



EAST RIDING PENSION FUND

***ANNUAL REPORT AND ACCOUNTS
2005/2006***



EAST RIDING
OF YORKSHIRE COUNCIL

Image on front cover "**Coastal Scenes Within The East Riding**"

Clockwise from top left: *The Mere at Hornsea, The Lighthouse at Spurn Point, The Cliffs at Bempton, Atwick Village Green*
Centre: *The Chalk Tower at Flamborough*

East Riding Pension Fund Annual Report and Accounts 2005/2006

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Foreword

The Fund was created on reorganisation of the 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 2006 the Fund was valued at £1,840m, having paid out £86m during the year for the benefit of Scheme members.

All employees of the Administering Authority and 42 Scheme Employers are entitled to participate in the Scheme (other than teachers, police officers and firefighters, who have separate pension arrangements.) Employees of the 28 Admitted Bodies may be nominated for membership by their employer.

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, and stood at 74,710 at 31 March 2006, an increase of 5,340. Active membership, currently standing at 35,160, shows an increase of 2,360. All the membership figures in the report are based on the up to date position recorded on the benefit system, with all previous years restated on a consistent basis. The number of pensioners also continues to rise, albeit slowly, and currently stands at 17,590, an increase of 360. This figure includes the pensions that are paid to the spouses and dependants of former Scheme members.

Following the changes to the investment management arrangements, which were implemented in September 2002, the Pensions Committee reviewed the performance of the managers for the two financial years to 31 March 2005 in some depth. The conclusion was that the new arrangements appear to be adding value. A further thorough review of the important three year period will be completed this year.

As required by the Office of the Deputy Prime Minister, an interim actuarial valuation at 31 March 2005 was completed after the reversal of the regulations removing the 'rule of 85' and the extension to age 65 as normal retirement age to all scheme members. This was necessary because the valuation at 31 March 2004 had been prepared on the assumption that these savings would be implemented. The conclusion of the interim valuation was that a further increase in employers' contributions was not required.

Following the final actuarial valuation report as at 31 March 2004, which was received during the year, the Pensions Committee reviewed the investment objective of the Fund. A new investment objective was approved as a result, and will be implemented from 1 April 2006. The new objective is to achieve a return 1% above the rate of return assumed in the actuarial valuation on a rolling three year calculation, which should help stabilise employers' contribution rates in the future.

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
The East Riding of Yorkshire Council
29 June 2006

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. 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 the investments from the Director of Corporate Resources, the external manager and adviser. As part of the investment strategy the Committee has agreed a Statement of Investment Principles (SIP) (pages 5 to 7), which sets out in some detail how the Fund is managed, and a Funding Strategy Statement (FSS) (pages 8 to 11), which sets out the assumptions on which the last actuarial valuation at 31 March 2004 is based. The SIP, which is reviewed annually should be read together with the report on investments, which is on pages 18 to 21.

In addition, the Committee considered:-

- Circulars from the Local Government Pensions Committee, which included changes and proposed changes to the regulations;
- Changes to the benefit regulations, which came in, went out and came in again during the year;
- The final actuarial valuation report as at 31 March 2004, and the interim valuation report as at 31 March 2005;
- Investment performance statistics;
- The investment objective;
- The communication strategy policy;
- Custody and securities lending;
- The administration budget;
- The Annual Report and Accounts;
- Audit reports;
- Reports on a variety of issues which occurred during the year.

The Committee has approved a new investment objective, which is to achieve a return 1% above the rate assumed by the actuary for the valuation at 31 March 2004. The implementation of the new objective has resulted in revisions to the asset allocation, the details of which are set out in the SIP, and relate to the objectives of the FSS, meeting employers' pension liabilities while maintaining stable contribution rates.

The Pensions Committee made changes to the investment management arrangements in September 2002, and these seem to be having the desired effect of a measurable improvement in investment returns. The Fund achieved a top quartile return of 4% per annum for the three years to 31 March 2005. Although final data is not yet available, with the higher market returns experienced in the year to 31 March 2006 the Fund is likely to achieve a return greater than the new investment objective, which is very encouraging.

Councillor Andrew Burton
Chairman
29 June 2006

Statement of Responsibilities for the Financial Statements

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

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.

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 2006. 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:-

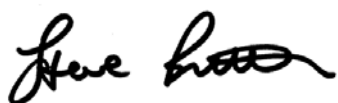
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

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 2006 and its income and expenditure for the financial year then ended.



Steve Button

Head of Finance

East Riding of Yorkshire Council

29 June 2006

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 10 March 2006 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. There have been no revisions to the FSS since that date.

