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FOREWORD
By Cllr. Roger Gwynne Jones, Chairman of the Investment Panel

It gives me great pleasure to introduce the Bedfordshire County Council Pension Fund Annual Report and Accounts for 2003/04.

Pensions, and the Local Government Pension Scheme (LGPS) in particular, are very much “hot potatoes” at the moment. There has been criticism of the LGPS for feather-bedding Council staff pensions at the expense of the Council Taxpayer. However, the Government is committed to maintaining a defined benefit LGPS scheme so is now looking at possible ways to reduce the cost of providing these pensions. They are consulting widely with interested parties on possible changes, examples being whether to raise the employee contributions or raising the minimum age at which pensions may be drawn. Faced with what may seem an erosion of their future benefits, it is worth reminding members of the enormous benefit of a defined benefit scheme. They are costly, which is why so many private employers have closed theirs in recent years.

Every three years the fund is subject to an actuarial valuation to assess both its current value and its liabilities in order to establish a realistic employers’ contribution rate for the next three years. This year’s valuation has just been concluded and preliminary results confirm suspicions that employers’ contributions will have to increase. The Investment Panel and the actuary are working together to seek ways to minimise both the costs to each employer and of course the impact on Council Tax.

When I wrote the foreword to last years’ Report and Accounts, the stock markets were making a recovery from their low point in March 2003. I am glad to be able to say that the recovery continued and that our pension fund regained most of the value that it had lost in 2002-03. The market value of the fund at 31 March 2004 was £707M, up £144M on the previous year. The stock markets now seem to have settled down after a couple of very difficult years and I can only hope that they remain that way.

Despite the welcome increase in market value, the fund under-performed its benchmark, achieving a return of 15.7% compared to the benchmark of 17.6%. I and my colleagues on the Investment Panel are always seeking ways to improve the fund’s performance and in January 2004 we appointed a new fund manager, Deutsche Asset Management, to take over the fixed interest portfolio. It is early days yet, but their initial results are encouraging. The trustees constantly monitor the performances of the several fund managers.

During 2003-04, active contributors increased by just over 600 to 15,083 and pensioners by 230 to 9,192 and I thank the HBS staff for their administration of the payment of benefits.

I remain optimistic about the future of our pension fund and am confident that the Investment Panel, ably supported by Tony Brown our Chief Finance Officer, and Geoff Reader, Strategic Adviser, together with our investment managers, will steer the pension fund towards future prosperity both for the fund and its members. I am, as always, grateful for the interest taken and hard work undertaken by the ‘trustees’.

Roger Gwynne Jones
MANAGEMENT REPORT

- Management and Advisers
- Legal Framework and Administration
- Contributions and Benefits
- Membership
- Participating Employers
MANAGEMENT & ADVISERS

Administering Authority: Bedfordshire County Council

Administrator: Tony Brown, Chief Finance Officer

Investment Panel Members at 31 March 2004

County Council Members:
- Roger Gwynne Jones (Chairman)
- Mrs Madeline Russell
- Mrs Angela Roberts
- Alan Carter
- Peter Snelling

Chief Finance Officer: Tony Brown
Independent Adviser: John Martin

Investment Managers:
- Barclays Global Investors Ltd
- Henderson Global Investors Ltd
- Bank of Ireland Asset Management (UK) Ltd
- Ing Real Estate Investment Management
- Deutsche Asset Management Ltd

Custodian: The Northern Trust Company

Property Adviser: Ing Real Estate Investment Management

Investment Adviser:
- Peter Brackett
- Watson Wyatt Partners

Actuary:
- Douglas Anderson
- Hymans Robertson

External Auditor:
- Karen McConnell
- Audit Commission

AVC Providers:
- Standard Life Assurance Company
- Nationwide Building Society
LEGAL FRAMEWORK & ADMINISTRATION

The Scheme
The local government pension scheme is statutorily based and is governed by the Local Government Pension Scheme Regulations 1997 and subsequent amendments and regulations.

Role of the Investment Panel
The County Council’s responsibility as Administering Authority is undertaken via the Investment Panel, currently consisting of five council members, an independent adviser and the County Council’s Chief Finance Officer. They receive advice from other Council Officers, principally the Strategic Adviser – Pension Fund & Treasury, and from Watson Wyatt, Investment Advisers to the Fund. The membership of the Investment Panel at 31 March 2004 is shown on page 3. There were no changes to the composition of the Panel during the year.

The Panel supervises the overall arrangements for management of the Fund’s assets. It appoints external fund managers to manage the Fund’s assets and monitors their performance. The key principle in the prudent management of the Fund’s assets is maintaining the optimum balance between risk and return. The Panel seeks to achieve this by ensuring that its assets are spread over a variety of different asset classes, both in the UK and overseas, and with different managers.

Chief Finance Officer
The exercise of the County Council’s functions as administering authority is delegated to the Chief Finance Officer. This delegation includes the authority to appoint external managers to handle the day to day investment of the fund’s assets and the power to seek advice.

Changes in Legislation
There were no significant changes to Local Government pension scheme regulations during 2003/04.

Administration of the Scheme
The County Council is the administering authority and fund investment and administration is the responsibility of the Chief Finance Officer. The costs of administration and paying pensions and benefits are charged to the pension fund.

The local government pension fund administered by the County Council was established in 1974 to cover the future pension entitlements of all eligible employees of the County Council and the Borough and District Councils, other than teaching staff who have their own pension scheme. A number of other bodies also participate in the pension scheme as of right (scheduled bodies) or are admitted to the scheme following application for membership (admitted bodies).

With the advent of personal pensions, employees are free to choose whether to join or remain within the scheme or to make their own personal pension arrangements.

From 1 June 2001, Bedfordshire County Council contracted with a private sector organisation, HBS Business Services Group Ltd, for the provision of a range of services including the administration of the pension fund. The team of officers responsible for administering pension fund benefits transferred to HBS and continue to deliver the benefits administration service from County Hall. HBS became an admitted body in the Bedfordshire pension fund and all those transferring staff in the local government pension scheme retained that status on transfer.

The local government pension scheme is required to be ‘funded’, and is financed by contributions from employees and employers and by earnings from investments. Cash not immediately required to meet pensions and other benefits is invested in a selection of securities, equities and property. The pension fund must be sufficient to sustain the future pension entitlements of both past and present employees. This is achieved by adjusting the level of employers’ contributions every three years following an actuarial review of the fund by the fund’s actuary.
CONTRIBUTIONS AND BENEFITS

The pension fund provides for the payment of pensions and other benefits to eligible former employees of the participating bodies. The following summary is only an illustrative guide. Full details of benefits payable are explained in the scheme booklet “A Guide to the Local Government Pension Scheme”, available from the pensions administration division of HBS Group Ltd or on the internet at www.bedscc.gov.uk/pensions.

