

**ANNUAL REPORT FOR 2004/05**  
**LINCOLNSHIRE COUNTY COUNCIL**  
**LOCAL GOVERNMENT PENSION SCHEME**  
**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2005**

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## MANAGEMENT ARRANGEMENTS

Administering Authority Lincolnshire County Council

### **Pensions Committee Members at 31 March 2005**

#### **County Councillors**

J Libell (Chairman)

N T Carter OBE

R A Coupland

A Davidson

R A Day DFC

D R Dickinson (Vice Chairman)

C F Fisher

M J Hill

J D Hough

M D Kennedy

R B Parker

Mrs S E Roy

B Singleton

T C Taylor

Mrs P F Watson

C B Wood

#### **Lincolnshire Local Government Association**

D Hill

K Whaley

#### **Representatives of Other Employers**

M J Scott

#### **Trade Union representative**

J Sharman

### **Professional Advisers**

#### **County Council Officers**

**County Treasurer**

**Assistant County Treasurer**

P Moore BA CPFA

D C Forbes BSc CPFA

#### **Independent Adviser**

Neil Dunford

#### **Consulting Actuary**

Hymans Robertson, Glasgow

#### **Voting Adviser**

Manifest Voting Agency

### **Investment Managers of segregated portfolios**

Deutsche Asset Management Ltd  
INVESCO Asset Management Ltd

Bank of Ireland Asset Management (UK) Ltd  
Morley Investment Management Ltd

#### **Auditors**

District Audit Service

#### **Investment Custodian**

JP Morgan Chase & Co

## **REPORT OF THE PENSIONS COMMITTEE**

### **Introduction**

The Lincolnshire County Council Pensions Committee approves the investment policy of the Fund and monitors its implementation during the year. The Committee meets, as a minimum, on a quarterly basis and special meetings are convened if considered necessary. Two special meetings were held in the twelve months ended 31 March 2005 to appoint new UK equity investment managers.

Members of the Committee at 31 March 2005 are listed on page 1.

### **Changes to manager arrangements**

Over the year the Committee decided to make a number of changes to the Fund's investment management arrangements that will be implemented during the summer of 2005. The changes are designed to enhance performance and increase the diversification of investments.

Following recommendations from the Actuary, the Fund's holdings in UK equities will be reduced and the allocation to overseas equities increased so that the balance between domestic and international equities will be approximately equal.

International equities will be divided into separate active and passive (index tracking) portfolios, managed respectively by the Bank of Ireland and INVESCO. The Fund's UK equities will continue to be managed on a passive basis by the County Council's investment team. Martin Currie and New Star have been newly appointed to manage the allocation to active UK equities in two separate portfolios.

As a result of the management changes, UK, US and Pan European equity portfolios managed respectively by Deutsche Asset

Management, INVESCO and the investment team will be transferred into the new portfolios.

### **Equity Voting and Engagement**

Proposals were invited to deliver an equity proxy voting and engagement overlay service for the Fund's holdings of UK and Overseas shares. Following consideration of a number of submissions the Committee reappointed the Manifest voting agency to provide a proxy voting service for UK equities and to gradually introduce a similar service for international equities. The Committee decided not to enter into any service to engage further with companies on governance, environmental and social issues.

### **Commercial Property Investments**

The Fund has a relatively large allocation to property achieved through holdings in various pooled investment funds that are recommended and monitored by the County Treasurer's investment team. The Committee considered alternative management arrangements during the year and decided to continue with the existing approach.

### **Training for Committee Members**

Committee members have attended various introductory, intermediate and comprehensive training sessions. A rolling programme of relevant training is in place to ensure all Committee members can extend their knowledge of pensions and investment matters.

### **Pension Scheme Reform**

As in previous years, the Office of The Deputy Prime Minister, which oversees the Local Government Pension Scheme, continues to invite interested parties views on changes to and the future of the scheme. During the year the Committee has responded to consultations about the future of the scheme, communications with scheme stakeholders and representation on the bodies that oversee the scheme at a local level.

Previously, employers had broadly welcomed proposed changes to the LGPS as a means of containing the increasing cost of occupational pension provision. Following a decision during the year by central government to revoke planned changes to the Regulations, there is increased uncertainty in respect of future pension costs for employers.

