EAST RIDING PENSION FUND

Annual Report and Accounts

2004/2005

EAST RIDING
OF YORKSHIRE COUNCIL

East Riding Pension Fund Annual Report and Accounts 2004/2005

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Foreword

The Fund was created on the reorganisation of local government in 1974 with a value of £17.5m. East Riding of Yorkshire Council became the Administering Authority on 1 April 1996, by which time the Fund was valued at £786.5m. At 31 March 2005 the Fund was valued at £1,419m, having paid out £77m during the year for the benefit of Scheme members.

All employees, (other than teachers, police officers and firefighters) of the Administering Authority and 43 Scheme Employers are entitled to participate in the Fund. Employees of the 26 Admitted Bodies may be nominated for membership by their employer. Teachers, police officers and firefighters have separate pension arrangements.

Although membership is not compulsory, it is automatic for all employees other than casual staff, who must make a positive election to join. Employees have freedom of choice to leave the Scheme and make alternative pension arrangements.

During the year the total membership of the East Riding Pension Fund has continued to grow. Active membership, currently standing at 33,140 appears to show a drop in numbers. This is the result of a concerted data cleansing exercise, which revealed a large number of un-notified or undecided leavers that were still showing as active members. Once the outstanding paperwork is received from the relevant employers, the majority of these cases will become deferred beneficiaries. This will increase the current recorded deferred benefit cases from 12,960 to around 17,000 from last years total of 11,270. The number of pensioners also continues to rise, and currently stands at 17,150, an increase of 570. This figure includes the pensions that are paid to the spouses and dependants of former Scheme members. Gross membership including frozen refunds of 2,510 is now in the region of 69,800, an increase of 3,120 or 4.7% from last year's total of 66,680.

This is the second full financial year of the new investment management arrangements, which were implemented in September 2002. The Pensions Committee will be reviewing the performance of the managers when the figures become available later in the year, but with a second year of positive returns the new arrangements appear to be adding value.

The actuarial valuation at 31 March 2004 has been completed, and as expected, resulted in an increase in employers' contributions from April 2005. This unwelcome news has been communicated to all employers, but with conservative assumptions, made in accordance with the Funding Strategy Statement, on which all employers were consulted, it is expected that the new rates should be stable for some time.

I would like to extend my appreciation to everyone involved in the management of the Fund whose efforts have resulted in a continuation of the standard of service that members of the Fund have come to expect.

Steve Button

Head of Finance

East Riding of Yorkshire Council

29 June 2005

Report of the Pensions Committee

The Pensions Committee is responsible for the administration of the East Riding Pension Fund in accordance with Statutory Regulations, under delegation contained in the Constitution of East Riding of Yorkshire Council. During the past year the Committee consisted of twelve Members of East Riding of Yorkshire Council. In addition, a Member from each of the other three unitary Councils and four trade union representatives attend Committee meetings to ensure that the views of the other major employers and individual members of the Scheme are taken into account. The principal employers and trade unions are represented at the Pensions Committee, enabling their views to be taken into account. There is a list of those who served on the Committee on page 12.

The Committee normally meets up to eight times a year, with four meetings devoted to investment business, and the remainder to other matters.

The Committee met quarterly to consider reports on investments from the Director of Corporate Resources, the external manager and independent adviser. As part of the investment strategy the Committee has agreed a Statement of Investment Principles, which sets out in some detail how the Fund is managed. The Statement, which is reviewed annually, is published on pages 5 to 7. This should be read together with the Funding Strategy Statement which is on pages 8 to 11 and the report on investments, which is on pages 18 to 21.

In addition, the Committee considered:-

- Reports from the Local Government Pensions Committee, which included changes and proposed changes to the regulations;
- Investment performance statistics;
- Private Equity investments;
- Pensions administration workload;
- The administration budget;
- The Annual Report and Accounts;
- Seminars attended by Members and officers;
- Reports on a variety of issues, which occurred during the year.

The most important investment decision made is the appointment of the investment managers. The last review of the investment management arrangements by this Committee was concluded in September 2002 with the re-appointment of Schroder Investment Management. This autumn the Committee will review the performance of the Fund relative to its peers and the benchmark. This will be the second complete period of the new management arrangements and will give the Committee another opportunity to review the effectiveness of the decisions made in the last review.

Councillor Andrew Burton

Chairman

29 June 2005

Statement of Responsibilities for the Financial Statements

Responsibility for the Financial Statements, which form part of this Annual Report, is set out below.

The Administering Authority

The Administering Authority is required:-

- To make arrangements for the proper administration of the financial affairs of the Pension Fund and to secure that an officer has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Corporate Resources;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To prepare and publish a statement of accounts in accordance with the Accounts and Audit Regulations 2003.

The Head of Finance

The Head of Finance is responsible for the preparation of the Fund's financial statements, which in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ("the Code"), are required to present fairly the financial position of the Fund and its income and expenditure for the year ended 31 March 2005. This document includes the financial statements for the Pension Fund only. The financial statements of East Riding of Yorkshire Council are published separately.

In preparing these financial statements, the Head of Finance has:-

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

The Head of Finance has also:-

- Kept proper accounting records, which were up to date;
- Taken responsible steps for the prevention and detection of fraud and other irregularities.

Certificate

I hereby certify that the following Annual Report and Accounts presents fairly the financial position of the East Riding Pension Fund as at 31st March 2005 and its income and expenditure for the financial year then ended.

Steve Button

Head of Finance

East Riding of Yorkshire Council

29 June 2005

Statement of Investment Principles

Introduction

The East Riding Pension Fund is required to maintain a Statement of Investment Principles (SIP) in accordance with the Local Government Pension Scheme (LGPS) Regulations. The SIP for the East Riding Pension Fund is set out below, and complies with the LGPS Regulations. The Pensions Committee at its meeting on 29 April 2005 agreed this SIP.

The East Riding Pension Fund is also required to maintain a Funding Strategy Statement (FSS) in accordance with the LGPS Regulations. The FSS for the East Riding Pension Fund, which was approved by the Pensions Committee at its meeting on 11 March 2005 complies with the regulations.

In preparing the SIP and the FSS, the Pensions Committee has taken professional advice from its adviser and investment managers, whom it considers are suitably qualified and experienced in investment matters.

Pensions Committee's investment powers

The Pensions Committee's investment powers are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1999, as amended. This SIP is consistent with these powers and does not restrict the Pensions Committee's investment powers.

The ten principles of investment practice set out in the CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom are complied with in the arrangements made for managing the investments of the Fund.

Investment managers and adviser

The investment managers employed by the Pensions Committee to manage the assets of the East Riding Pension Fund are the Director of Corporate Resources and Schroder Investment Management. They are responsible for the day-to-day investment management of the Fund's assets. The external investment manager, Schroder Investment Management, is authorised by the Financial Services Authority (FSA) to conduct investment business under the terms of the Financial Services and Markets Act 2000.

In addition Mrs. S. Bates has been employed by the Pensions Committee to provide investment advice.

The Pensions Committee has signed client agreements with the external investment manager and adviser.

The Pensions Committee regularly monitors the operations and performance of the investment managers and adviser acting for the East Riding Pension Fund in relation to their investment performance, value for money, best advice and adherence to this SIP.

Sub-delegation

The external investment manager may only delegate its duties to a third party with the prior permission of the Pensions Committee. Any third party employed by the investment manager must adhere to this SIP.

Kinds of investments to be held and the balance between these investments

Based on expert advice, the Pensions Committee has determined a benchmark mix of asset types, which are considered suitable for the Fund. The following guidelines are set for the Fund's asset allocation mix: -

UK equities	40 - 60%
UK bonds	0 - 10%
Index linked bonds	0 - 10%
Foreign equities	25 - 35%
Foreign bonds	0 - 10%
Property	0 - 10%
Cash	0 - 10%

The Pensions Committee believes that the Fund's portfolio is adequately diversified, and has taken professional advice to this effect from their investment managers and investment adviser.