Contributions
Legislation requires regular three-yearly actuarial valuations of local authority pension funds to establish the annual contribution to be made by the employing bodies. The valuation on which the employers’ contributions for 2003/04 were based was carried out as at 31 March 2001. The employers’ contributions resulting from this valuation were implemented from 1 April 2002 (see also Report of the Actuary on page 14).

Employees contribute to the scheme generally at a rate of 6% of gross pay (excluding casual overtime) if their duties are administrative, professional, technical or clerical and 5% of gross pay (excluding casual overtime) if their duties are other than these. As from 1 April 1998, all new members to the scheme contribute at 6%, whatever the nature of their duties.

Employers make a contribution to the fund at a common (or primary) contribution rate, related to the employees' contributions. The actuary determines the common rate of contribution at the time of valuation, having regard to any statutory requirements then in force. A secondary employer’s contribution rate is calculated for each employing body to reflect their particular individual circumstances.

The administering authority is also required to enable employees to make additional voluntary contributions (AVCs) to obtain enhanced pension benefits. The Standard Life Assurance Company and Nationwide Building Society have been appointed to provide this facility.

Pension Benefits
The local government pension scheme is a “defined benefit final salary” scheme, with employees' pensions and benefits determined in accordance with statute and regulation. The annual pension and the retirement lump sum are based on length of service and, usually, the final twelve months pay.

Pension is paid at a rate of one eightieth of pay for each year of service qualifying for pension, subject to a maximum of forty five years service at age sixty five. Lump sum payments are based on three eightieths of pay for each year, again subject to a maximum of forty five years at age sixty five.

Contributors can transfer accumulated benefits between pension funds on change in employment, where regulations allow.

When an employee leaves the scheme with over two years service counting towards pension entitlement and does not transfer their benefits to another pension scheme, the employee is awarded a pension and lump sum, the payment of which is deferred until the individual’s earliest retirement age (deferred benefits).

Pension Increases
Mandatory increases in pensions and deferred benefits are made, in accordance with annual Statutory Pensions Increase (Review) Orders, to maintain the purchasing power of the benefit. The pension increase is effective from April each year and is based on the annual movement in the retail price index as at the previous September. The increase applying from 1 April 2003 was 1.7%.
MEMBERSHIP

During 2003/04 the number of pensioners increased from 8,960 at 31 March 2003 to 9,192 at 31 March 2004; the number of contributors within the fund increased from 14,481 to 15,083.

Whilst local government remains the main employment, the higher education sector and civilian employees of the emergency services are also major sources of membership. The diversity of employer is likely to increase in the future.

<table>
<thead>
<tr>
<th>Active Membership by Employer as at 31 March</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bedfordshire County Council</td>
<td>5,095</td>
<td>5,466</td>
</tr>
<tr>
<td>Luton Borough Council</td>
<td>4,118</td>
<td>4,253</td>
</tr>
<tr>
<td>Cranfield University</td>
<td>698</td>
<td>670</td>
</tr>
<tr>
<td>Bedford Borough Council</td>
<td>659</td>
<td>664</td>
</tr>
<tr>
<td>Bedfordshire Police Authority</td>
<td>585</td>
<td>663</td>
</tr>
<tr>
<td>Luton University</td>
<td>445</td>
<td>456</td>
</tr>
<tr>
<td>Hyder Business Services Group Ltd</td>
<td>410</td>
<td>284</td>
</tr>
<tr>
<td>South Bedfordshire District Council</td>
<td>381</td>
<td>388</td>
</tr>
<tr>
<td>Mid-Bedfordshire District Council</td>
<td>299</td>
<td>272</td>
</tr>
<tr>
<td>Other Bodies</td>
<td>1,791</td>
<td>1,967</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,481</strong></td>
<td><strong>15,083</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Five Year Membership Summary as at 31 March</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active members</td>
<td>12,946</td>
<td>13,080</td>
<td>13,495</td>
<td>14,481</td>
<td>15,083</td>
</tr>
<tr>
<td>Pensioners</td>
<td>8,395</td>
<td>8,560</td>
<td>8,761</td>
<td>8,960</td>
<td>9,192</td>
</tr>
<tr>
<td>Deferred Pensioners</td>
<td>4,530</td>
<td>4,794</td>
<td>6,096</td>
<td>6,490</td>
<td>7,211</td>
</tr>
<tr>
<td>Total</td>
<td><strong>25,871</strong></td>
<td><strong>26,434</strong></td>
<td><strong>28,352</strong></td>
<td><strong>29,931</strong></td>
<td><strong>31,486</strong></td>
</tr>
</tbody>
</table>
PARTICIPATING EMPLOYERS

The following are the employers participating in the Bedfordshire Pension Fund as at 31 March 2004. The contribution rates shown are the percentage of its employees’ contributions that each employer paid into the fund during 2003/04.