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. The principal employers and trade unions are represented at the Pensions Committee, enabling their views to be taken into account.

Governance

The Pensions Committee consists of twelve Members of the 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 other interested parties are properly considered by the Committee.

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%
Other Investments	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 approval of the Pensions Committee.

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, a nominal return of 6.3% assuming inflation to be 2.9%

The Pensions Committee has set the investment objective of producing a return of 1% above the expected return on a rolling three year calculation. In order to achieve this the strategic asset allocation approved by the Pensions Committee is:-

- Equities 75%
- Bonds & Cash 12%
- Alternative Investments 13%

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. There have been no revisions since that date.

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 2006

Members

Councillor R Allerston
Councillor A Burton
Councillor R M Clubley
Councillor J Cox
Councillor B Darley
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 P Webster (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 71 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 (42)

Barnby 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
Driffeld 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 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
Humercare 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 (5)

arvato Government Services (ERYC) Limited
Jarvis Workspace FM Limited
OCS Limited
P H Jones Limited
Sports and Leisure Management Limited

Legal Framework

The Local Government Pension Scheme (LGPS) 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 England and Wales there are 89 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.

The Scheme has to operate in accordance with many of the provisions of the Pensions Act 1995, although in common with other public sector occupational pension schemes, certain provisions do not apply to the LGPS, such as Member Nominated Trustees, the Minimum Funding Requirement and the Appointment of External Advisers.

The LGPS is contracted-out 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.

The Regulations specify the type and amounts of pension and other benefits payable in respect of Scheme members who leave, retire or die, and also fix the member contributions rates payable on an ongoing basis. 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. Employer contribution rates are set by the Fund's Actuary every three years following his valuation of the Fund, in order to maintain the solvency of the Fund. New rates were set by the Actuary from 1 April 2005 following the 2004 Actuarial Valuation, and almost all employers saw an increase in their rates, some fairly substantial. For the year 2005/2006 the Actuary set the common rate of employers' contributions across the Fund, as 21% of pensionable pay, with individual employer rates being adjusted by reason of any circumstances peculiar to that employer. As part of the 2004 Actuarial Valuation the Actuary specified the rates that will be paid for the three years to 31 March 2008.

Legislation introduced during 2005/06 made a number of changes to the Scheme, most notable of which was the removal of the "rule of 85" provision that allows Scheme members to retire before age 65 without benefit reduction so long as the member's age and Scheme membership total 85. The same amendment regulations also increased the earliest age at which benefits may be taken from the Scheme to age 55. Although the legislation came into force on 1 April 2005, the Deputy Prime Minister had already indicated before that date that he was mindful to revoke those provisions as early as possible. The revocation took place from August 2005.

Further legislation introduced entitlement to survivor pension benefits for same-sex partners who register a civil partnership with a Scheme member (active, deferred or pensioner), such rights being backdated to 6 April 1988. Towards the end of 2005, legislation also required the administering authority to produce, publish and maintain a policy statement on its communications strategy in relation to communicating with Scheme members, members' representatives, prospective members and employing authorities; and for the promotion of the Scheme to prospective members and their employing authorities. The first such policy statement had to be issued by 1 April 2006.

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 rule of 85.