Fund managers are required to maintain a proper balance between these different categories of investments at all times. This is to ensure that the Pensions Committee's policy towards risk is safeguarded.

Risk and diversification of investments

It is the Pensions Committee's policy to invest the assets of the East Riding Pension Fund to spread the risk by ensuring a reasonable balance between different categories of investments. The Pensions Committee's policy towards the kinds of investments that are held is explained under 'The suitability of investments' below.

To ensure that equity portfolios are sufficiently diversified, and to reduce the risk to members and beneficiaries of over investment in any single particular stock, fund managers are not permitted to invest more than 10% of the Fund in the shares of any one company or investment.

The investment policy of the East Riding Pension Fund does not permit any employer related investment, either in the assets, stock, land or property of either the Principal or any of the associated employers. The Pensions Committee considers that employer related investments pose too great a risk to the security of the Fund.

The suitability of investments

The categories of investments described earlier are considered suitable for the Fund, subject to the specified limits, and the above restrictions. The investment managers may invest in these investments without prior consultation with the Pensions Committee.

Sub-underwriting is a satisfactory investment where the Fund holds, or intends to hold, the relevant issue. The use of derivatives for currency or other hedging purposes requires the Pensions Committee to consider the merit of each investment before action is taken by the Fund managers.

The expected return on investments

The Actuarial valuation at 31 March 2004 was prepared on the basis of an expected real return on assets of 3.4% over the long term.

In order to achieve this expected rate of return the Pensions Committee has set the performance target as at least 0.5% p.a. above the WM Local Authority Median over rolling three year periods, and no worse than 1% below the WM Local Authority Median over rolling one year periods.

In order to monitor this the Pensions Committee requires the provision of detailed performance measurements of the Fund's investments. This is provided by an independent monitoring service, the WM Company, which presents its report to the Committee annually.

The realisation of investments

The Fund's investment managers have discretion as to the timing and amount of the realisation of investments.

Pensions Committee's policy on socially responsible investment

As a responsible investor, the East Riding Pension Fund wishes to promote corporate social responsibility, high standards of corporate governance, good practice and improved company performance amongst all companies in which it invests. The Fund will therefore monitor investee companies to ensure they meet standards of best practice in relation to their key stakeholders.

The Fund considers that the pursuit of such standards aligns the interests of Fund members and beneficiaries with those stakeholders and society as a whole over the long term. In furtherance of this policy, the Fund will support standards of best practice on disclosure and management of corporate social responsibility and corporate governance issues by companies, consistent with the Fund's fiduciary responsibilities.

In accordance with this policy, the Fund will seek where necessary to use its own efforts, its fund managers and alliances with other investors to pursue these goals. In addition, the Fund will pursue an active corporate governance policy, including using its voting rights, in accordance with its own policies as determined from time to time.

Pensions Committee's policy on shareholder voting

The Fund supports the principles underpinning the Combined Code. However, the Fund will interpret the application of these principles according to its own views of best practice. There are also other issues outside the Combined Code on which the Fund will take a view.

The Fund will vote in favour of resolutions which are in line with these guidelines or comply with best practice. The Fund will vote against resolutions which do not meet these guidelines, or which represent a serious breach of best practice, or which will have a negative impact on shareholders' rights. The Fund may abstain on resolutions which may have an adverse impact on shareholders' rights, or represent a less significant breach of these guidelines, or where the issue is being raised for the first time with a company. The specific voting outcome will depend on the particular circumstances of the company and the types of resolution on the meeting agenda.

Compliance and monitoring of the SIP

The investment managers and investment adviser are required to adhere to the principles set out in this Statement of Investment Principles. The Pensions Committee will require an annual, written, statement from the investment managers and investment adviser that they have adhered to the principles set out in this statement.

The Statement of Investment Principles of the East Riding Pension Fund is revised by the Pensions Committee on an annual basis.

Funding Strategy Statement

Local Authority Pension Funds are required to maintain Funding Strategy Statements (FSS) in accordance with the Local Government Pension Scheme (LGPS) Regulations. The FSS for the East Riding Pension Fund, which was approved by the Pensions Committee at its meeting on 11 March 2005 is set out below and complies with the Regulations.

In preparing the FSS, the Pensions Committee has considered the guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel, and the Statement of Investment Principles (SIP). All employers and the trade unions have been consulted, and their views taken into account.

CIPFA Pensions Panel Guidance

The guidance sets out the following headings to be covered by the FSS :-

- purpose of the Funding Strategy Statement in policy terms;
- aims and purpose of the Pension Fund;
- responsibilities of the key parties;
- solvency issues and target funding levels;
- links to investment policy set out in the Statement of Investment Principles;
- identification of risks and counter measures.

The FSS is part of the process undertaken by the Administering Authority (i.e. East Riding of Yorkshire Council) to ensure participation by employers, and accountability to employers in managing future pension costs. It provides a framework which allows long term political scrutiny of the valuation process, and improves the communication with all Scheme employers.

The FSS provides a comprehensive and cohesive strategy for the Fund as a whole, identifying how employers' pension liabilities will be met, while maintaining stable contribution rates taking a prudent long term view of the liabilities.

The aims of the Fund are to :-

- ensure that sufficient resources are available to meet liabilities as they fall due;
- manage employers' liabilities effectively;
- maintain stable and affordable employer contribution rates;
- maximise the investment return while controlling the risk.

The purpose of the Fund is to :-

- receive monies due to the Fund from all sources, in particular contributions, transfer values and investments;
- invest monies held within the Fund in accordance with the SIP;
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses.

The sound management of the Fund relies on all interested parties exercising their duties and responsibilities conscientiously and diligently. The key parties in this statement are the Administering Authority, individual employers' and the Actuary.

The Administering Authority should :-

- collect contributions;
- invest all monies held in accordance with the SIP;

- maintain adequate records for each Scheme member;
- exercise discretions within the regulatory framework, taking into account the cost of decisions;
- ensure sufficient cash is available to meet liabilities as they fall due;
- pay benefits and transfer values in accordance with the regulations and the advice of the Actuary;
- provide membership records to the Actuary promptly when required;
- prepare and maintain an FSS and SIP in consultation with interested parties;
- monitor all aspects of the Fund's performance and funding.

Individual employers should :-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own, as determined by the Actuary, and strain costs, promptly by the due date;
- provide adequate membership records to the Administering Authority promptly as required;
- exercise discretions within the regulatory framework, taking into account the cost of decisions;
- make additional contributions in accordance with agreed arrangements determined by the Actuary to cover, for example, augmentation of scheme benefits and early retirements;
- notify the Administering Authority promptly of all proposed changes in membership which may affect future funding.

The Actuary should :-

- prepare valuations including the setting of employers' contribution rates, after agreeing assumptions with the Administering Authority, and having regard to this FSS;
- provide advice and calculations for bulk transfers and individual benefit matters.

Due to the statutory basis of the Scheme the Fund remains outside the solvency arrangements established for private sector schemes.

The Fund has a target of achieving a funding level of 100% within periods related to the financial standing of the employer, with a maximum of 20 years, which is considered to be a prudent period in the context of providing for pension liabilities in the public sector.

The limits which will normally apply are :-

• Scheduled bodies	- 20 years
• Admission bodies	- future working lifetime of members
• Transferee admission bodies	- remaining contract period.

Where the Actuary determines a new contribution rate to achieve full funding in accordance with the previous paragraph such new rates may be phased in within periods related to the financial standing of the employer, with a maximum of 6 years. Any such phasing is subject to achieving full funding within the period set in accordance with the previous paragraph. The maximum periods are :-

• Scheduled bodies	- 6 years
• Admission bodies	- 3 years
• Transferee admission bodies	- 3 years

In determining contribution rates for certain similar smaller employers the Actuary will pool the liabilities in order to smooth the contributions required of those employers in the short term. In cases where employers have negotiated separate assumptions in order to maintain medium term affordability, they accept a higher risk of material variations to their contribution rate, which would otherwise be smoothed within the pooling arrangements. Contractors entering the Scheme under best value or partnership arrangements will have their contributions determined by the Actuary to achieve full funding at the end of the contract.