<table>
<thead>
<tr>
<th>Scheduled Bodies:</th>
<th>Contribution Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ampthill Town Council</td>
<td>275</td>
</tr>
<tr>
<td>Ashcroft High School</td>
<td>135</td>
</tr>
<tr>
<td>Ashton Middle School</td>
<td>135</td>
</tr>
<tr>
<td>Ashton St. Peters Lower School</td>
<td>135</td>
</tr>
<tr>
<td>Barnfield College</td>
<td>130</td>
</tr>
<tr>
<td>Bedford Borough Council</td>
<td>345</td>
</tr>
<tr>
<td>Bedford College</td>
<td>120</td>
</tr>
<tr>
<td>Bedfordshire County Council</td>
<td>285</td>
</tr>
<tr>
<td>Bedfordshire and Luton Combined Fire Authority</td>
<td>195</td>
</tr>
<tr>
<td>Bedfordshire Magistrates’ Courts Committee</td>
<td>160</td>
</tr>
<tr>
<td>Bedfordshire Police Authority</td>
<td>195</td>
</tr>
<tr>
<td>Bedfordshire Probation Service</td>
<td>255</td>
</tr>
<tr>
<td>Bedfordshire and River Ivel Drainage Board</td>
<td>275</td>
</tr>
<tr>
<td>Biggleswade Town Council</td>
<td>275</td>
</tr>
<tr>
<td>Caddington Parish Council</td>
<td>275</td>
</tr>
<tr>
<td>Crawley Green Infants School</td>
<td>135</td>
</tr>
<tr>
<td>Dunstable College</td>
<td>150</td>
</tr>
<tr>
<td>Dunstable Town Council</td>
<td>275</td>
</tr>
<tr>
<td>Eastcotts Parish Council</td>
<td>275</td>
</tr>
<tr>
<td>Flitwick Town Council</td>
<td>275</td>
</tr>
<tr>
<td>Harrold Priory Middle School</td>
<td>135</td>
</tr>
<tr>
<td>Holywell Middle School</td>
<td>135</td>
</tr>
<tr>
<td>Houghton Regis Town Council</td>
<td>275</td>
</tr>
<tr>
<td>Icknield High School</td>
<td>135</td>
</tr>
<tr>
<td>Kempston Burials Joint Committee</td>
<td>275</td>
</tr>
<tr>
<td>Kempston Town Council</td>
<td>275</td>
</tr>
<tr>
<td>Lea Manor High School</td>
<td>135</td>
</tr>
<tr>
<td>Leighton Linslade Town Council</td>
<td>275</td>
</tr>
<tr>
<td>Lincroft Middle School</td>
<td>135</td>
</tr>
<tr>
<td>Luton Borough Council</td>
<td>270</td>
</tr>
<tr>
<td>Luton VI Form College</td>
<td>130</td>
</tr>
<tr>
<td>Manshead Upper School</td>
<td>135</td>
</tr>
<tr>
<td>Mid-Bedfordshire District Council</td>
<td>300</td>
</tr>
<tr>
<td>Moggerhanger Lower School</td>
<td>135</td>
</tr>
<tr>
<td>Potton Town Council</td>
<td>275</td>
</tr>
<tr>
<td>Queensbury Upper School</td>
<td>135</td>
</tr>
<tr>
<td>St John’s Special School</td>
<td>135</td>
</tr>
<tr>
<td>Sandy Town Council</td>
<td>275</td>
</tr>
<tr>
<td>Sharnbrook Upper School</td>
<td>135</td>
</tr>
<tr>
<td>South Bedfordshire District Council</td>
<td>390</td>
</tr>
<tr>
<td>Stopsley High School</td>
<td>135</td>
</tr>
<tr>
<td>Stotfold Town Council</td>
<td>275</td>
</tr>
<tr>
<td>Sundon Lower School</td>
<td>135</td>
</tr>
<tr>
<td>Thomas Whitehead Lower School</td>
<td>135</td>
</tr>
<tr>
<td>Toddington Parish Council</td>
<td>275</td>
</tr>
<tr>
<td>Turvey Lower School</td>
<td>135</td>
</tr>
<tr>
<td>University of Luton</td>
<td>170</td>
</tr>
<tr>
<td>Westoning Lower School</td>
<td>135</td>
</tr>
<tr>
<td>Wootton Upper School</td>
<td>135</td>
</tr>
<tr>
<td>Admitted and Other Member Bodies:</td>
<td>Contribution Rate %</td>
</tr>
<tr>
<td>-------------------------------------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Aragon Housing Association</td>
<td>240</td>
</tr>
<tr>
<td>Bedford Bereavement Care Ltd.</td>
<td>145</td>
</tr>
<tr>
<td>Bedfordshire Pilgrims Housing Association</td>
<td>205</td>
</tr>
<tr>
<td>Bedford Town Centre Co. Ltd.</td>
<td>107</td>
</tr>
<tr>
<td>Christian Family Care</td>
<td>145</td>
</tr>
<tr>
<td>Cranfield University</td>
<td>205</td>
</tr>
<tr>
<td>Hyder Business Services Group Ltd.</td>
<td>200</td>
</tr>
<tr>
<td>Learning for Life Bedfordshire &amp; Luton</td>
<td>252</td>
</tr>
<tr>
<td>Raynesway Construction Services</td>
<td>235</td>
</tr>
<tr>
<td>St Francis Children's Society</td>
<td>255</td>
</tr>
<tr>
<td>Superclean Services Wothorpe Ltd</td>
<td>295</td>
</tr>
<tr>
<td>Town &amp; Country Markets Ltd</td>
<td>275</td>
</tr>
</tbody>
</table>
INVESTMENT REPORT

- Investment Management
- Statement of Investment Principles
- Corporate Governance and Socially Responsible Investment
- Report of the Actuary
- Investment Activity and Performance
INVESTMENT MANAGEMENT

Investment Powers
The principal powers to invest are contained within the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999. These regulations permit a wide range of investments, subject to specific restrictions limiting the proportion of the fund that may be invested in any one holding. In undertaking investment, the regulations require that the administering authority shall obtain and take regard of proper advice. It must also consider the suitability of investments and the need for diversification. The Investment Panel is satisfied that these requirements are fully met.

Myners Review of Institutional Investment
In the 2000 Budget, the Chancellor of the Exchequer asked Paul Myners, then Chairman of Gartmore Investment Management, to undertake a review of institutional investment decision making. Mr Myners published his report in March 2001, subsequent to which, the Chartered Institute of Public Finance and Accountancy (CIPFA) published a document called “CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom” containing ten principles of good governance and investment practice.

Legislation enacted during August 2002 adds a provision to the regulation requiring administering authorities to publish a written statement of investment principles. The new provision requires that the statement of investment principles set out the extent to which the administering authority has complied with the ten principles contained in the CIPFA document. Currently, the County Council fully complies with eight of the principles and partially complies with the others. It is the County Council’s aim to fully comply with all of the Myners’ principles in due course.

Investment Management
The Investment Panel is responsible for the appointment of external investment managers, to whom is delegated the day-to-day management of the fund’s investments within guidelines agreed with the Panel. Each manager has discretion in the selection of its range of investments, within the parameters of each portfolio, to achieve its performance target. The one remaining freehold property owned by the Fund is managed in-house with advice from Ing Real Estate Investment Management. This property was disposed of in June 2004.

The present investment structure involves a passively managed portfolio, together with actively managed specialist portfolios for UK equities, overseas equities and bonds. The objective is for the specialist portfolios to add value by outperforming their respective benchmarks. Asset allocation has been determined by the Panel as tracking the average fund. The investment managers and their appointed portfolios are:

- Henderson Global Investors - Active UK equity portfolio.
- Deutsche Asset Management - Active UK fixed interest portfolio.
- Bank of Ireland Asset Management - Active overseas equity portfolio.
- Ing Real Estate Investment Management - Active indirect property portfolio.
- Barclays Global Investors - Passive, multi-asset portfolio. The aim of this portfolio is to track various market indices and also ensure that the allocation of the fund’s non-property assets as a whole stays in line with the average fund allocation within the CAPS universe.

The benchmarks and target returns governing these portfolios are detailed in the Statement of Investment, an extract from which is included below.

Custody Arrangements
In 1998, the Northern Trust Company was appointed global custodian with responsibility for custody of all of the fund’s assets, apart from its direct property holdings.
Stocklending
There were no stock lending arrangements in place during 2003-04.

Monitoring and Review
The Investment Panel holds quarterly meetings to monitor and review the investment performance of the investment managers. Regular business meetings are held to consider other relevant issues as and when they arise. An annual meeting of the investment panel is held to specifically consider the investment performance of the managers over the previous calendar year and appropriate rolling periods. An annual general meeting of the Pension Fund is held at which the various employers participating in the scheme are invited to question the investment panel and its advisers.