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:-

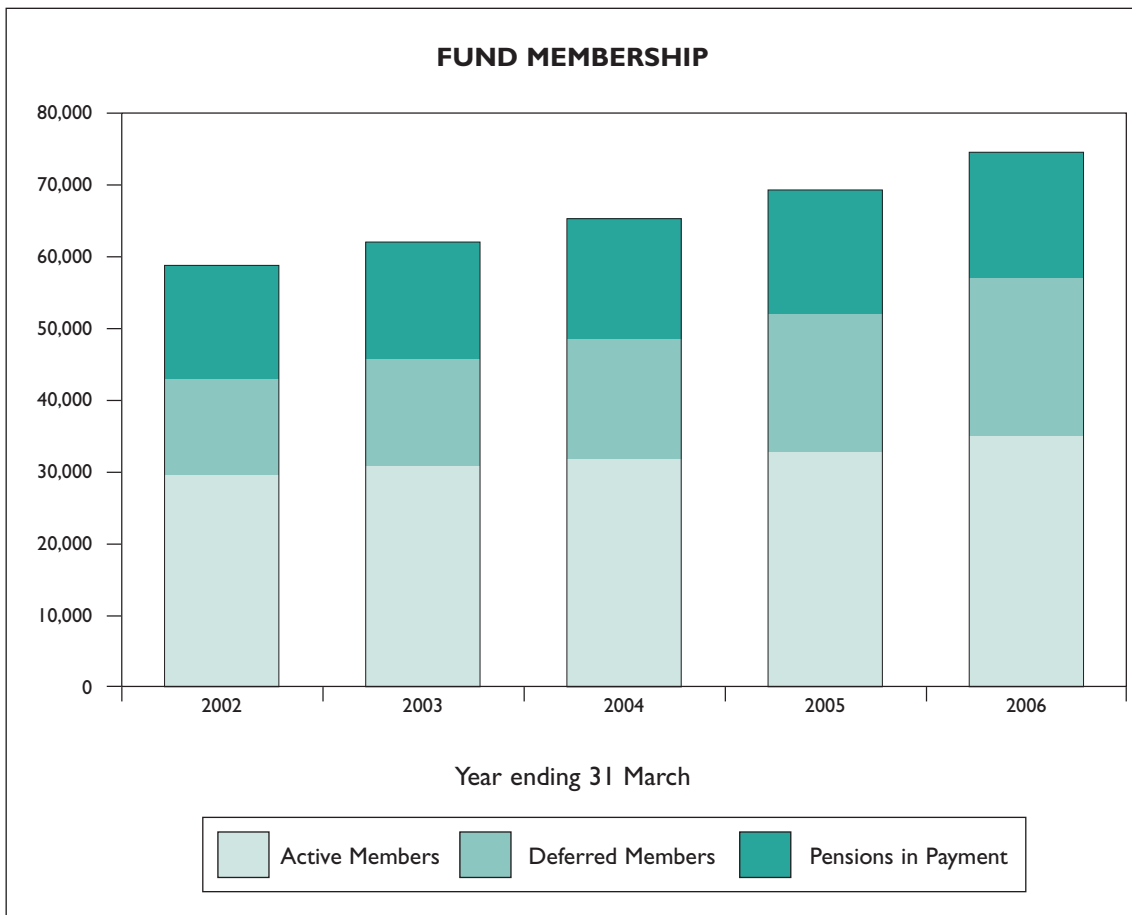
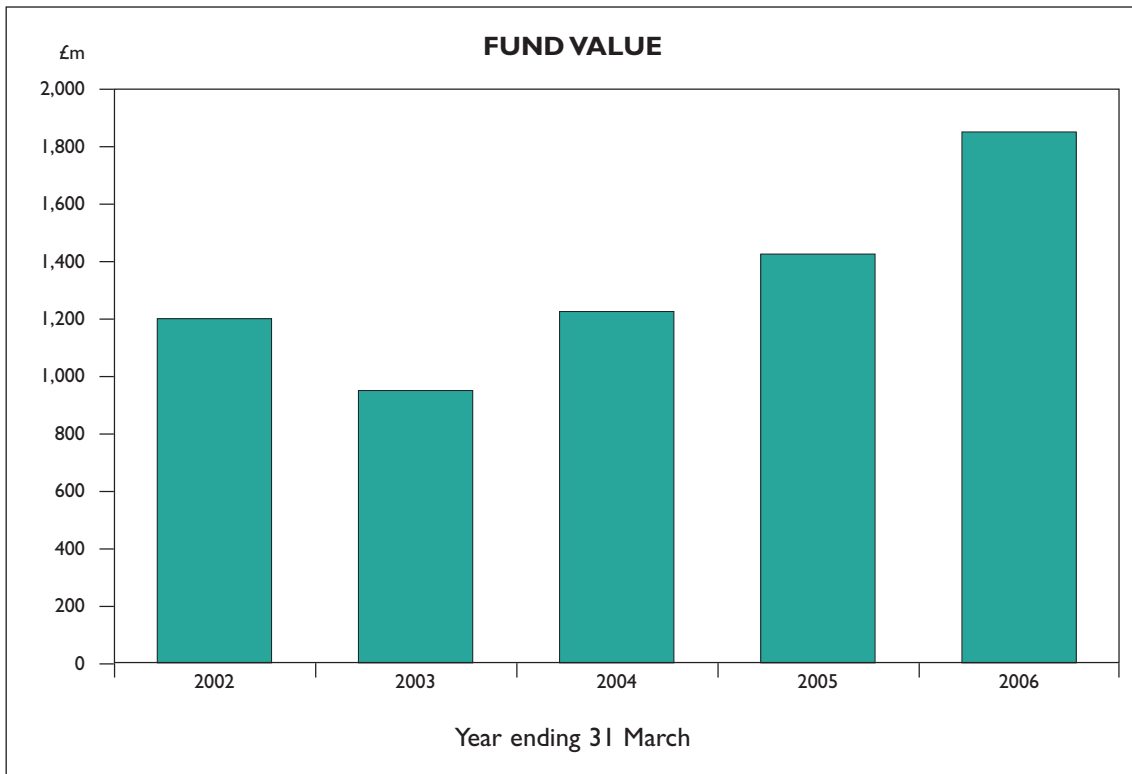
- The Pensions Committee meet at quarterly intervals to determine overall strategy, to review retrospectively detailed implementation of policy and to consider performance, with a further four meetings being held to consider administrative issues;
- The fixed interest and index linked portfolios are 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:-