Where an employer has closed the scheme to new employees, the contribution rate determined by the Actuary is based on the aging and reducing work force, and will necessarily be higher to reflect the shorter term of the liability. Where there are no remaining employees and there is a deficit, the employer will be required to continue making contributions as determined by the Actuary to meet that deficit. If only deferred liabilities remain the employer will be informed of the deficit, and put on notice that further contributions may be required when those benefits come into payment, and the deficit can be accurately determined by the Actuary. Where the employer no longer exists the guarantor, or the final public sector employer, will be called upon to make the required contributions.

In calculating the funding level it is necessary to make certain assumptions on both demographics and investments.

The demographic assumptions are made to estimate the incidence of contributions being received and benefits being paid. The assumptions used by the Fund are those produced by a detailed study of the experience of all local authority clients of the Actuary, using the results for rural authorities as the best estimate. However, as the Fund covers a mixture of rural and urban areas this should provide an element of prudence at the whole Fund level.

The financial assumptions are made to evaluate future benefits payable, and then to discount those liabilities to a present value. The key assumptions for evaluating future benefits payable are pay and price increases, and promotion experience. The discount rate applied to calculate the present value is based on estimated future investment returns. This allows the assets of the Fund to be compared to the present value of the liabilities to determine the funding level.

The financial assumptions used in the 2004 valuation of the Fund are summarized as follows :-

	Nominal % p.a.	Real % p.a.
Pay Increases	4.4	1.5
Price Inflation/Pension Increases	2.9	-
Discount Rate	6.3	3.4

Pay increases are split into two, general pay rises and promotional pay growth. The latter is subject to detailed analysis of the past by the Actuary, and then applied to the current workforce. General pay rises have been between 1.5% and 2% for the last ten years, so the lower level of 1.5% has been applied.

Price inflation is simply derived from the difference between the yields on conventional and index linked government bonds, and at 31 March 2004 this was 2.9%.

The discount rate has been derived by applying assumed rates of return to the assumed asset mix. The assumed asset mix, which is in line with the actual asset mix, is 75% equities (or similar assets) and 25% bonds, of which 50% are corporate bonds. The minimum risk return is taken as 4.7%, the yield on government stocks at 31 March 2004, with corporate bonds producing an additional 0.4%. The equity risk premium has been set at 2%. The Actuary has calculated the historical median equity risk premium at 3%, making this the best estimate of the future equity risk premium. In order to be prudent this has been reduced to 2% for valuation purposes. These factors when combined produce a discount rate of 6.3%.

The SIP sets out the kinds of investments to be held and the balance between these investments. The benchmark mix of assets in the SIP is compatible with the basis on which the discount rate has been derived.

The expected rate of return and the target set for the investment managers in the SIP are reviewed annually as a matter of course, and the relationship with the requirements of the FSS are considered at the same time.

Identification of Risks and Counter Measure

Risks are considered in four categories, financial, demographic, regulatory and governance.

Financial risks relate to the discount rate, or expected return on investments, and inflation, in respect of both pay and prices. The return on investments may fall below expectations for two reasons, first that markets fail to perform in line with assumptions, and second that investment managers fail to achieve performance targets over the long term. The Fund has attempted to mitigate these risks through diversification, by permitting investment in a wide variety of markets and assets, and through the use of two fund managers with differing mandates. The Pensions Committee reviews performance of both markets and managers regularly to ensure results are acceptable.

The demographic risks can be considered in two categories, further increases in longevity and variation in employment patterns. The first is likely to be a gradual process, and can be satisfactorily taken into account at subsequent valuations. The latter is an issue for employers, where managing the age profile of the workforce, early retirement and ill health retirement will affect the valuation. Clearly, as the retirement age rises the incidence of ill health retirements will rise, and employers will have to manage this more effectively.

The regulatory risks to the Scheme can result from changes to the Scheme regulations, taxation, or national changes to pension requirements. The Fund will normally submit views from its perspective, but employers frequently have a greater interest in these proposed changes, and should be submitting their views too.

The governance risk is essentially one of communication between employers and the Administering Authority, where for example an employer fails to inform the Administering Authority of major changes, such as a major contract going out, or an admission body closing the Scheme to new entrants. The Administering Authority would always advise the major employers to consider making past service deficit payments as lump sums, rather than as a percentage of payroll, to avoid any under payment accruing as a result of such changes. The Administering Authority also seeks to maintain regular contact with employers, with liaison officers specifically appointed for this purpose.

In order to protect the Fund where new employers are admitted the Administering Authority, together with the existing Scheme employer where appropriate, will perform a risk assessment to determine the requirement for a bond or indemnity and will review this requirement annually.

Members and Advisers

Pension Fund Committee as at 31 March 2005

Members

Councillor R Allerston
Councillor B Beck-Taylor
Councillor A Burton
Councillor R M Clubley
Councillor J Cox
Councillor A Kay
Councillor J Kitchen
Councillor C A Lynn
Councillor J Parsons
Councillor D Rudd
Councillor F Smith
Councillor G Stroud

Unitary Council Representatives

Councillor I Glover (North Lincolnshire)
Councillor D Khan (North East Lincolnshire)
Councillor T McVie (Kingston upon Hull)

Trade Union Observers

Mr M Burgess (TGWU)
Mr S Cunliffe (Unison)
Mr A Samson (GMB)
Mr B Smith (Unison)

Fund Managers

Director of Corporate Resources
Schroder Investment Management (UK) Limited

Fund Adviser

Mrs S Bates

Actuary

Hymans Robertson

Fund Membership

The 70 employers, including East Riding of Yorkshire Council, with an interest in the Pension Fund are listed below:-

ADMINISTERING AUTHORITY
East Riding of Yorkshire Council

SCHEME EMPLOYERS (43)

Barmby Moor CE Primary School
Barton upon Humber Town Council
Beverley Town Council
Bishop Burton College
Bottesford Town Council
Bridlington Town Council
Burton upon Stather Parish Council
Driffield Town Council
East Riding College
East Yorkshire Valuation Tribunal
Elloughton cum Brough Parish Council
Franklin College
Goole Town Council
Grimsby Institute of Further & Higher Education
Hedon Town Council
Hornsea Town Council
Howden CE Infants School
Hull College
Humber Bridge Board
Humberside Fire Authority
Humberside Magistrates' Courts Committee
Humberside Police Authority
Immingham Town Council
Internal Drainage Boards
- Beverley and North Holderness
- Lower Ouse
- Market Weighton

John Leggott College
Kingston upon Hull City Council
Kirton in Lindsey Town Council
Market Weighton Town Council
National Probation Service - Humberside
North East Lincolnshire Council
North Lincolnshire Council
North Lindsey College
South Cave Parish Council
University of Lincoln
Warter CE Primary School
Wilberforce College
Withernsea & South Holderness Rural Action Zone
Withernsea Town Council
Wold Newton Foundation School
Wyke College
Yorkshire and Humberside Grid for Learning

COMMUNITY ADMISSION BODIES (23)

Community Council of Humberside
Connexions Humber Limited
Grimsby and Cleethorpes Pathfinder Project Limited
Havelok Housing Association
Hull and Goole Port Health Authority
Hull Charterhouse Trustees
Hull Citybuild
Hull Cityventure Limited
Hull Resettlement Project Limited
Hull Young Peoples Christian & Literary Institute
Humbercare Limited
Humber Forum Limited
Humberside Independent Care Association
Humberside International Airport Limited
Humberside Partnership
North Eastern Sea Fisheries Committee
Pickering and Ferens Homes
Pocklington School
Preston Road NDC Limited
Shoreline Housing Partnership Limited
Sobriety Project Limited
The Deep (EMIH) Limited
University of York

TRANSFEREE ADMISSION BODIES (3)

Jarvis Workspace FM Limited
P H Jones Limited
Sports and Leisure Management Limited

Legal Framework

The Local Government Pension Scheme is governed by the Superannuation Act 1972. The Scheme rules are contained within the Local Government Pension Scheme Regulations 1997 and the Local Government Pension Scheme (Transitional Provision) Regulations 1997, which became effective on the 1 April 1998. Whilst the Regulations are fixed on a national basis, the Scheme is managed by a designated Administering Authority, and throughout the country there are 103 such authorities. East Riding of Yorkshire Council became responsible for administering the former Humberside County Council Pension Fund on local government reorganisation on the 1 April 1996 and the Fund became known as " THE EAST RIDING PENSION FUND". The Council administers the Fund for the benefit of its own employees and the employees of the Scheme employers and admission bodies. Full details of the employers participating within the Fund are shown on the previous page. Teachers, police officers and firefighters are excluded from the Scheme, as they are members of separate statutory pension schemes.