Composition of the fund by portfolio as at 31 March 2004

- Active UK equity (£199M)
- Active fixed interest (£79M)
- Overseas equity (£112M)
- Indirect property (£51M)
- Passive multi-asset (£239M)
- Cash & in-house managed assets (£27M)
STATEMENT OF INVESTMENT PRINCIPLES

The County Council is required to disclose its investment management arrangements in a “Statement of Investment Principles” (SIP). This is available from the County Council, as shown on page 27, and can also be seen on the internet at www.bedscc.gov.uk/pensions. The SIP describes the investment principles pursued and the policies adopted by the County Council in its stewardship of the fund’s assets. It also describes the respective responsibilities of the Investment Panel, investment managers and custodian and details the investment management structure. The following extract from the SIP shows the benchmark composition and performance targets set for the investment managers, current at the time of writing:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>% of total fund</th>
<th>% within portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK equities</td>
<td>48%</td>
<td>100% FTSE All Share Index</td>
</tr>
<tr>
<td>Overseas equities</td>
<td>26%</td>
<td>45% - FTSE America&lt;br&gt; 35% - FTSE Europe ex UK&lt;br&gt; 15% - FTSE Japan&lt;br&gt; 5% - FTSE Pacific ex Japan</td>
</tr>
<tr>
<td>Bonds</td>
<td>19%</td>
<td>40% - FTSE A All Stocks Gilt Index&lt;br&gt; 40% - Merrill Lynch Sterling Non-Gilt Index&lt;br&gt; 20% - FTSE A Index-Linked Index (all stocks)</td>
</tr>
<tr>
<td>Property</td>
<td>7%</td>
<td>100% IPD Index</td>
</tr>
</tbody>
</table>

Key:
- IPD Investment Property Databank Ltd
- FTSE Financial Times/ Stock Exchange

The multi-asset passive portfolio managers’ target is to maintain the overall composition of the fund within the above benchmarks subject to a tolerance of +/- 1.5%.

The active managers are further expected to achieve target returns based upon appropriate indices:

<table>
<thead>
<tr>
<th>Manager</th>
<th>Asset Class</th>
<th>Performance Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Henderson Global Investors</td>
<td>Active UK Equities</td>
<td>To achieve a return of at least 1% per annum in excess of the FTSE All Share Index over rolling 3 year periods while avoiding under-performance of more than 2.5% over rolling 12 month periods</td>
</tr>
<tr>
<td>Deutsche Asset Management</td>
<td>Active Fixed Interest</td>
<td>To achieve a return of at least 0.75% per annum in excess of the benchmark return over rolling three-year periods while avoiding under-performance of more than 2.5% over rolling 12-month periods. The target return is a composite derived from the benchmark indices.</td>
</tr>
<tr>
<td>Bank of Ireland Asset Management</td>
<td>Active Overseas Equities</td>
<td>To achieve a return of at least 1.5% per annum above the benchmark return over rolling three-year periods while avoiding under-performance of more than 4% over rolling 12-month periods. The target return is a composite derived from the benchmark indices.</td>
</tr>
<tr>
<td>Ing Real Estate Investment Management</td>
<td>Indirect UK Property</td>
<td>To out-perform the IPD UK Annual Index – All Property by not less than 1% per annum on a 3 year rolling basis.</td>
</tr>
</tbody>
</table>
CORPORATE GOVERNANCE ANDSOCIALLY RESPONSIBLE INVESTMENT

The following extract from the Statement of Investment Principles summarises the Investment Panel’s approach towards corporate governance and socially responsible investment.

Voting Policy
The Fund has adopted the Statement of Principles from Institutional Shareholders’ Committee. These principles require that Trustees and Investment Managers embrace the practice of voting as part of their fiduciary responsibility towards their members, seeing it as part of good governance to develop and implement considered voting policies.

The Fund’s policy is:

- to have a consistent approach
- to act as a responsible investor
- to be able to manage the process in a practical way

The investment management agreements with the Investment Managers investing directly in UK equities require them to exercise voting rights. This is expected to be in line with the voting policy set out in the SIP in respect of all resolutions at annual and extraordinary general meetings of companies, Investment Managers may vote contrary to this policy only if they give an exception report as to the reasons why they did so. The Investment Managers may refer back to the County Council those issues which they feel are contentious and warrant further discussion before taking action. Similarly, if the Fund has a specific view on an issue requiring a vote (e.g. take-over bid, etc.), they will contact the relevant Investment Manager(s) to discuss.

Where assets are in a pooled fund, individual voting is inappropriate.

The actual execution of voting rights will be undertaken by the Custodian.

The Managers are instructed to confirm to the Fund that voting rights attaching to holdings have been exercised, and the manner in which they have been exercised.

Details of the Investment Managers’ current corporate governance policies have been supplied to the Chief Finance Officer.

Socially Responsible Investment
The Panel has considered the extent to which social, environmental or ethical factors should be taken into account in the selection, retention and realisation of investments. In view of the investment strategy adopted by the Fund, the Panel has asked the Investment Managers to take account of social, environmental or ethical factors in exercising their corporate governance policy, to the extent that it is considered appropriate by the Investment Managers.
REPORT OF THE ACTUARY

Actuarial valuations are made at three yearly intervals in accordance with the Local Government Pension Scheme Regulations (1997). The most recent valuation was undertaken as at 31 March 2001.

The principal purpose of the actuarial valuation is to establish appropriate contribution rates for each participating employer and, in so doing, to establish the current financial position of the fund.

The previous valuation, undertaken as at 31 March 1998, sought to achieve a funding rate of 100% of past service liabilities for all participating employers and the level of contributions then shown to be required for the fund as a whole was 240% of employees' contributions. For some employers it was decided to implement this rate of contribution in steps.

Since the 1998 valuation, there have been some changes to Local Government Pension Scheme Regulations, none of which have had a material effect on the financial position of the fund. The major external influence on the fund has been in the investment markets. Interest rates have fallen substantially since 1998 and the performance of equity investments in the last twelve months of the inter-valuation period has been poor, following good returns earlier in the period.

The 2001 valuation was based on a market value of the fund’s assets at 31 March 2001 of £708M. It revealed a funding level of 87% of past service liabilities and a past service deficiency of £110M. This deficiency arises mainly from higher salary increases, relative to price inflation, and of lower investment performance since the 1998 valuation than was then assumed. The required level of contributions to be paid to the fund, with effect from 1 April 2002, in order to meet the funding target of 100% of past service liabilities and to eliminate the past service deficit, for the fund as a whole was 250% of members’ contributions. The rates payable by the County Council, participating Borough and District Councils and other scheduled bodies from that date vary from the overall funding level according to the employer’s individual circumstances. The rates applying from 1 April 2003 are shown on page 7.

For some bodies, the increase in rates found to be necessary is being phased in over three years. For the County Council, Bedford Borough Council, Luton Borough Council and the District Councils the above rates also include an allowance for the early payment of pensions for retirements on the grounds of efficiency or redundancy.