	2002	2003	2004	2005	2006
Active Members	29,490	30,810	31,790	32,800	35,160
Deferred Members	13,320	15,090	16,860	19,340	21,960
Pensions In Payment	15,780	16,270	16,710	17,230	17,590
	<u>58,590</u>	<u>62,170</u>	<u>65,360</u>	<u>69,370</u>	<u>74,710</u>
	£m	£m	£m	£m	£m
Income	109.9	118.5	134.0	149.2	169.9
Expenditure	66.7	72.4	76.0	80.4	89.4
Net Income	<u>43.2</u>	<u>46.1</u>	<u>58.0</u>	<u>68.8</u>	<u>80.5</u>
Pensions Increase	3.3%	1.7%	1.7%	2.8%	2.7%
(Inflation proofing factor)					
Employer's Average					
Contribution Rate	10.6%	11.5%	12.7%	14.0%	18.2%
(As a percentage of payroll cost)					

Fund Statistics



Investment Distribution

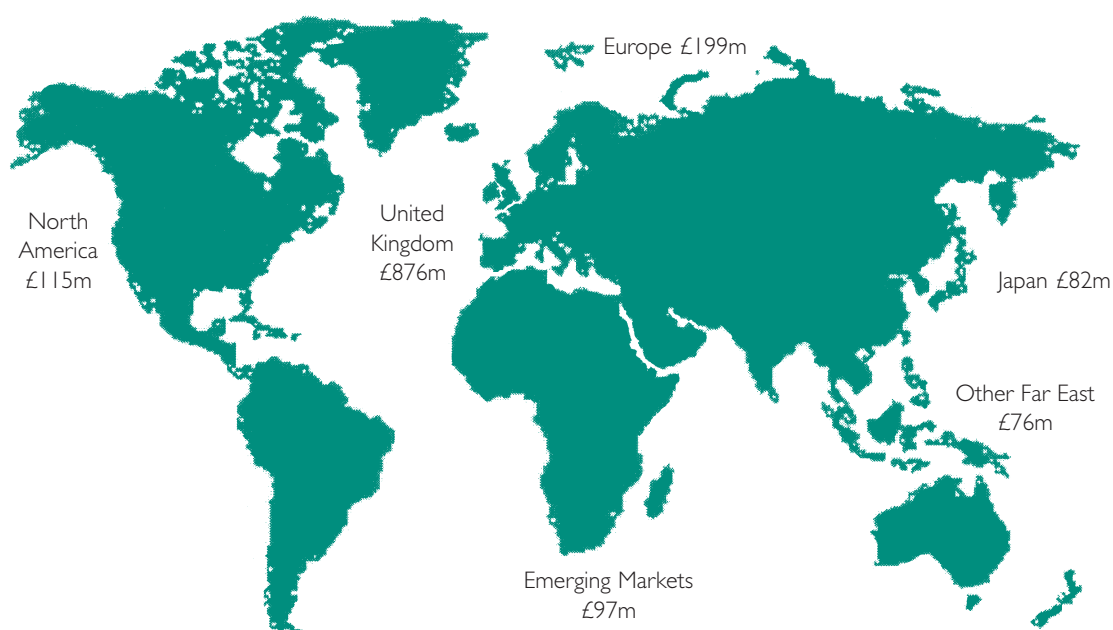
Trends

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

	2002		2003		2004		2005		2006	
	£m	%	£m	%	£m	%	£m	%	£m	%
UK Equities	573	48	419	44	530	43	613	43	840	46
Foreign Equities	211	17	145	15	169	14	184	13	265	14
UK Fixed Interest	59	5	60	7	71	6	76	5	77	4
UK Index Linked	26	2	31	3	26	2	28	2	23	1
Corporate Bonds	18	1	12	1	7	1	5	1	16	1
Foreign Fixed Interest	71	6	53	6	57	5	51	4	52	3
Managed Funds										
- Equities	95	8	84	9	227	18	254	18	340	19
- Property	66	6	70	7	74	6	91	6	107	6
- Private Equity	2	0	3	0	5	0	12	1	23	1
Cash	79	7	81	9	61	5	105	7	97	5
Total Value	<u>1,200</u>	<u>100</u>	<u>958</u>	<u>100</u>	<u>1,227</u>	<u>100</u>	<u>1,419</u>	<u>100</u>	<u>1,840</u>	<u>100</u>
Total Cost	1,054		1,076		1,103		1,186		1,291	