Having a significant impact on the way occupational pension schemes operate is the Pensions Act 1995, which has wide-ranging implications for all pension schemes including the Local Government Pension Scheme. The Act adopts many of the recommendations of the Pension Law Review Committee, chaired by Professor Goode, which was set up following the Maxwell scandal. The Act also equalises pension benefits for men and women in line with European Law. Public sector schemes, including the Local Government Pension Scheme, are exempt from certain provisions of the Pensions Act 1995, such as Member Nominated Trustees, the Minimum Funding Requirement and the Appointment of External Advisers.

The Local Government Pension Scheme is a contracted-out scheme for the purposes of state pension provision. Following changes to the State Earnings Related Pension Scheme from 6 April 1997, the Scheme was required to pass a test based on the quality of benefits. Having satisfied the Contributions Agency of its ability to meet this test, a certificate was granted to the Local Government Pension Scheme, effective from 6 April 1997. This enables most Scheme members to pay a lower rate of National Insurance Contribution.

Employees have the freedom to opt-out and make their own pension provision. Each Scheme member pays 6% (5% for protected manual employees) of their contractual earnings, and their employer makes a contribution determined by a qualified Actuary every three years. For the year 2004/2005 ignoring the four Unitary Authorities' contribution rates, the average employers rate was 234% of employees' contributions. These rates were the last to be certified under the 2001 Actuarial Valuation. New rates come into effect for all employers from 1 April 2005 as a result of the 2004 Actuarial Valuation. Almost all employers will be required to pay higher rates for the 3 years from 1 April 2005.

Legislation introduced in 2004/2005 made a number of changes to the Scheme most notable of which was the reduction in the period required to qualify for benefits from 2 years to 3 months; the removal of the right to enhanced benefits on a second or subsequent ill health retirement; the removal of the right to link certain periods of earlier LGPS membership; the introduction of a requirement for a funding strategy statement to be prepared, maintained and published by the Administering Authority; changes to the Internal Disputes Resolution procedure to ensure disputes would be dealt with at local level and the introduction of compulsory annual benefits statements for active and deferred Scheme members.

Scheme Benefits

The Scheme provides the following benefits to its members:-

- An inflation proof pension and tax free lump sum. Benefits are based upon final year's pay and periods of Scheme membership accrued within the Scheme;
- A lump sum payable to the deceased's estate or nominated beneficiary, plus an inflation proofed dependant's pension if death should occur before retirement;
- An inflation proof dependant's pension for death after retirement and a guarantee to pay any balance of pension if death occurs within five years of retirement;
- Early payment of pension and lump sum when retirement is necessary due to permanent ill-health;
- Early payment of pension and lump sum if aged 50 or over if:-
    - made redundant;
    - retired through efficiency of the service;
    - the Scheme employer agrees to allow early voluntary retirement under the 85-year rule.

For leavers not entitled to immediate payment of benefits, pension rights, depending on length of Scheme membership, may be: -

- Preserved and inflation proofed, to be paid at normal retirement age; or
- Transferred to another pension scheme arrangement including a personal pension plan or retirement annuity contract;
- Refunded to certain members if Scheme membership is less than 3 months (although some members have a protected entitlement to have a refund if they have less than 2 years membership).

Facilities to increase personal benefits are available in a number of ways: -

- Purchase of additional Scheme membership by means of increased pension contributions;
- Purchase of extra pension (annuity) by means of Additional Voluntary Contributions (AVC's) through the Prudential;
- Purchase of additional Scheme membership (to increase pension only) by means of AVC's;
- Payment of AVC's through the Prudential to improve death-in-service lump sum or dependants' pension.

Safeguards for Scheme members are contained within the Scheme rules, which contain comprehensive complaints and disputes procedures. Members are able to seek redress through the Internal Disputes Resolution Procedure which allows access to a 2 stage procedure in an attempt to bring a solution to any dispute. If the member or former member is still unhappy with the decision reached at stage 2 there is the right for the complainant to then lodge their grievance with the Pensions Ombudsman.

At any stage a Scheme member has the right to direct their complaint to the Occupational Pensions Advisory Service - OPAS.

Management

The arrangements for the management of the Fund are: -

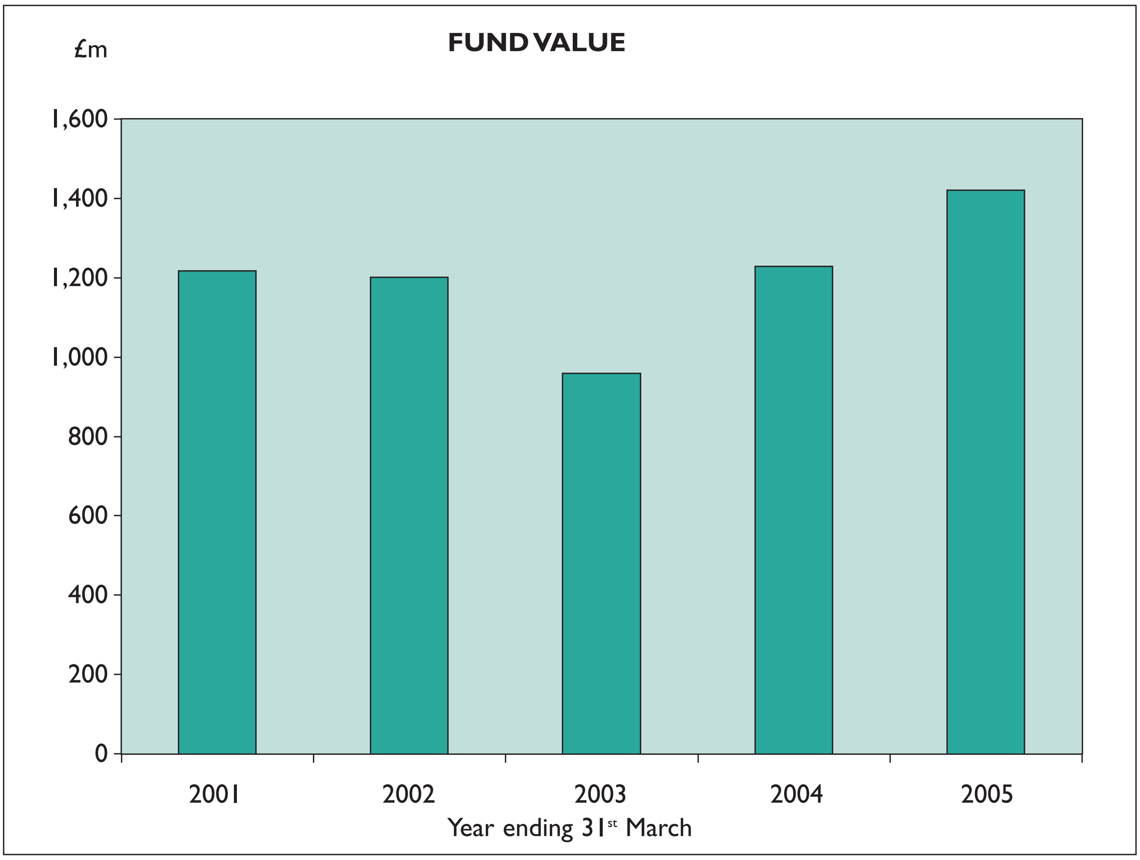
- The Pensions Committee meet at quarterly intervals to determine overall strategy, to review retrospectively detailed implementation of policy and to consider performance, with a further four meetings being held to consider administrative issues;
- The fixed interest and index linked portfolios are both managed 50/50 by Schroder Investment Management and the Corporate Resources Directorate;
- The UK equity portfolio is managed by the Corporate Resources Directorate;
- Overseas equities are managed by Schroder Investment Management, except for 60% of European equities which are managed by the Corporate Resources Directorate;
- Property and Private Equity investments are managed by the Corporate Resources Directorate;
- The Corporate Resources Directorate administers obligations to pensioners and Fund contributors.

