVE

An internal reserve of the Council which is used to generate monies for financing capital expenditure thus avoiding the need to borrow externally.

COLLECTION FUND

The fund administered by each authority collecting Council Tax (district councils in shire areas). The County Council precepts on these funds to finance its net expenditure after taking into account other sources of income, e.g. Government Grants, National Non-Domestic Rate income and charges for services.

CORPORATE & DEMOCRATIC CORE

Consists of costs of democratic representation and corporate management.

CREDITORS

Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the end of the financial year.

DEBTORS

Amounts due to the Authority but unpaid at the end of the financial year.

DEFERRED CHARGES

An item in the Balance Sheet where there is no tangible asset, an example being; deferred revenue costs where a government department has given approval to capitalise and spread the costs over a number of years.

DISTRICT AUDITOR

An officer of the Audit Commission, a body appointed to provide an independent examination of the accounts of a local authority.

EMOLUMENTS

All sums paid to an employee, including expenses and allowances, chargeable to UK income tax and the monetary value of any other benefits received other than in cash. Pension contributions payable by either employers or employees are excluded.

FINANCIAL REPORTING STANDARD (FRS)

A statement of common accounting practice, devised by the Accounting Standards Board (itself a division of the Financial Reporting Council), which is applicable to the majority of large organisations, both public and private sector.

GENERAL COUNTY FUND

The main revenue fund of the County Council. Precept income, National Non-Domestic Rate income and government grants are paid into the fund, from which the cost of providing services is met.

IMPAIRMENT

A loss in the value of a fixed asset, arising from physical damage such as a major fire or a significant reduction in market value.

INFRASTRUCTURE

The network of roads, bridges, sewers, lighting etc.

LEASING

A method of financing the acquisition of assets, notably equipment, vehicles, plant, etc.

There are two forms of lease:

- (i) A finance lease involves payment by the lessee (the user) of the full cost of the asset together with a return on the finance provided by the lessor, usually payable over the anticipated life of the asset.
- (ii) An operating lease involves the payment of a rental by a lessee for a period, which is normally less than the useful economic life of the asset.

LONG TERM BORROWING

Loans raised to finance capital spending which have still to be repaid.

NON DISTRIBUTED COSTS

Costs which comprise pension scheme past service costs, settlements and curtailments.

NON-OPERATIONAL ASSETS

Assets held by the Authority but not directly used for the provision of services, e.g. assets surplus to requirements, commercial properties, and assets under construction.

PRECEPTS

The income which the County Council requires from the collection funds of the district councils.

PROVISION

An amount set aside for any liabilities or losses of uncertain timing or amount that have been incurred.

PUBLIC WORKS LOAN BOARD (PWLB)

A government body from which local authorities may raise long term loans, usually at advantageous interest rates.

REVENUE SUPPORT GRANT (RSG)

Grant paid by the Government in respect of general local authority expenditure.

RECHARGE

The transfer of costs from one service account to another.

RESERVE

An amount set aside for purposes falling outside the definition of a provision.

REVENUE FUNDING OF CAPITAL

The financing of capital expenditure by a direct contribution from revenue.

REVENUE

Expenditure that the County Council incurs on the day to day running costs of its services including salaries and wages, running expenses of premises and vehicles as well as the annual payment of capital charges. The expenditure is financed from charges for services, government grants and income from Council Tax and National Non-Domestic Rates.

SERVICE LEVEL AGREEMENT (SLA)

An agreement between users and providers of support services which specifies the service to be provided and the charge to be made.

SPECIFIC GRANTS

Grants paid by the Government for a particular service, e.g. Probation, Magistrates Courts.

STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP)

A statement of common accounting practice, devised by the Accounting Standards Board (itself a division of the Financial Reporting Council), which is applicable to the majority of large organisations, both public and private sector. SSAP's are being progressively replaced by Financial Reporting Standards.

TRUST FUNDS

Funds administered by the County Council for such purposes as charities, prizes and specific projects.