GEOGRAPHIC DISTRIBUTION OF EQUITY INVESTMENT as at 31 March 2006



Investment Distribution

DETAILS OF THE LARGEST EQUITY INVESTMENTS as at 31 March 2006

	Market Value £m		Market Value £m
Top 15 UK Equities		Top 10 Overseas Equities	
BP Plc	59.8	JP Morgan Fleming Euro. Fledg. IT Plc	9.3
GlaxoSmithKline Plc	39.5	Total SA	8.2
HSBC Holdings Plc	35.7	Jupiter European Opportunities Trust Plc	6.9
Royal Dutch Shell Plc	32.7	Toyota Motor Corporation	6.0
Royal Bank of Scotland Plc	25.6	ING Groep NV	5.1
Vodafone Group Plc	25.0	Mitsubishi UFJ Financial Group Inc.	5.0
AstraZeneca Plc	21.0	Novartis AG	5.0
Barclays Plc	18.5	Banco Santander Central Hisp. SA	4.0
JPMorgan Fleming Mercantile IT Plc	17.5	Roche Holdings AG	3.8
Rio Tinto Plc	16.4	Gartmore Irish Growth Fund Plc	3.7
HBOS Plc	15.6		
BT Group Plc	13.6		
HG Capital Trust Plc	13.0		
BG Group Plc	13.0		
Hansa Trust Plc 'A'	12.3		

DETAILS OF INSTITUTIONAL UNIT TRUSTS as at 31 March 2006

Global Equity Funds

	Market Value £m
Schroder Funds	
SGST North America Equity Fund	115.5
Institutional Pacific Fund	76.7
Emerging Markets Fund	72.9
Institutional Developing Markets Fund	25.6
Institutional UK Smaller Companies Fund	19.8
Institutional Euro Smaller Companies Fund	11.8
Institutional Recovery Fund	8.2
Institutional Japan Smaller Companies Fund	4.7

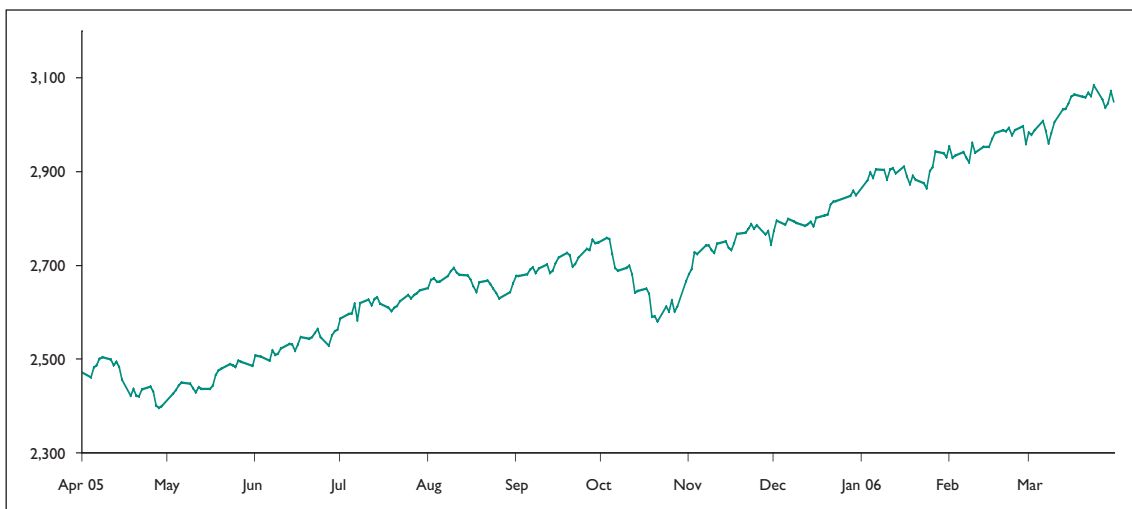
Property Funds

The Fund holds a portfolio of 9 Property Funds valued at £100.6m as at 31 March 2006. 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