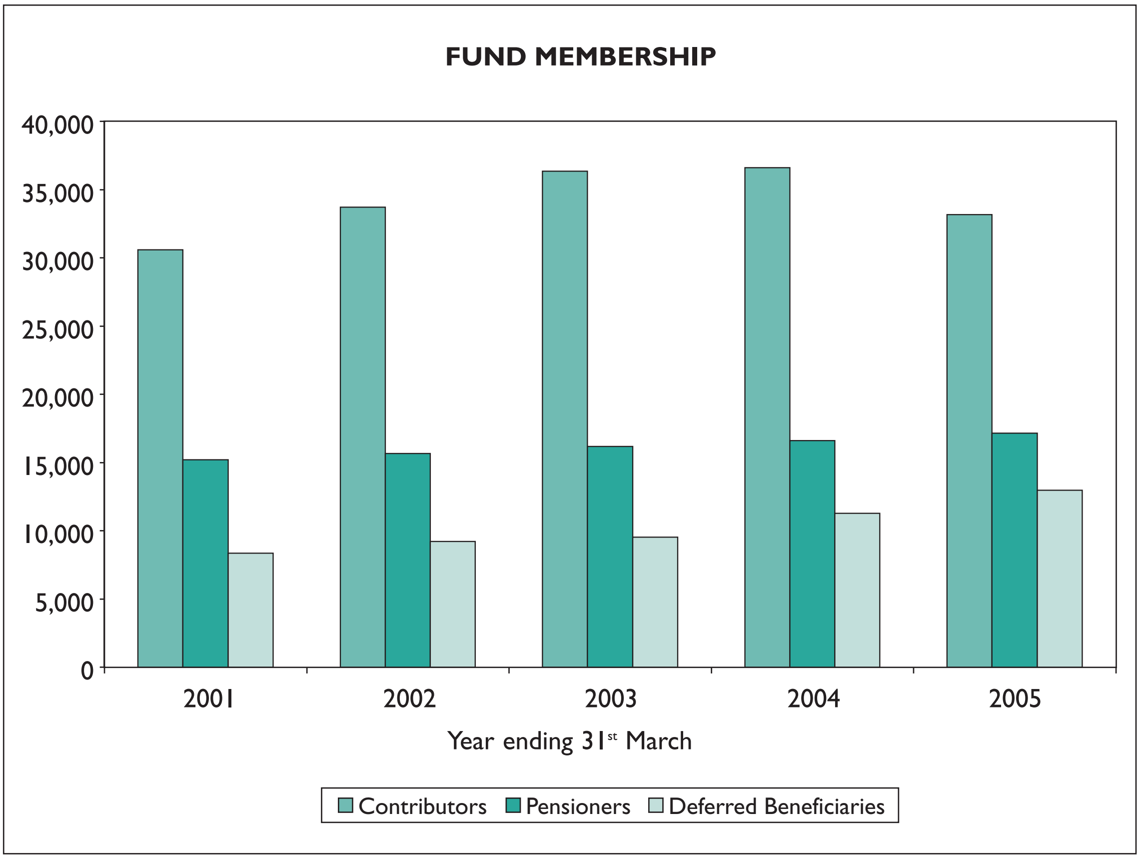
Fund Statistics

The figures in the table below and graphs opposite show key statistics and illustrate trends over the last five years: -

	2001	*2002*	*2003*	*2004*	***2005***
Contributors	30,580	33,690	36,340	36,580	**33,140**
Deferred Beneficiaries	8,350	9,190	9,500	11,270	**12,960**
Pensioners	15,190	15,640	16,150	16,580	**17,150**
	54,120	58,520	61,990	64,430	**63,250**
	£m	*£m*	*£m*	*£m*	***£m***
Income	110.1	109.9	118.5	134.0	**139.6**
Expenditure	62.2	66.7	72.4	76.0	**80.4**
Net Income	47.9	43.2	46.1	58.0	**59.2**
Pensions Increase (Inflation proofing factor)	1.1%	3.3%	1.7%	1.7%	**2.8%**
Employer's Average Contribution Rate	181%	177%	192%	211%	**234%**

Fund Statistics





Investment Distribution

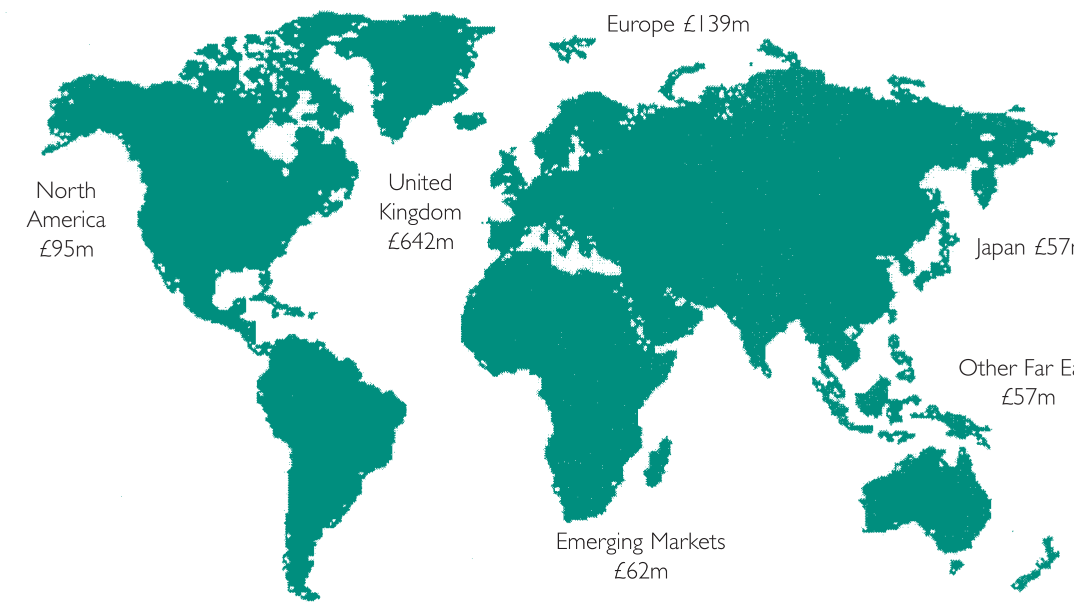
Trends

The composition of the investment portfolio for the last five years is set out below. The figures are based on market value and reflect both the relative performance of investment markets and policy.