The contributions have been calculated using the projected unit actuarial method and the main actuarial assumptions were as follows:-

<table>
<thead>
<tr>
<th>Description</th>
<th>Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of return on investments</td>
<td></td>
</tr>
<tr>
<td>pre-retirement</td>
<td>6.75% per annum</td>
</tr>
<tr>
<td>post-retirement</td>
<td>5.90% per annum</td>
</tr>
<tr>
<td>Rate of general pay increases</td>
<td>4.25% per annum</td>
</tr>
<tr>
<td>Rate of price inflation</td>
<td>2.5% per annum</td>
</tr>
<tr>
<td>Rate of increases to pensions in payment (in excess of</td>
<td></td>
</tr>
<tr>
<td>guaranteed minimum pensions)</td>
<td>2.5% per annum</td>
</tr>
<tr>
<td>Valuation of assets</td>
<td>Discounted value of future income, assuming that part of the assets, notionally reinvested in the FTA All-Share Index, will achieve a dividend growth of 4% per annum.</td>
</tr>
</tbody>
</table>

The next actuarial valuation is due as at 31 March 2004 and the changes in contribution rates as a result of that valuation take effect from 1 April 2005.

Watson Wyatt
Actuaries & Consultants
INVESTMENT ACTIVITY AND PERFORMANCE

Investment Activity
Under the current investment management arrangements, the asset class of each portfolio is defined, giving less volatility in the asset allocation of the fund and less risk of over-exposure to under-performing sectors, relative to the benchmark.

However the active managers have discretion to select stock within the parameters of each portfolio and changes in weightings between the various categories of stock occur.

Investment activity during 2003/04 was against a background of increasing optimism after several dismal years. As ever, the US economy was the dominant influence and stronger than anticipated growth there put upward pressure on interest rates and buoyed up global equity markets – although there were, and remain, some doubts about the sustainability of the recovery. In the UK, equity markets recovered some of the value lost in previous years and the FTSE100 index increased by more than 20%, from 3613 in March 2003 to 4385 in March 2004. Continuing strong economic growth and consumer borrowing led to the Bank of England raising interest rates, a trend that is continuing at the time of writing.

The emphasis of UK equity investment was toward economically sensitive stocks and consumer oriented cyclical sectors, maintaining the position held in the previous year to take advantage of the continuing recovery in the stock market. The end of the year saw the UK equity portfolio overweight in telecommunications and the consumer led service sectors of retail and entertaining; it was also overweight in the banking and financial sectors. The portfolio was underweight in defensive sectors such as utilities and food producers. The manager expected to move to a more balanced portfolio as recovery prospects became more fully reflected in share prices.

UK equity investments analysed by sector

- Consumer Goods & Services (£107M)
- Financials (£76M)
- Resources (£45M)
- General Industries (£19M)
- Utilities (£6M)
- Other (£13M)

The global economic recovery was led by the US and the overseas equity portfolio continued to concentrate on quality US stocks. There was no significant change in the global distribution of investments although there was a small increase in exposure to the Japanese market and a corresponding decrease in US holdings.

During the year it was decided to appoint a new manager for the fixed interest portfolio and Deutsche Asset Management (DAM) were appointed in February 2004. While the appointment process was taking place the fixed interest portfolio was managed, on a caretaker basis, by Barclays Global Investors and there was, therefore, limited investment activity undertaken. During this transition period the opportunity was taken to review the fixed interest mandate and DAM took over the portfolio with a benchmark of 50% UK government bonds and 50% UK corporate bonds. At the end of the year the portfolio showed only a slight variance from this benchmark.

The indirect property portfolio consists of holdings in a variety of property unit trusts, concentrating mainly on the industrial and retail property sectors.
In December 2001, Ing Real Estate Management were appointed to manage the disposal of direct property holdings with a view to re-investing the proceeds in an indirect property portfolio. This transition was almost complete at 31 March 2004 when the direct property portfolio consisted of one freehold property, in the office sector. This property was sold in June 2004.

Ten largest UK equity holdings as at 31 March 2004

<table>
<thead>
<tr>
<th>Market value £M</th>
</tr>
</thead>
<tbody>
<tr>
<td>BP Amoco</td>
</tr>
<tr>
<td>Vodafone</td>
</tr>
<tr>
<td>HSBC Holdings</td>
</tr>
<tr>
<td>GlaxoSmithKline</td>
</tr>
<tr>
<td>Royal Bank of Scotland</td>
</tr>
<tr>
<td>AstraZeneca</td>
</tr>
<tr>
<td>HBOS</td>
</tr>
<tr>
<td>Shell</td>
</tr>
<tr>
<td>Lloyds TSB</td>
</tr>
<tr>
<td>Barclays Bank</td>
</tr>
</tbody>
</table>

Investment Performance

The fund measures performance using the service provided by Russell/Mellon Combined Actuarial Performance Services Limited (CAPS). The performance of the fund as a whole is measured against a CAPS benchmark based on the analysis of data from other pension funds, in both the public and private sectors.

The investment target for each manager with an active portfolio is to out-perform an appropriate benchmark that reflects market performance in their respective asset class.

The CAPS survey for the year to 31 December 2003 showed that the overall return on the fund’s assets was +15.7%, 1.9% lower than the benchmark return of +17.6%. Returns achieved by the major asset classes are shown in the graph below. Over the three-year period to the end of 2003, the fund’s assets in total gave a return of -3.7% against a benchmark of -3.8%; the five year period showed a return of +1.5% compared to a benchmark of +0.5% and the ten year period showed a return of +5.5%, the same as the benchmark.

Returns by asset class for the year ended 31 December 2003

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Bedfordshire Fund %</th>
<th>Benchmark %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK Fixed Interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK Equities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas Equities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
FINANCIAL STATEMENTS

- Statement of Responsibilities
- Auditors' Report
- Accounting Policies
- Fund Account
- Net Assets Statement
- Five Year Financial Summary
- Notes to the Accounts
STATEMENT OF RESPONSIBILITIES

The Bedfordshire County Council is the administering authority of the Bedfordshire local government pension fund and is required to:

- make arrangements for the proper administration of the financial affairs of the pension fund and to secure that one of its officers has the responsibility for the administration of those affairs. The County Council has assigned this responsibility to the Chief Finance Officer;

- manage the affairs of the fund to secure economic, efficient and effective use of the fund’s resources and to safeguard its assets.

Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the fund’s statement of accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in Great Britain (the “Code of Practice”).

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Chief Finance Officer has also:

- ensured proper accounting records were kept which were up to date and reliable;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chief Finance Officer’s Certificate

I hereby certify that the statement of accounts presents fairly the financial position of the fund at 31 March 2004, and its income and expenditure for the year ended 31 March 2004.

Tony Brown
Chief Finance Officer
December 2004
AUDITOR’S REPORT

The Local Government Pension Scheme Regulations 1997 require that, where possible, the annual report shall include an auditor’s opinion on the financial statements.