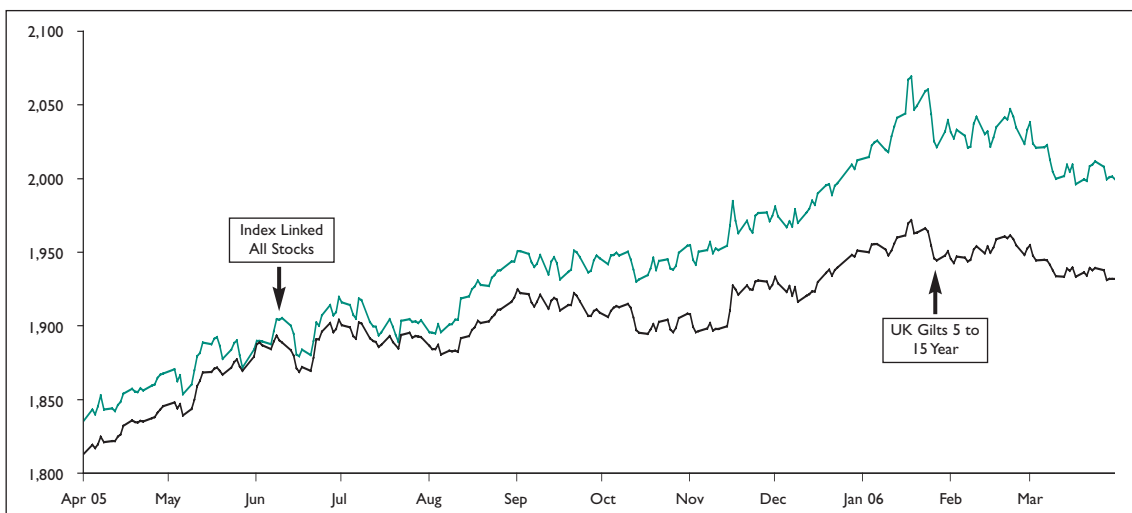
Retail sales in the UK weakened as house price inflation slowed and higher fuel and utility bills, caused by an oil price approaching all time highs, reduced disposable incomes. Corporate profits continued to grow as companies benefited from the healthy global economy. The year saw a marked increase in bid activity. Whilst many indicative offers and approaches have been made, there have been relatively few take-overs of larger companies. Private equity companies have been most active, benefiting from low borrowing rates. The process of urbanisation in China continues and its subsequent demand for the world's natural resources has pushed commodities prices to record levels. The US economy has continued to perform strongly, with rising GDP, however, this has led to inflation concerns despite 16 consecutive 25 basis point increases in interest rates. There was a positive total return of 28.6% in the FTSE All Share Index.

FTSE ALL SHARE – PRICE INDEX



UK real yields declined over the year. Yields on longer dated bonds reached an all time low in January. Since then, fears that bonds generally are over valued, as well as concerns regarding the level of bond issuance up to and following the budget, have resulted in a sell off and subsequent increase in yields. The 5-15 Year Gilt and Index Linked All Stocks indices generated positive total returns of 6.3% and 8.4% respectively.

UK FIXED INTEREST – PRICE INDEX



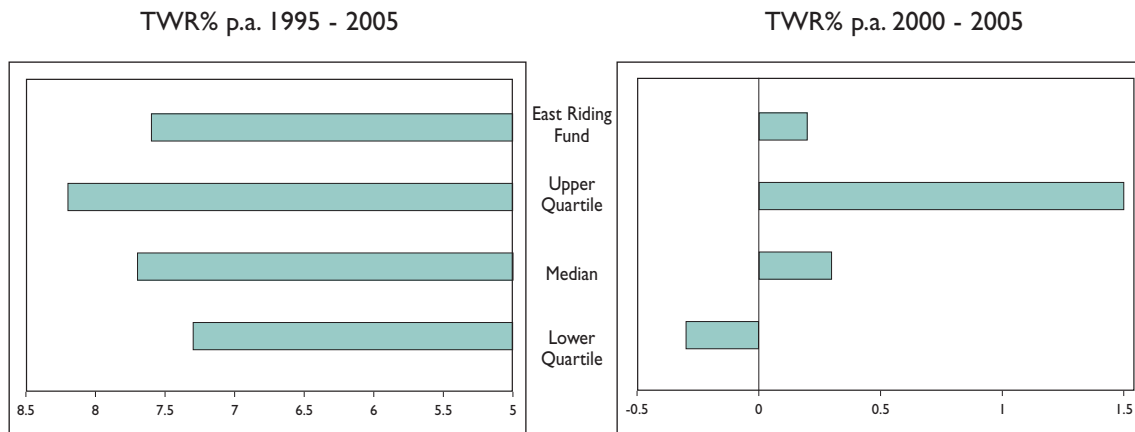
Investment Performance

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 1995 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 %
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
2004-05	13.3	3.2

The following comparative statistics have been extracted from CIPFA/SCT Investment Performance Statistics 2004-2005 (2005-2006 comparative figures are not yet available).