Year ended 31 March

	2001		2002		2003		2004		**2005**	
	£m	%	£m	%	£m	%	£m	%	**£m**	**%**
UK Equities	600	49	573	48	419	44	530	43	**613**	**43**
Foreign Equities	171	14	211	17	145	15	169	14	**184**	**13**
UK Fixed Interest	54	4	59	5	60	7	71	6	**76**	**5**
UK Index Linked	26	2	26	2	31	3	26	2	**28**	**2**
Corporate Bonds	32	3	18	1	12	1	7	1	**5**	**1**
Foreign Fixed Interest	98	8	71	6	53	6	57	5	**51**	**4**
Foreign Index Linked	9	1	-	-	-	-	-	-	**-**	**-**
Managed Funds										
- Equities	92	8	95	8	84	9	227	18	**254**	**18**
- Property	63	5	66	6	70	7	74	6	**91**	**6**
- Private Equity	1	0	2	0	3	0	5	0	**12**	**1**
Cash	69	6	79	7	81	9	61	5	**105**	**7**
Total Value	1,215	100	1,200	100	958	100	1,227	100	**1,419**	**100**
Total Cost	1,018		1,054		1,076		1,103		**1,186**	

GEOGRAPHIC DISTRIBUTION OF EQUITY INVESTMENT as at 31 March 2005



Investment Distribution

DETAILS OF THE LARGEST EQUITY INVESTMENTS as at 31 March 2005

Top 15 UK Equities	Market Value £m
BP Plc	48.5
GlaxoSmithKline Plc	31.5
Vodafone Group Plc	29.2
HSBC Holdings Plc	27.1
Shell Transport & Trading Co. Plc	25.3
Royal Bank of Scotland Plc	20.2
Barclays Plc	14.6
Astrazeneca Group Plc	13.6
BT Group Plc	10.8
HBOS Plc	10.7
Lloyds TSB Group Plc	10.1
JPMorgan Fleming Mercantile IT Plc	9.4
British American Tobacco Plc	8.6
Tesco Plc	8.1
Diageo Plc	7.8

Top 10 Overseas Equities	Market Value £m
Banco Santander Central Hisp. Com Stk	5.5
JP Morgan Fleming Cont Euro. IT Plc	5.4
JP Morgan Fleming Euro. Fledg.IT Plc	5.0
Royal Dutch Petrol Comp.Com Stk	4.8
Novartis AG	4.0
Toyota Motor Corporation	3.9
Jupiter European Opportunities Trust Plc	3.8
Total SA	3.7
Telefonica Common Stock	3.6
Koninklijke KPN Common Stock	3.4

DETAILS OF INSTITUTIONAL UNIT TRUSTS as at 31 March 2005

Global Equity Funds

Schroder Funds	Market Value £m
SGST North America Equity Fund	94.9
Institutional Pacific Fund	56.9
Emerging Markets Fund	46.3
Institutional UK Smaller Companies Fund	17.4
Institutional Developing Markets Fund	15.6
Institutional Euro Smaller Companies. Fund	8.9
Institutional Recovery Fund	6.8
Institutional Japan Smaller Companies. Fund	2.9

Property Funds

The Fund holds a portfolio of 9 Property Funds valued at £90.5m as at 31 March 2005. Each investment is selected on the basis of its sector and geographic exposure in order that the Fund's total portfolio reflects the preferred area of investment.

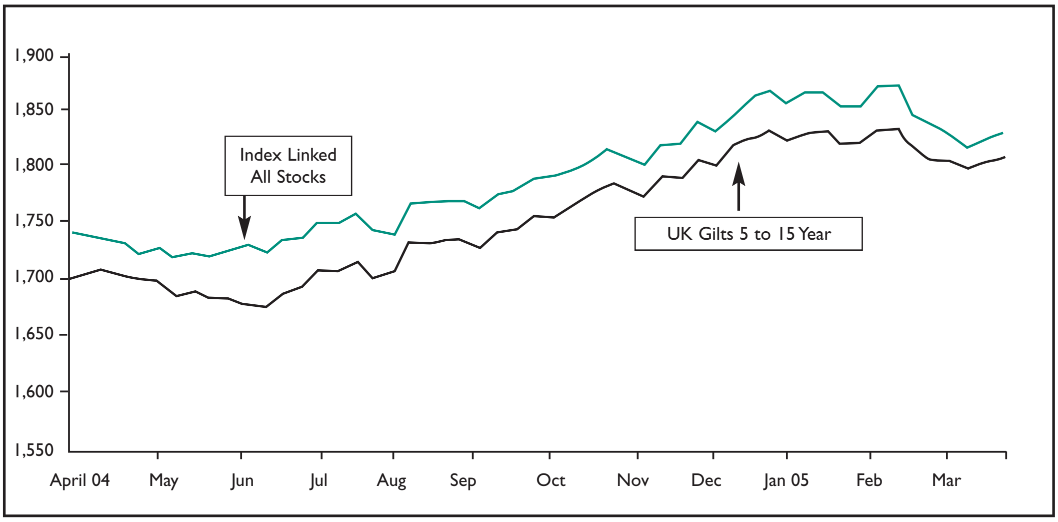
Investment Markets

There were three increases in UK base rates over the year, to the current level of 4.75%. This increase in rates has achieved the desired effect of reducing consumer spending, and has also led to a weaker housing market. The reduction in house price inflation has had a secondary effect, as people have stopped re-financing mortgages to repay debt taken on during the house price boom. This turn around in consumer spending habits has resulted in the first net reduction in monthly credit card balances in many years. The higher oil price, which has been around $50 per barrel for some time, has had a negative effect on both consumers and businesses, as utility and fuel bills have increased. Despite recent consumer weakness, many companies have been performing well after undertaking balance sheet restructuring over the last few years. China has become a major area of both supply and demand for many products. While China's need for raw materials has led to higher prices, cheaper products such as textiles have flooded onto the European market and brought down costs for many companies and consumers. There was, with dividends reinvested, a positive return of 15.8% in the FTSE All Share Index.

FTSE ALL SHARE – PRICE INDEX

Bond markets have been volatile over the past year as expectations of interest rate movements have changed frequently. There has been much activity in global bond markets, caused in part by the huge inflows into foreign government debt from Asian Central Banks. Despite this volatility the 5 to 15 Year Gilt and Index Linked All Stocks indices were little changed over the year, rising 5.13% and 5.41% respectively.

UK FIXED INTEREST – PRICE INDEX



Investment Performance

Performance can be measured by a time-weighted rate of return (TWR) which is the total return on investments during the year, capturing both income and change in capital value.

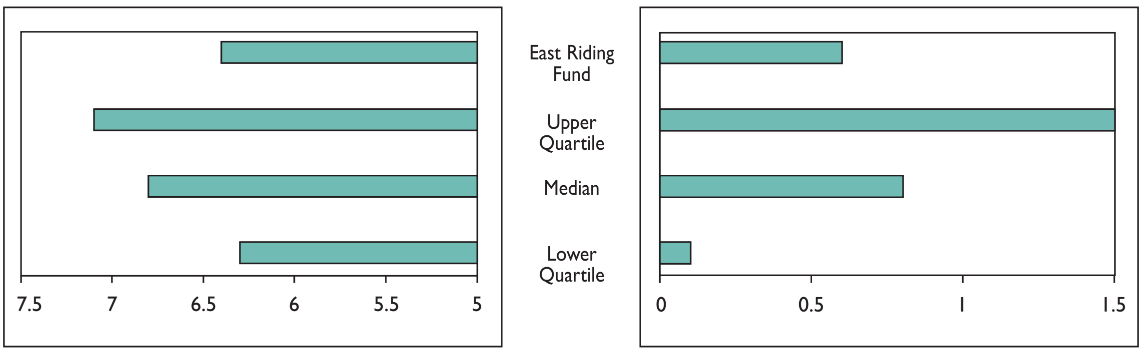
The TWR figures since April 1994 are set out below compared with the increase in retail price index to give an indication of long-term performance.

	TWR %	Increase in Retail Price Index %
1994-95	1.9	3.5
1995-96	21.7	2.7
1996-97	12.0	2.6
1997-98	23.6	3.5
1998-99	5.4	2.1
1999-00	15.7	3.0
2000-01	-8.3	2.3
2001-02	-2.0	1.3
2002-03	-20.8	3.1
2003-04	**25.1**	**2.6**

The following comparative statistics have been extracted from CIPFA/SCT Investment Performance Statistics 2003-2004 (2004-2005 comparative figures are not yet available).

TWR% p.a. 1994 - 2004

TWR% p.a. 1999 - 2004



Actuarial Valuation

Legislation requires an actuarial valuation of the Pension Fund every three years. The purpose of the valuation is to establish that the Fund is able to meet its liabilities to past and present contributors.

