Introduction

This leaflet is a summary of our report and accounts for April 2003 to March 2004. At the time of writing, the audit of the accounts was still in progress.
We send copies of the full report and accounts to all the authorities and organisations that employ members of the pension fund and to others who have an interest in it.

This has been a better year for the Pension Fund. Share prices recovered, increasing the value of the fund’s investments - and it looks likely that the improvement will continue in 2004/05. Prospects for pensioners and members are still good. The existing benefits the fund pays are protected by law.

You can get a copy of the full report and accounts from Geoff Reader, Strategic Adviser – Treasury & Pension Fund, by phoning 01234 228562 or on the internet via www.bedfordshire.gov.uk/pensions.

Definitions

Throughout this leaflet, ‘we’ and ‘our’ mean Bedfordshire County Council as the organisation responsible for the Bedfordshire pension fund.
‘You’ and ‘your’ mean pensioners or the members who pay into the pension fund.

Representation

We are looking for a member representative to join the investment panel and help with the investment decisions that the panel has to make. This person is likely to be a member of the fund or a pensioner; and have some previous experience of how the pension fund works. If you would like to be considered for this role, please contact Geoff Reader, Strategic Adviser – Treasury & Pension Fund on 01234 228562 or by e-mail at pension.fund@bedscc.gov.uk

How the scheme works

We look after the Bedfordshire Pension Fund for our pensioners and employees. We also look after it for the pensioners and employees of the local borough and district councils, and other organisations in Bedfordshire.

Teachers are not members of our pension fund and have a separate pension scheme.
The fund receives:

- contributions from employers and employees; and
- income from its investments.

We use this income to pay for the pensions.

<table>
<thead>
<tr>
<th>Sources of Fund Income 2003/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Contributions</td>
</tr>
<tr>
<td>Employer Contributions</td>
</tr>
<tr>
<td>Transfers to the Fund</td>
</tr>
<tr>
<td>Investment Income</td>
</tr>
<tr>
<td>Total Fund Income</td>
</tr>
</tbody>
</table>
Membership
From April 2003 to March 2004, the number of contributing members increased by 602, while the number of pensioners increased by 232. The following table shows these changes.

<table>
<thead>
<tr>
<th></th>
<th>31 March 2003</th>
<th>31 March 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active members</td>
<td>14,481</td>
<td>15,083</td>
</tr>
<tr>
<td>Pensioners</td>
<td>8,960</td>
<td>9,192</td>
</tr>
<tr>
<td>Deferred pensioners</td>
<td>6,490</td>
<td>7,211</td>
</tr>
<tr>
<td>Total</td>
<td>29,931</td>
<td>31,486</td>
</tr>
</tbody>
</table>

Contributions
If you have joined the pension fund since 1 April 1998, you will contribute 6% of your pay before deductions whatever your job. If you joined the fund before 1 April 1998, you will contribute:

- 6% of pay before deductions if you are an officer; or
- 5% of pay before deductions if you are a manual worker.

Every three years the fund’s actuary will look at the fund to decide how much each employer should be paying for the following three years to keep the fund in a healthy financial position. Each employer will contribute a different amount depending on their circumstances. Every employer pays more into the fund than their employees.

Employers’ contributions for the period April 2003 to March 2004 were based on the actuary’s valuation that was carried out on 31 March 2001.

<table>
<thead>
<tr>
<th>Fund Expenditure 2003/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensions and other benefits</td>
</tr>
<tr>
<td>Transfers from the fund</td>
</tr>
<tr>
<td>Investment management costs</td>
</tr>
<tr>
<td>Administration costs</td>
</tr>
<tr>
<td>Total Fund Expenditure</td>
</tr>
</tbody>
</table>

Benefits
If you have paid into the fund and have retired, you can receive a lump sum and a pension. Benefits paid by the Local Government Pension Scheme are protected by law.

Our pension fund is a ‘defined benefit final salary’ scheme. This means that your pension is normally based on the salary you were earning in the 12 months just before you retired and on the number of years you have paid contributions.