By the date of the publication of the Report and Accounts 2003-04, the Audit Commission had not completed its audit of the accounts of the County Council and the Pension Fund. The Auditor’s certificate and opinion will be published on conclusion of the audit.
ACCOUNTING POLICIES

Accounting Standards
The accounts of the pension fund have been prepared to meet the requirements of the Local Government Pension Scheme Regulations 1997 and in accordance with the Statement of Recommended Practice on Financial Reports of Pension Schemes (Revised November 2002). They also comply with the CIPFA Code of Practice on Local Authority Accounting in Great Britain. The accounts summarise the transactions and net assets of the fund and do not take account of liabilities to pay pensions and other benefits in the future. They should therefore be read in conjunction with the actuarial report on page 14, which takes account of such liabilities.

Basis of Preparation
Unless otherwise stated, the accounts have been prepared on the accruals basis.

Benefits
All pensions and lump sums payments have been included on the accruals basis other than some death gratuities which are paid on receipt of probate or letters of administration.

Refunds of Contributions
Refunds have been included on a cash basis.

Transfer Values
Transfer values to and from other schemes have been included on a cash basis.

Investment Management Expenses
The County Council charges pension administration costs to the fund. A proportion of the County Council’s costs representing time spent by officers on investment management is also charged to the fund. The fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. The property adviser’s fee is based on the value of rents received.

Investments
Investments are shown in the accounts at market value, determined as follows:

(i) Quoted securities are valued by reference to mid-market price at the close of business on 31 March 2004.

(ii) Other unquoted securities are valued having regard to latest dealings, professional valuations, asset values and other appropriate financial information.

(iii) Unit trust and managed fund investments are valued at the mid-point of the latest prices quoted by their respective managers prior to 31 March 2004.

(iv) Assets, including investments, denominated in foreign currencies are valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2004. Exchange gains and losses arising from movements in current assets and liabilities are included in the fund account for the year.

(v) Property was valued, as at the 31 March 2003, by independent chartered surveyors, Nattrass Giles, and was under offer at around that price at 31 March 2004.

Acquisition Costs of Investments
Where shown, the cost of investments includes direct costs of acquisition.

AVC Investments
The County Council has arrangements with the Nationwide Building Society and Standard Life Assurance Company to enable employees to make additional voluntary contributions (AVCs) to supplement their pension benefits. AVCs are invested separately from the Fund’s main assets and the assets purchased are specifically allocated to provide additional benefits for members making AVCs. The value of AVC assets is not included in the Fund’s net asset statement.
**Taxation**

The fund is exempt from tax on capital gains and from income tax on interest receipts. VAT is recoverable on all expenditure, and all of the fund’s income is outside the scope of VAT, except for the rents from its direct property investment where the fund has elected to waive exemption.

The fund is liable to tax at a rate of 20% on small pensions that have been compounded into a lump sum.

The fund is exempt from US withholding tax.

---

**FIVE YEAR FINANCIAL SUMMARY**

<table>
<thead>
<tr>
<th></th>
<th>1999/00 £000</th>
<th>2000/01 £000</th>
<th>2001/02 £000</th>
<th>2002/03 £000</th>
<th>2003/04 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets at 1 April</strong></td>
<td>656,840</td>
<td>736,253</td>
<td>707,527</td>
<td>703,765</td>
<td>562,919</td>
</tr>
<tr>
<td>Contributions</td>
<td>33,087</td>
<td>36,055</td>
<td>40,907</td>
<td>44,632</td>
<td>56,048</td>
</tr>
<tr>
<td>Investment and other income</td>
<td>31,781</td>
<td>27,393</td>
<td>26,136</td>
<td>27,592</td>
<td>25,921</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>64,868</td>
<td>63,448</td>
<td>67,043</td>
<td>72,224</td>
<td>81,969</td>
</tr>
<tr>
<td>Benefits and other expenses</td>
<td>(41,969)</td>
<td>(46,463)</td>
<td>(44,290)</td>
<td>(47,251)</td>
<td>(49,087)</td>
</tr>
<tr>
<td>Change in market value of investments</td>
<td>56,514</td>
<td>(45,711)</td>
<td>(26,515)</td>
<td>(165,819)</td>
<td>111,185</td>
</tr>
<tr>
<td>Increase/(decrease) in value of fund</td>
<td>79,413</td>
<td>(28,726)</td>
<td>(3,762)</td>
<td>(140,846)</td>
<td>144,067</td>
</tr>
<tr>
<td><strong>Net Assets at 31 March</strong></td>
<td>736,253</td>
<td>707,527</td>
<td>703,765</td>
<td>562,919</td>
<td>706,986</td>
</tr>
</tbody>
</table>
### FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2004

<table>
<thead>
<tr>
<th></th>
<th>2002/2003 £000</th>
<th>2003/2004 £000</th>
<th>See Note</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contributions and Benefits</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>44,632</td>
<td>56,048</td>
<td>1</td>
</tr>
<tr>
<td>Transfers from other schemes</td>
<td>8,743</td>
<td>10,189</td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td>14</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>53,389</td>
<td>66,254</td>
<td></td>
</tr>
<tr>
<td>Benefits payable</td>
<td>(37,335)</td>
<td>(39,104)</td>
<td>2</td>
</tr>
<tr>
<td>Payments to and on account of leavers</td>
<td>(8,017)</td>
<td>(7,838)</td>
<td>3</td>
</tr>
<tr>
<td>Administrative and other expenses</td>
<td>(670)</td>
<td>(804)</td>
<td></td>
</tr>
<tr>
<td><strong>Net additions/(withdrawals) from</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dealings with members</td>
<td>7,367</td>
<td>18,508</td>
<td></td>
</tr>
</tbody>
</table>

**Returns on Investments**

<table>
<thead>
<tr>
<th></th>
<th>2002/2003 £000</th>
<th>2003/2004 £000</th>
<th>See Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>18,835</td>
<td>15,715</td>
<td>4</td>
</tr>
<tr>
<td>Change in market value of investments</td>
<td>(165,819)</td>
<td>111,185</td>
<td></td>
</tr>
<tr>
<td>Investment management expenses</td>
<td>(1,229)</td>
<td>(1,341)</td>
<td></td>
</tr>
<tr>
<td><strong>Net increase in the fund during the year</strong></td>
<td>(140,846)</td>
<td>144,067</td>
<td></td>
</tr>
<tr>
<td><strong>Net assets of the fund at 1 April</strong></td>
<td>703,765</td>
<td>562,919</td>
<td></td>
</tr>
<tr>
<td><strong>Net assets of the fund at 31 March</strong></td>
<td>562,919</td>
<td>706,986</td>
<td></td>
</tr>
</tbody>
</table>

### NET ASSETS STATEMENT AS AT 31 MARCH 2004

<table>
<thead>
<tr>
<th></th>
<th>2002/2003 £000</th>
<th>2003/2004 £000</th>
<th>See Note</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed interest securities</td>
<td>68,824</td>
<td>36,490</td>
<td></td>
</tr>
<tr>
<td>Equities</td>
<td>293,761</td>
<td>377,971</td>
<td></td>
</tr>
<tr>
<td>Index-linked securities</td>
<td>12,985</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Managed and unitised funds</td>
<td>156,062</td>
<td>259,202</td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>1,500</td>
<td>1,500</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>5,603</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>533,132</td>
<td>680,766</td>
<td>5</td>
</tr>
</tbody>
</table>