The valuation is carried out in accordance with Regulation 77 of the Local Government Pension Scheme Regulations 1997 and the most recent valuation was carried out as at 31 March 2004 and resulted in a funding level of 68% (2001 89%). The total required rate of employer contributions was certified by the Fund Actuary as 21% of pay. The next triennial valuation is due as at 31 March 2007 and any change in employers' contribution rates as a result of that valuation will take effect from 1 April 2008.

The results of the 2004 valuation are set out in the tables below:

Past Service Liabilities	**£m**
Active Members	841
Deferred Pensioners	226
Pensioners	725
Total	1,792
Assets	1,227
Deficit	(565)

Employer Contribution Rates	**Percentage of pay**	
	2001	**2004**
Future Service Funding Rate	12%	12.5%
Past Service Adjustment	3%	8.5%
Total Contribution Rate	15%	21%

The past service adjustment assumes that the deficit will be funded over a 20 year period.

The principal conclusions from the 2004 valuation were as follows:-

- The future service funding requirement has risen from 12.0% to 12.5%, demonstrating the affordability of the Scheme in its current format. The past service adjustment has risen from 3.0% to 8.5%. This reflects a number of factors in the past whereby contribution rates were set too low, making it necessary to collect this much higher contribution rate now;
- The fall in the funding level during the last three years is the result of a number of factors, the principal one being the return on investment markets during the period falling short of assumptions made at the last valuation.

Report of the Actuary

As required by Regulation 77 of the Local Government Pension Scheme Regulations 1997, an actuarial valuation of the assets and liabilities of The East Riding Pension Fund ("the Fund") was carried out as at 31 March 2004.

Security of Prospective Rights

In my opinion, the resources of the Fund are likely in the normal course of events to meet the liabilities of the Fund as required by the Regulations. In giving this opinion, I have assumed that the following amounts will be paid to the Fund:

- Contributions by the members in accordance with the Local Government Pension Scheme Regulations 1997 at the rate of 6% of pensionable pay for all members except manual staff who joined before 1 April 1988 who contribute at the rate of 5% of pensionable pay;
- Contributions, for the three years commencing 1 April 2005, paid by the employers are as specified in our Rates and Adjustments certificate dated 31 March 2005.

Summary of Methods and Assumptions Used

Full details of the method and assumptions are described in our valuation report dated March 2005.

Copies of these documents are available on request from East Riding of Yorkshire Council, administering authority to the Fund.

My opinion on the security of the prospective rights is based on

- the projected unit valuation method where there is an expectation that new employees were to be allowed to join an employer;
- the attained age valuation method for employers who were closed to new entrants.

These methods assess the cost of benefits accruing to existing members during

- the year following the valuation;
- the remaining working lifetime, respectively

allowing for future salary increases. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities and the market value of assets.

Since I have taken assets into account at their market value, it is appropriate for me to take my lead from the market when setting the financial assumptions used to value the ongoing liabilities. This ensures the compatibility of the asset and liability valuation bases.

The key financial assumptions adopted for this valuation are as follows:

Financial Assumptions	March 2004	
	% p.a.	% p.a.
	Nominal	Real
Discount Rate	6.3%	3.4%
Pay Increases	4.4%	1.5%
Price Inflation/Pension Increases	2.9%	-

The 2004 valuation revealed that the Fund's assets, which at 31 March 2004 were valued at £1,227 million, were sufficient to meet approximately 68% of the liabilities accrued up to that date.

The next valuation of the Fund will be carried out as at 31 March 2007.

Individual employer's contributions have been set in accordance with the Fund's Funding Strategy Statement. The deficits for each individual employer are being spread over a period up to a maximum of 20 years. Any rise in contribution rates from 31 March 2005 are being phased in over a period up to 3 years.

Bryan T Chalmers FFA
For and on behalf of Hymans Robertson LLP
27 May 2005

Hymans Robertson
Consultants and Actuaries

FUND ACCOUNT
for the year ended 31 March 2005

2003/04 £000	Note		2004/05 £000
		Contributions and Benefits	
83,208	G	Contributions receivable	96,851
12,559		Transfer values receivable	9,260
5,079		Reinstatement of pension opt-outs	385
100,846			**106,496**
64,106	H	Benefits payable	67,657
8,947	I	Payments to leavers	9,517
1,550	J	Pensions administration expenses	1,640
74,603			**78,814**
26,243		**Net Additions from dealings with Members**	**27,682**
		Returns on Investments	
33,184	K	Investment income	42,723
207,721	L	Change in market value of investments	122,383
(1,351)	J	Less: Investment management expenses	(1,618)
239,554		**Net Returns on Investments**	**163,488**
265,797		**Net increase in the Fund during the year**	**191,170**
	L	Net Assets of the Fund	
961,638		Opening net assets as at 1 April	1,227,435
1,227,435		Closing net assets as at 31 March	**1,418,605**

NET ASSETS STATEMENT
as at 31 March 2005

31/03/04 £000	Note		31/03/05 £000
	L	INVESTMENTS	
		Fixed Interest Securities	
70,641		United Kingdom Government Stocks	76,440
57,173		Foreign Public Sector	50,944
7,539		Corporate Bonds	4,844
135,353			**132,228**
		Index Linked Securities	
25,907		United Kingdom	28,422
		Equities	
529,778		United Kingdom	612,925
169,570		Foreign	184,418
699,348			**797,343**
		Managed Funds	
226,589		Equities	254,285
74,305		Property Unit Trusts	90,523
4,457		Private Equity	11,512
305,351			356,320
1,165,959		TOTAL INVESTMENTS	**1,314,313**
68,875	M	CURRENT ASSETS	**114,892**
(7,399)	N	less : Creditors	(10,600)
61,476		NET CURRENT ASSETS	**104,292**
1,227,435		NET ASSETS	**1,418,605**

Notes to the Accounts

A Type of Scheme

The Fund is a funded defined benefits scheme.

B Audit

These Accounts are subject to external audit. The audit report and a summary of these accounts is included in the Financial Statement of East Riding of Yorkshire Council.

C Accounting Policies

1. General

These Accounts have been prepared in accordance with the 2003 CIPFA Code of Practice on Local Authority Accounting in Great Britain which requires that the Fund's Accounts should conform with the Statement of Recommended Practice on Financial Reports of Pensions Schemes issued in 1996 and revised in 2004.

The Accounts do not take account of liabilities to pay pensions and other benefits in the future.

Investments are included in the Net Assets Statement at their market value at the date of the Statement, with the exception of unquoted Private Equity funds, which are shown at cost.

2. Employers' Contributions

Employers' contributions are based on percentages of employees' contributions as recommended by the Actuary of the Fund in his valuation of 31 March 2001 effective from 1 April 2002. Further information regarding the Actuarial Valuation and the Report of the Actuary can be found on pages 22 to 23 of this report.

3. Investment Income

Dividend income is accounted for in the year in which it is received.

4. Benefits Payable

Transfer values received and paid, and contributions refunded are calculated in accordance with the Local Government Pension Scheme Regulations and are included in the Accounts in the year of receipt or payment respectively.

5. Valuation of Assets

Investments made through the UK Stock Exchanges are valued at middle market price at the close of business on 31 March. Investments held in foreign currencies on foreign stock exchanges are valued at bid price or last trade price.

Investments held in foreign currencies are translated in the Accounts by the application of the appropriate rate of exchange ruling at 31 March. Note T lists the exchange rates applied to investments held.

D Future Liabilities

The Accounts summarise the transactions and net assets of the Fund and do not take into account liabilities to pay pensions and other benefits in the future. The adequacy of the Fund's investments and contributions in relation to its overall obligations is dealt with in the Report of the Actuary, on page 23 of this report and these accounts should be read in conjunction with the report.

The Actuarial information disclosed on pages 22 and 23 complies with the accounting requirements of Financial Reporting Standard 17.

E Taxation

For UK Taxation purposes the Fund is wholly exempt for the purposes of Chapter II part II of the Finance Act 1970. In accordance with this Act, the Fund is not subject to income tax or capital gains tax. However, since the Budget changes of 1997 the Fund has not been able to recover UK Advance Corporation Tax on dividends. UK income tax on investment income deducted at source remains recoverable from the Inland Revenue and is shown in the Accounts gross. In addition, the Fund is subject to Overseas Withholding Tax in respect of dividend payments on certain overseas holdings, which in some cases is recoverable from the relevant authorities under double taxation agreements.