We have explained full details of all the benefits in the scheme booklet ‘A Guide to the Local Government Pension Scheme’. You can get a copy of the booklet from Claire Bennett, Pensions Administration Manager, by phoning 01234 228873.

Managing investments
We look after the fund so that money comes into it from contributions and investment income. When these bring in more money than we pay out in benefits, this gives us extra money that we can invest to provide more income for the fund to pay for future years’ pensions. We invest this money in shares in a number of UK and overseas companies, fixed-interest securities and properties.

The Chief Finance Officer is responsible for arranging how this money is invested. He is supported by an investment panel made up of members of Bedfordshire County Council and advisers. The panel meets regularly to review and monitor how the fund’s investments are doing.

We appoint independent investment managers to decide how to invest the fund day to day. Each manager looks after a different type of investment, for example shares or fixed interest securities. You will find details of the managers and the investments they manage on page 10.
Statement of Investment Principles
The law says that we must have a ‘Statement of Investment Principles’. This describes how the investment panel makes decisions about the fund’s investments. Our statement of investment principles also says how we have kept to the guidelines that the Myners’ report says we must follow in the way we operate the fund. You can get a copy of the statement of investment principles from Geoff Reader, Strategic Adviser – Treasury & Pension Fund, by phoning 01234 228562 or on the internet at www.bedfordshire.gov.uk/pensions.

Investment performance
We arrange for our pension fund to be compared regularly with other public and private pension funds. We measure how it is doing based on comparisons with other pension funds given to us by Russell/Mellon Combined Actuarial Performance Services Ltd. (CAPS).

The market value of our pension fund investments on 31 March 2004 was £681 million. This is an increase in the year of £148 million. The main reason for this increase is that the value of company shares on the stock market has risen.

During 2003 the fund made a return of 15.7%. This is lower than the average of 17.6% given by CAPS. Over the 10-year period to the end of 2003, the fund made a return of 5.5%, the same as the average given by CAPS.

Self-investment
There are government regulations controlling how we can invest our pension fund. These say that we must let you know if we invest in our own organisation (that is, in Bedfordshire County Council). On 31 March 2004 we did not have any money invested in this way. In the past the fund has held cash in a bank account in the name of Bedfordshire County Council, but now it has its own separate bank account.

Fund Accounts
A summary of our accounts for the year April 2003 to March 2004 follows.

Tony Brown
Chief Finance Officer
Fund account for the year ended 31 March 2004

1 April 2002 to 31 March 2003  1 April 2003 to 31 March 2004

Contributions and benefits
Contributions from:

Employees £ 12,335,000 £ 13,291,000
Employers £ 32,297,000 £ 42,757,000
Transfers from other schemes £ 8,743,000 £ 10,189,000
Other income £ 14,000 £ 53,389,000 £ 17,000 £ 66,254,000

Pensions and benefits £(37,335,000) £(41,322,000)
Payments to and on account of those leaving the scheme £(8,017,000) £(7,838,000)
Administration £(670,000) £(46,022,000) £(804,000) £(47,746,000)

Spending (after deductions) from dealings with members £ 7,367,000 £ 18,508,000

Returns on investments
Income from investments £ 18,835,000 £ 15,715,000
Change in the market value of investments £(165,819,000) £111,185,000
Investment management expenses £(1,229,000) £(148,213,000) £(1,341,000) £(125,559,000)

Increase in the fund (after deductions) £(140,846,000) £144,067,000
Assets on 1 April (after deductions) £ 703,765,000 £ 562,919,000
Assets on 31 March (after deductions) £ 562,919,000 £ 706,986,000

Statement of assets (after deductions)
as at 31 March 2003 as at 31 March 2004

Investments
Fixed interest investments £ 68,824,000 £ 36,490,000
Shares £293,761,000 £377,971,000
Index-linked investments £ 12,985,000 £ -
Managed and unitised funds £116,656,000 £216,197,000
Property Unit Trusts £ 39,406,000 £ 43,005,000
Property £ 1,500,000 £ 1,500,000
Other £ - £ 5,603,000