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	<u>1,792</u>
Assets	<u>1,227</u>
Deficit	<u>(565)</u>

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. Nominal	% p.a. 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

Accounts

FUND ACCOUNT for the year ended 31 March

2004/05 £000	Note		2005/06 £000
		Contributions and Benefits	
96,851	G	Contributions receivable	114,785
9,260		Transfer values receivable	8,719
385		Reinstatement of pension opt-outs	118
106,496			123,622
67,657	H	Benefits payable	70,915
9,517	I	Payments to leavers	15,149
1,640	J	Pensions administration expenses	1,493
78,814			87,557
27,682		Net Additions from dealings with Members	36,065
		Returns on Investments	
42,723	K	Investment income	46,232
122,383	L	Change in market value of investments	340,601
(1,618)	J	Less: Investment management expenses	(1,804)
163,488		Net Returns on Investments	385,029
191,170		Net increase in the Fund during the year	421,094
	L	Net Assets of the Fund	
1,227,435		Opening net assets as at 1 April	1,418,605
1,418,605		Closing net assets as at 31 March	1,839,699

Accounts

NET ASSETS STATEMENT

31/03/05 £000	Note		31/03/06 £000
	L	INVESTMENTS	
		Fixed Interest Securities	
76,440		United Kingdom Government Stocks	77,130
50,944		Foreign Public Sector	52,192
4,844		Corporate Bonds	15,673
132,228			144,995
		Index Linked Securities	
28,422		United Kingdom	22,560
		Equities	
612,925		United Kingdom	840,240
184,418		Foreign	264,745
797,343			1,104,985
		Managed Funds	
254,285		Equities	340,561
90,523		Property Unit Trusts	106,577
11,512		Private Equity	23,348
356,320			470,486
1,314,313		TOTAL INVESTMENTS	1,743,026
	M	CURRENT ASSETS	
85,978		Temporary Investments	79,355
25,399		Debtors	30,450
574		Cash - with internal manager	841
2,941		- with external manager	784
114,892			111,430
(10,600)	N	less : Creditors	(14,757)
104,292		NET CURRENT ASSETS	96,673
1,418,605		NET ASSETS	1,839,699

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

Transfer values received and paid, contributions refunded and benefits payable are calculated 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 2004 effective from 1 April 2005. 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

Benefits payable 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 S lists the exchange rates applied to investments held.

Notes to the Accounts

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

2004/05 £000		2005/06 £000
	G Contributions Receivable	
65,355	Employers - Primary	81,134
4,783	Employers - Additional	5,231
25,552	Employees - Normal	27,459
1,161	Employees - Additional	961
96,851		114,785
20,257	Administering Authority	26,302
70,976	Scheme Employers	82,843
5,618	Transferee Admission Bodies	5,640
96,851		114,785
	H Benefits Payable	
57,045	Pensions	60,468
9,392	Commutations, compounded & lump sum retirement benefits	8,975
1,220	Lump sum death benefits	1,472
67,657		70,915
6,967	Administering Authority	8,653
57,990	Scheme Employers	59,224
2,700	Transferee Admission Bodies	3,038
67,657		70,915
	I Payments to and on account of leavers	
289	Refunds to members leaving service	151
165	Contributions equivalent premiums	23
9,063	Transfer values payable	14,975
9,517		15,149

Notes to the Accounts

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.

Investment Management Expenses

The external manager's 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.

	Pensions		Investments	
	2004/05	2005/06	2004/05	2005/06
	£000	£000	£000	£000
Internal Management Costs	1,090	1,027	589	642
External Manager's Fee	-	-	914	1,090
Adviser's Fee	-	-	10	10
Support Services	550	466	105	62
	<u>1,640</u>	<u>1,493</u>	<u>1,618</u>	<u>1,804</u>

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.