**Current Assets**

<table>
<thead>
<tr>
<th></th>
<th>2002/2003 £000</th>
<th>2003/2004 £000</th>
<th>See Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debtors</td>
<td>8,242</td>
<td>10,276</td>
<td>6</td>
</tr>
<tr>
<td>Cash</td>
<td>22,722</td>
<td>20,181</td>
<td></td>
</tr>
<tr>
<td>Cash backing open futures positions</td>
<td>(361)</td>
<td>30,603</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Current Liabilities**

<table>
<thead>
<tr>
<th></th>
<th>2002/2003 £000</th>
<th>2003/2004 £000</th>
<th>See Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts in advance</td>
<td>(28)</td>
<td>(33)</td>
<td>8</td>
</tr>
<tr>
<td>Creditors</td>
<td>(788)</td>
<td>(816)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(4,204)</td>
<td>(4,237)</td>
<td></td>
</tr>
<tr>
<td><strong>Net assets of the fund at 31 March</strong></td>
<td>562,919</td>
<td>706,986</td>
<td></td>
</tr>
</tbody>
</table>
### NOTES TO THE ACCOUNTS

#### Fund account

<table>
<thead>
<tr>
<th>Contributions receivable</th>
<th>2002/03</th>
<th>2003/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees' normal contributions</td>
<td>£11,993</td>
<td>£12,994</td>
</tr>
<tr>
<td>Employees' additional contributions</td>
<td>£342</td>
<td>£297</td>
</tr>
<tr>
<td>Employers' normal contributions</td>
<td>£29,051</td>
<td>£33,397</td>
</tr>
<tr>
<td>Employers' special contributions</td>
<td>£3,246</td>
<td>£9,360</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£44,632</strong></td>
<td><strong>£56,048</strong></td>
</tr>
</tbody>
</table>

Employers' special contributions relate to payments for the cost of enhanced benefits and early retirements.

Contributions for 2003-04 from the administering authority include the costs of enhanced pensions and early retirements of £1.4M (2002-03: £1.4M estimated). In previous years these costs were paid directly by Bedfordshire County Council and were not included in the Pension Fund accounts. The comparative figures for 2002-03 for contributions received and for benefits paid have been restated to show the estimated effect of including these costs.

<table>
<thead>
<tr>
<th>Benefits payable</th>
<th>2002/03</th>
<th>2003/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensions</td>
<td>£33,671</td>
<td>£34,266</td>
</tr>
<tr>
<td>Lump sum retirement benefits</td>
<td>£3,193</td>
<td>£4,260</td>
</tr>
<tr>
<td>Lump sum death benefits</td>
<td>£471</td>
<td>£578</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£37,335</strong></td>
<td><strong>£39,104</strong></td>
</tr>
</tbody>
</table>

Benefits paid include the cost of early retirements of £3.4M which is paid for by special contributions from employers. Benefits paid are further analysed as:

<table>
<thead>
<tr>
<th>Benefits paid</th>
<th>2002/03</th>
<th>2003/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administering authority</td>
<td>£16,370</td>
<td>£17,145</td>
</tr>
<tr>
<td>Scheduled bodies</td>
<td>£18,330</td>
<td>£19,200</td>
</tr>
<tr>
<td>Admitted and other bodies</td>
<td>£2,635</td>
<td>£2,759</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£37,335</strong></td>
<td><strong>£39,104</strong></td>
</tr>
</tbody>
</table>

This analysis was not available prior to 2003-04 and the comparative figures for 2002-03 are best estimates based on current year benefits and known inflation rates.

<table>
<thead>
<tr>
<th>Payments to and on account of leavers</th>
<th>2002/03</th>
<th>2003/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refunds of contributions</td>
<td>£365</td>
<td>£554</td>
</tr>
<tr>
<td>Transfers to other schemes</td>
<td>£7,652</td>
<td>£7,284</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£8,017</strong></td>
<td><strong>£7,838</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment income</th>
<th>2002/03</th>
<th>2003/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed interest securities</td>
<td>£4,392</td>
<td>£879</td>
</tr>
<tr>
<td>Dividends from equities</td>
<td>£10,976</td>
<td>£11,721</td>
</tr>
<tr>
<td>Index linked</td>
<td>£234</td>
<td>£24</td>
</tr>
<tr>
<td>Property rents</td>
<td>£702</td>
<td>£113</td>
</tr>
<tr>
<td>Property unit trusts</td>
<td>£1,048</td>
<td>£2,433</td>
</tr>
<tr>
<td>Cash &amp; cash instruments</td>
<td>£1,483</td>
<td>£545</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£18,835</strong></td>
<td><strong>£15,715</strong></td>
</tr>
</tbody>
</table>
## Net Asset Statement

### 5 Investments

#### 5.1 Fixed Interest Securities

<table>
<thead>
<tr>
<th></th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK government securities</td>
<td>29,987</td>
<td>36,490</td>
</tr>
<tr>
<td>UK corporate securities</td>
<td>50</td>
<td>-</td>
</tr>
<tr>
<td>Overseas securities</td>
<td>38,787</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>68,824</strong></td>
<td><strong>36,490</strong></td>
</tr>
</tbody>
</table>

#### 5.2 Equities

<table>
<thead>
<tr>
<th></th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK quoted equities</td>
<td>223,111</td>
<td>266,366</td>
</tr>
<tr>
<td>UK equity futures</td>
<td>361</td>
<td>-</td>
</tr>
<tr>
<td>Overseas equities</td>
<td>70,289</td>
<td>111,605</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>293,761</strong></td>
<td><strong>377,971</strong></td>
</tr>
</tbody>
</table>

#### 5.3 Index-Linked Securities

<table>
<thead>
<tr>
<th></th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK securities</td>
<td>11,427</td>
<td>-</td>
</tr>
<tr>
<td>Overseas securities</td>
<td>1,558</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,985</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

#### 5.4 Managed and Unitised Funds

<table>
<thead>
<tr>
<th></th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK authorised unit trusts</td>
<td>11,629</td>
<td>8,576</td>
</tr>
<tr>
<td>UK un-authorised unit trusts</td>
<td>572</td>
<td>353</td>
</tr>
<tr>
<td>UK insurance managed funds</td>
<td>63,786</td>
<td>84,306</td>
</tr>
<tr>
<td>Overseas unit trusts</td>
<td>40,669</td>
<td>122,962</td>
</tr>
<tr>
<td>UK property unit trusts</td>
<td>39,406</td>
<td>43,005</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>156,062</strong></td>
<td><strong>259,202</strong></td>
</tr>
</tbody>
</table>

#### 5.5 Property

<table>
<thead>
<tr>
<th></th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK freehold property</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td>UK leasehold property</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,500</strong></td>
<td><strong>1,500</strong></td>
</tr>
</tbody>
</table>