£533,132,000 £680,766,000

Current assets
Debtors £ 8,242,000 £10,276,000
Cash £22,361,000 £20,181,000

£30,603,000 £30,457,000

Current liabilities
Receipts in advance £ 28,000 £ 33,000
Creditors £ 788,000 £ 4,204,000

£ 816,000 £ 4,237,000

Current assets (after deductions) £ 29,787,000 £ 26,220,000

Assets of the scheme on 31 March (after deductions) £562,919,000 £706,986,000

Five year financial summary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£ millions</td>
<td>£ millions</td>
<td>£ millions</td>
<td>£ millions</td>
<td>£ millions</td>
</tr>
<tr>
<td>Assets on 1 April (after deductions)</td>
<td>656.8</td>
<td>736.3</td>
<td>707.5</td>
<td>707.5</td>
<td>562.9</td>
</tr>
<tr>
<td>Contributions and investment</td>
<td>64.9</td>
<td>63.4</td>
<td>67.0</td>
<td>70.9</td>
<td>84.2</td>
</tr>
<tr>
<td>Less benefits and other expenses</td>
<td>(41.9)</td>
<td>(46.5)</td>
<td>(44.3)</td>
<td>(45.9)</td>
<td>(51.3)</td>
</tr>
<tr>
<td>Change in market value of investments</td>
<td>56.5</td>
<td>(45.7)</td>
<td>(26.5)</td>
<td>(165.8)</td>
<td>111.2</td>
</tr>
<tr>
<td>Assets on 31 March (after deductions)</td>
<td>736.3</td>
<td>707.5</td>
<td>707.5</td>
<td>562.9</td>
<td>707.0</td>
</tr>
</tbody>
</table>
Glossary

**Actuary**
An independent consultant who advises on the financial position of the fund.

**AVCs**
An option for members to have extra pension benefits by making regular payments on top of their normal contributions.

**Creditor**
A person or organisation that we owe money to.

**Debtor**
A person or organisation that owes us money.

**Fixed interest securities**
Investments, mainly in government stocks, which guarantee a fixed rate of interest. They represent a loan to the government, or a company, which normally must be repaid at a future date. They can be bought and sold on the stock exchange.

**Index-linked investments**
Government stocks that have a value linked to the cost of living.

**Managed and unitised funds**
Investments in unit trusts and pooled funds

**Myers’ Report**
A Government backed report that advises trustees of pension funds how to follow best practice when they make investment decisions.

**Property Unit Trust**
A pooled fund that specialises in investing in property.

**Receipts in advance**
Rent from the fund’s property for April 2004 to June 2004 that was paid in March 2004.

**Return**
The total gain, or loss, from holding an investment over a given period. It includes income received as well as increases or decreases in market value.
Investment panel at 31 March 2004

Councillor Roger Gwynne Jones (Chairman)
Councillor Mrs Angela Roberts
Councillor Mrs Madeline Russell
Councillor Alan Carter
Councillor Peter Snelling

Chief Finance Officer Tony Brown

Independent Adviser John Martin

Investment managers at 31 March 2004

Barclays Global Investors – Passive multi-asset
Henderson Global Investors – Active UK equities
Bank of Ireland Asset Management – Active overseas equities
Deutsche Asset Management – Active fixed interest
Ing Real Estate Investment Management – Indirect property

Custodians

The Northern Trust Company

Investment Consultant

Watson Wyatt Partners

Property advisers

Ing Real Estate Investment Management

Actuary

Hymans Robertson

AVC providers

The Standard Life Assurance Company
Nationwide Building Society

If you have any questions, please contact the following.

Accounts and investments -
Geoff Reader, Strategic Adviser - Treasury & Pensions.
Phone: 01234 228562

Benefits and contributions -
Claire Bennett, Pensions Administration Manager.
Phone: 01234 228873

If you would like a copy of the report and accounts, the ‘Guide to Local Government Pension Scheme’, the ‘Statement of Investment Principles’ or any other information, please contact either of the above, or visit our website, www.bedfordshire.gov.uk/pensions.