F Value Added Tax

The Fund is reimbursed VAT by HM Customs and Excise and the accounts are shown exclusive of VAT.

Notes to the Accounts

2003/04 £000			2004/05 £000
	G	**Contributions Receivable**	
55,384		Employers - Primary	65,355
2,647		Employers - Additional	4,783
24,132		Employees - Normal	25,552
1,045		Employees - Additional	1,161
83,208			96,851
19,342		Administering Authority	20,257
61,092		Scheme Employers	70,976
2,774		Transferee Admission Bodies	5,618
83,208			96,851
	H	**Benefits Payable**	
54,034		Pensions	57,045
8,832		Commutations, compounded & Lump sum retirement benefits	9,392
1,240		Lump sum death benefits	1,220
64,106			67,657
5,757		Administering Authority	6,967
57,145		Scheme Employers	57,990
1,210		Transferee Admission Bodies	2,700
64,106			67,657
	I	**Payments to and on account of leavers**	
371		Refunds to members leaving service	289
347		Contributions equivalent premiums	165
8,229		Transfer values payable	9,063
8,947			9,517

J Administration Expenses

Administration expenses, including fees paid to advisers are charged to the Fund, as provided in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended). Central, Finance and IT costs are apportioned to the Fund on the basis of time spent on Fund work by East Riding of Yorkshire Council staff. These include:-

	Pensions		Investments	
	2003/04	2004/05	2003/04	2004/05
	£000	£000	£000	£000
Internal Management Costs	918	1,090	453	589
External Manager's Fee	-	-	788	914
Advisers' Fee	-	-	10	10
Central, Finance & IT Costs	632	550	100	105
	1,550	1,640	1,351	1,618

Investment Management Expenses

The external managers fee is based upon the market value of the fund at the end of each quarter and is calculated on a sliding scale, where the percentage fee diminishes on marginal value. Internal management costs are based on actual costs.

K Investment Income

2003/04 £000			2004/05 £000
4,005	Fixed Interest Securities	- UK	3,875
2,483		- Foreign	2,211
304		- Corporate Bonds	376
754	Index Linked	- UK	484
51		- Foreign	-
-		- Corporate Bonds	156
15,233	Equities	- UK	18,051
2,688		- Foreign	2,713
3,041	Managed Funds	- Equities	9,859
1,810		- Property	1,868
-		- Private Equity	(34)
6	Underwriting		4
2,809	Cash Deposits		3,160
33,184			**42,723**

During the year, taxation on UK dividends of £2,134,000 was suffered, following the change in legislation on the treatment of tax on UK dividends in 1997.

L Investments at market value

		Value at 1/4/2004 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31/3/2005 £000
Fixed Interest Securities	- UK	70,641	128,270	122,468	(3)	76,440
	- Foreign	57,173	188,258	195,136	649	50,944
	- Corporate Bonds	7,539	7,625	7,607	(2,713)	4,844
Index Linked Securities	- UK	25,907	22,696	23,970	3,789	28,422
Equities	- UK					
	Listed	524,223	85,211	77,197	74,663	606,900
	Unlisted	5,555	1,300	926	96	6,025
	- Foreign					
	Listed	169,570	57,147	50,552	8,253	184,418
Managed Funds	- Equities	226,589	2,476	1,243	26,463	254,285
	- Property	74,305	5,206	163	11,175	90,523
	- Private Equity	4,457	8,634	1,567	(12)	11,512
Cash		-	36,329	36,352	23	-
		1,165,959	**543,152**	**517,181**	**122,383**	**1,314,313**

2003/04 £000				2004/05 £000
	M	**Current Assets**		
1,714		Unsettled Sales	- Internal Manager	5,324
5,218			- External Manager	4,232
917		Cash Balance	- Internal Manager	574
488			- External Manager	2,941
49,440		Temporary Investments		85,978
736		Accrued Interest on Temporary Investments		561
4,772		Contributions Due	- Employers	5,897
2,067			- Employees	2,142
-		Pension Augmentation		528
386		Recharge of PI & SA		42
3,137		Other Debtors		6,673
68,875				114,892
	N	**Current Liabilities**		
1,841		Unsettled Purchases	- Internal Manager	5,004
5,447			- External Manager	4,318
-		ERYC		527
111		Other Creditors		751
7,399				10,600
	O	**Managerial Arrangements**		
		The value of the assets managed by each manager was as follows:-		
835,709		Internal Manager		1,005,531
391,726		External Manager		413,074
1,227,435				1,418,605

P Contingent Liabilities and Contractual Commitments

As at 31 March 2005 the Fund had commitments to the purchase of Private Equity investments of £19,934,862 analysed as follows:-

	2003/04		2004/05	
	Foreign Currency	£	Foreign Currency	£
UK Funds	-	3,362,500	-	7,014,459
Dollar denominated	1,060,000	576,776	19,104,878	10,110,541
Euro denominated	2,200,000	1,471,080	4,085,539	2,809,862

Q Acquisition Costs

For quoted equity investments worldwide, both internal and external managers pay a commission fee on the gross value of both purchases and sales in addition to a bid offer spread. For certain other investments, predominantly fixed interest and interest-linked securities, the bid offer spread covers all the costs of investment. Investments purchased on the basis of Net Asset Value (NAV) include an element within the NAV for the costs of purchase.

Cash is administered by both internal and external managers to achieve the best interest return. No commission is paid to any money broker for this activity.

R Related Party Transactions

In accordance with Financial Reporting Standard (FRS) 8 'Related Party Disclosures' material transactions with related parties not disclosed elsewhere are detailed below:-

The Head of Finance of the East Riding Pension Fund is also the Head of Finance of East Riding of Yorkshire Council.

Under legislation introduced last year, Councillors are entitled to join the Scheme. No Members of the Committee receive pension benefits from the Fund.

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

The Fund acquired an investment in the placing of Progressive European Alternative Portfolio Limited, a listed company, during the year 2002/2003 at a cost of £3.25m. The market value of the investment at 31 March 2005 was £3.46m. Rodney Barton, the Head of Investments of the East Riding Pension Fund is a non-executive director of the company for which he is paid a fee.

S Members' Allowances

Following modernisation of the Committee structures, allowances are not paid to Members directly in respect of Pensions Committee attendance. The Chairman of the Pensions Committee is paid a Special Responsibility Allowance. However, allowances are not cumulative and only the highest allowance for any committee responsibility is paid to the Member. Payments to Members are disclosed in the Statement of Accounts of East Riding of Yorkshire Council.

Notes to the Accounts

T Currency Conversion Rates

Overseas investments have been converted at the exchange rates quoted at close of business of 31 March 2005 to arrive at the sterling values in the Net Assets Statement.

The exchange rates used per £1 sterling were:-

Danish Krone	10.8316
Euro	1.4540
Japanese Yen	202.1116
Swedish Krona	13.3089
Swiss Franc	2.2523
US Dollar	1.8896

Contact Points

Information relating to the Pension Fund or any pension matters can be obtained from:

Director of Corporate Resources
East Riding Pension Fund
PO Box 164
Church Street
GOOLE
East Riding of Yorkshire
DN14 5YZ

Individual benefit or contribution enquiries should be addressed to the Pension Section at the address below or by telephoning (01482) 394160.

East Riding Pension Fund
Pensions Section
PO Box 118
Church Street
GOOLE
East Riding of Yorkshire
DN14 5YU

Enquiries relating to investment matters should be addressed to the Investment Section at the address below or by telephoning (01482) 394135.

East Riding Pension Fund
Investment Section
PO Box 164
Church Street
GOOLE
East Riding of Yorkshire
DN14 5YZ

Notes

Notes

EAST RIDING
Pension Fund

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OF YORKSHIRE COUNCIL

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