#### 5.6 Other

<table>
<thead>
<tr>
<th></th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited partnership</td>
<td>-</td>
<td>5,603</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>533,132</strong></td>
<td><strong>680,766</strong></td>
</tr>
</tbody>
</table>

#### 5.7 Quoted/Un-quoted Investments

<table>
<thead>
<tr>
<th></th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quoted</td>
<td>416,841</td>
<td>516,283</td>
</tr>
<tr>
<td>Un-quoted</td>
<td>116,291</td>
<td>164,483</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>533,132</strong></td>
<td><strong>680,766</strong></td>
</tr>
</tbody>
</table>

#### 5.8 Value of Investments

Investments at 31 March 2004 had a market value of £680.8M compared to a cost of £652.5M (at 31 March 2003 the market value of investments was £533.1M with a cost of £623.4M). The increase in the cost of investments of £29.1M (2002/03: £32.1M) represents the net effect of purchases of £518.6M (2002/03: £390.9M) and sales of £489.5M (2002/03: £358.8M).

The net loss on the sale of investments was £7.7M in 2003/04 (2002/03: £16.6M). This sum, together with an excess of income over expenditure of £32.9M (2002/03: £25M), generated additional funds available for investment during the year of £25.2M (2002/03: £8.4M).

Brokers commissions and other costs of acquisition are included in the cost of investments purchased.

As at 31 March 2004 no single investment represented 5% or more of the net assets of the fund.
### 5.9 Change in Market Value of Investments

<table>
<thead>
<tr>
<th></th>
<th>MV at 31/03/03 £000</th>
<th>Purchases at cost £000</th>
<th>Sale proceeds £000</th>
<th>Change in MV £000</th>
<th>MV at 31/03/04 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Interest Securities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>30,037</td>
<td>77,930</td>
<td>71,841</td>
<td>364</td>
<td>36,490</td>
</tr>
<tr>
<td>Overseas</td>
<td>38,787</td>
<td>3,037</td>
<td>40,490</td>
<td>(1,334)</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>68,824</td>
<td>80,967</td>
<td>112,331</td>
<td>(970)</td>
<td>36,490</td>
</tr>
<tr>
<td><strong>Equities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>223,472</td>
<td>49,317</td>
<td>70,862</td>
<td>64,439</td>
<td>266,366</td>
</tr>
<tr>
<td>Overseas</td>
<td>70,289</td>
<td>34,035</td>
<td>12,232</td>
<td>19,513</td>
<td>111,605</td>
</tr>
<tr>
<td>Total</td>
<td>293,761</td>
<td>83,352</td>
<td>83,094</td>
<td>83,952</td>
<td>377,971</td>
</tr>
<tr>
<td><strong>Index-linked Securities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>11,427</td>
<td>2,137</td>
<td>13,447</td>
<td>(117)</td>
<td>-</td>
</tr>
<tr>
<td>Overseas</td>
<td>1,558</td>
<td>52</td>
<td>1,620</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>12,985</td>
<td>2,189</td>
<td>15,067</td>
<td>(107)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Managed Funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK Unit Trusts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>39,406</td>
<td>1,669</td>
<td>1,020</td>
<td>2,950</td>
<td>43,005</td>
</tr>
<tr>
<td>Other</td>
<td>41,248</td>
<td>186,521</td>
<td>159,040</td>
<td>11,880</td>
<td>123,614</td>
</tr>
<tr>
<td>Total</td>
<td>80,654</td>
<td>188,190</td>
<td>160,060</td>
<td>14,830</td>
<td>123,614</td>
</tr>
<tr>
<td><strong>Property</strong></td>
<td>1,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>-</td>
<td>5,066</td>
<td>-</td>
<td>537</td>
<td>5,603</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>533,132</td>
<td>518,602</td>
<td>489,462</td>
<td>118,494</td>
<td>680,766</td>
</tr>
</tbody>
</table>

### 6 Debtors

<table>
<thead>
<tr>
<th></th>
<th>2002/03 £000</th>
<th>2003/04 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends and interest receivable</td>
<td>4,291</td>
<td>3,500</td>
</tr>
<tr>
<td>Due from the stock market in respect of sales of investments</td>
<td>321</td>
<td>1,301</td>
</tr>
<tr>
<td>Contributions due from Bedfordshire County Council</td>
<td>871</td>
<td>1,987</td>
</tr>
<tr>
<td>Contributions due from other admitted authorities</td>
<td>2,759</td>
<td>3,020</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>468</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,242</td>
<td>10,276</td>
</tr>
</tbody>
</table>

### 7 Cash

The cash balance shown in the net asset statement comprises £11M held by the investment managers and £9.2M held in the Fund’s bank account.

### 8 Creditors

<table>
<thead>
<tr>
<th></th>
<th>2002/03 £000</th>
<th>2003/04 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to the stock market in respect of purchase of investments</td>
<td>154</td>
<td>2,770</td>
</tr>
<tr>
<td>Investment managers’ fees</td>
<td>418</td>
<td>513</td>
</tr>
<tr>
<td>Other professional fees</td>
<td>23</td>
<td>105</td>
</tr>
<tr>
<td>Inland revenue</td>
<td>51</td>
<td>72</td>
</tr>
<tr>
<td>Pension refunds &amp; CEPs</td>
<td>-</td>
<td>22</td>
</tr>
<tr>
<td>AVCs in transit</td>
<td>126</td>
<td>677</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>788</td>
<td>4,204</td>
</tr>
</tbody>
</table>
9 **Self-investment**
The regulations governing investment of pension funds require the disclosure of any self-investment by the fund. As at 31 March 2004, there was no self investment by the fund.

10 **Related party transactions**
The pension fund is a related party to its administering authority and other participating employers.

During 2003/04, the fund paid £3.2M on behalf of Bedfordshire County Council in respect of teachers’ enhanced benefits. These costs are recovered from the County Council. As teachers are not members of the Local Government Pension Scheme this amount is excluded from the fund accounts.

The only other material related party transactions during 2003/04 were in respect of contributions paid by the employing bodies into the fund.
CONTACT POINTS

Further information regarding the pension fund or the report and accounts may be obtained from the following contacts:

**Accounts and Investments:**

Geoff Reader  
Strategic Adviser – Pensions and Treasury  
Telephone: 01234 228562

**Benefits and Contributions:**

Claire Bennett  
Pensions Administration Manager  
Telephone: 01234 228873

**Advisory and Regulatory Bodies:**

Occupational Pensions Regulatory Authority  
Invicta House  
Trafalgar Place  
Brighton  
East Sussex, BN1 4DW  
Telephone: 01273 627 600

The Occupational Pensions Advisory Service  
11 Belgrave Road  
London SW1V 1RB  
Telephone: 0845 6012923

Pensions Ombudsman  
11 Belgrave Road  
London SW1V 1RB  
Telephone: 020 7834 9144