	Administration Expenses	Commission Paid	Total Costs	Funds Under Management	Total Costs as % of FUM
	£000	£000	£000	£000	
Internal Fund	642	489	1,131	1,306,092	0.09
External Fund	1,090	111	1,201	533,607	0.23
Total Fund	<u>1,732</u>	<u>600</u>	<u>2,332</u>	<u>1,839,699</u>	<u>0.13</u>

Notes to the Accounts

2004/05 £000	K	Investment Income	2005/06 £000
3,875		Fixed Interest Securities - UK	3,850
2,211		- Foreign	1,253
376		- Corporate Bonds	118
484		Index Linked - UK	695
-		- Foreign	65
156		- Corporate Bonds	94
20,185		Equities - UK	23,222
(2,134)		- non recoverable tax	(2,733)
18,051			20,489
2,713		- Foreign	2,915
9,859		Managed Funds - Equities	12,153
1,868		- Property	2,045
(34)		- Private Equity	6
4		Underwriting	18
		Currency Loss	(1,583)
3,160		Cash Deposits	4,114
42,723			46,232

L Investments at market value

		Value at 1/4/05 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31/3/06 £000
Fixed Interest Securities	- UK	76,440	118,470	119,207	1,427	77,130
	- Foreign	50,944	330,774	328,966	(560)	52,192
	- Corporate Bonds	4,844	16,838	12,201	6,192	15,673
Index Linked Securities	- UK	28,422	28,670	39,592	238	17,738
	- Foreign	-	28,212	22,450	(940)	4,822
Equities	- UK					
	Listed	606,900	139,203	83,491	163,771	826,383
	Unlisted	6,025	3,628	1,559	5,763	13,857
	- Foreign					
	Listed	184,418	72,048	56,510	64,789	264,745
Managed Funds	- Equities	254,285	1,102	1,768	86,942	340,561
	- Property	90,523	245	149	15,958	106,577
	- Private Equity	11,512	24,889	10,026	(3,027)	23,348
Cash		-	28,339	28,387	(48)	-
		1,314,313	792,418	704,306	340,601	1,743,026

Notes to the Accounts

2004/05 £000		2005/06 £000
	M Current Assets	
5,324	Unsettled Sales - Internal Manager	388
4,232	- External Manager	14,308
574	Cash Balance - Internal Manager	841
2,941	- External Manager	784
85,978	Temporary Investments	79,355
561	Accrued Interest on Temporary Investments	632
5,897	Contributions Due - Employers	6,637
2,142	- Employees	2,308
528	Pension Augmentation	1,168
42	Recharge of PI & SA	959
6,673	Other Debtors	4,050
114,892		111,430
	N Current Liabilities	
5,004	Unsettled Purchases - Internal Manager	29
4,318	- External Manager	14,144
527	ERYC	30
202	Overclaim of Recharges	300
55	Annual Benefits Statement	-
494	Other Creditors	254
10,600		14,757
	O Managerial Arrangements	
	The value of the assets managed by each manager was as follows:-	
1,005,531	Internal Manager	1,306,092
413,074	External Manager	533,607
1,418,605		1,839,699

P Contingent Liabilities and Contractual Commitments

As at 31 March 2006 the Fund had commitments to the purchase of Private Equity investments of £36,563,107 analysed as follows:-

	2004/05		2005/06	
	Foreign Currency	£	Foreign Currency	£
UK Funds	-	7,014,459	-	16,943,573
Dollar denominated	19,104,878	10,110,541	24,131,116	13,911,632
Euro denominated	4,085,539	2,809,862	8,181,136	5,707,902

Notes to the Accounts

Q 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 in 2003/04, 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 2002/03 at a cost of £3.2m. The company changed its name during the financial year to Advanced Focus Fund Limited. The market value of the investment at 31 March 2006 was £4.3m. 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.

The Fund acquired an investment in Montanaro European Smaller Companies Fund Plc during 2000/01 at a cost of £0.5m, and a further acquisition of £1.0m was made during 2004/05. The investment was valued at the market price of £2.7m at 31 March 2006. 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.

R 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

S Currency Conversion Rates

Overseas investments have been converted at the exchange rates quoted at close of business of 31 March 2006 to arrive at the sterling values in the Net Assets Statement.

The exchange rates used per £1 sterling were:-

Australian Dollar	2.4326
Danish Krone	10.6962
Euro	1.4333
Japanese Yen	204.6596
Norwegian Krone	11.3835
Swedish Krona	13.5185
Swiss Franc	2.2668
US Dollar	1.7346

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.

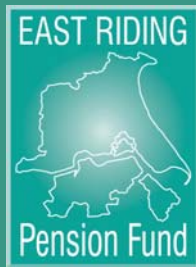
East Riding Pension Fund
Pensions Section
PO Box 118
Church Street
GOOLE
East Riding of Yorkshire
DN14 5YU

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

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