#### **Actuarial Review 2004**

The triennial actuarial valuation of the Fund was conducted as at 31 March 2004 and reported to the Committee in January 2005.

The reported solvency of the Fund, the extent to which assets cover the liabilities, had declined from 97% to 79% over three years, predominantly because of the poor investment market returns between March 2001 and March 2004. Revised higher contribution rates for employers will be applied from April 2005 and these have been set at a level to recover the actuarial deficit over a period of twenty years.

The Fund's solvency position remains a favorable one in comparison to the average for English Counties.

Although investment returns were positive in the year to March 2005, the financial benefits are likely to be offset by the decline in Bond yields, which increases the Fund's future liabilities, and improving life expectancy

which require pensions to be paid for longer periods than in the past.

#### **Investment Performance**

The year ended 31 March 2005 was the second year where world equity markets have delivered good returns, following three years of negative performance. Continued global economic growth supported most equity markets. The UK, European, Asian and Emerging markets delivered returns in the mid to high teens. The Fund also benefited from a relatively high exposure to Commercial Property, which returned 18%.

The Fund's equity managers generally found it difficult to out perform their respective market indices. Overall the Fund's actual return of 11% for the year was slightly behind the targeted strategic benchmark return of 11.9%.

The Fund's equity managers are optimistic about future investment performance as company earnings continue to improve. Despite the prospects of higher interest rates and inflation, the amount of takeover activity and new issues of securities demonstrates an increasing confidence about future economic prospects.

The Fund's investments are managed in accordance with the Statement of Investment Principles (SIP). Copies of the SIP may be obtained from David C Forbes, Assistant County Treasurer – Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL. (Tel: 01522 553642) (email : [dcf@lincolnshire.gov.uk](mailto:dcf@lincolnshire.gov.uk))

**J LIBELL  
CHAIRMAN  
PENSIONS COMMITTEE**

**MANAGEMENT REPORT OF THE ADMINISTERING AUTHORITY**

The Local Government Pension Scheme (LGPS) is a national scheme administered on a local basis by Lincolnshire County Council, providing current and future benefits for over 40,000 scheme members.

### Local Government Pension Scheme membership

Year ended 31 March	2001	2002	2003	2004	2005
Contributors	16,213	16,817	16,547	18,596	19,803
Pensioners	9,065	9,266	9,486	9,780	10,102
Deferred Beneficiaries	7,298	8,079	8,789	9,800	10,528
<b>Total</b>	<b>32,576</b>	<b>34,162</b>	<b>34,822</b>	<b>38,176</b>	<b>40,433</b>

*(Note: The numbers disclosed in the table above reflect individual pension records within the County Council's database. Current and past members of the LGPS may have more than one pension record as a result, for example, of having more than one part time contract of employment with a Scheme employer.)*

### Investment policy

The Fund is managed with regard to a strategic asset allocation benchmark. The actual allocation at any point in time reflects the decisions and views of the Fund's investment managers.

### Strategic Asset Allocation Benchmark

Asset class	Strategic Benchmark as at 31 March 2005 %	Actual Asset Allocation 31 March 2005 %
UK Equities	40.0	42.6
North American equities	8.9	12.4
European Equities (ex UK)	8.9	8.3
Japanese equities	3.8	0.9
Pacific equities (ex Japan)	3.8	0.5
Emerging markets	1.6	1.7
Private Equity	3.0	2.0
<b>Total Equities</b>	<b>70.0</b>	<b>68.6</b>
Index Linked Gilts	5.0	4.5
Overseas Fixed Interest	1.5	2.0
UK Conventional Gilts	2.0	1.8
UK Corporate Bonds	10.0	7.2
<b>Total Fixed Interest</b>	<b>18.5</b>	<b>15.6</b>
<b>Property</b>	<b>10.0</b>	<b>11.4</b>
<b>Cash</b>	<b>1.5</b>	<b>4.4</b>
<b>Total</b>	<b>100</b>	<b>100</b>

### Investment performance

The twelve months period ended 31 March 2005 saw the value of the Fund increase by £95 million to £841million. The investment return of 11% was behind the increase in the Fund's specific benchmark of 11.9%. Over the last ten years an annualised investment performance of 8% by the Fund has marginally exceeded the benchmark return of 7.8%.

Annual investment performance over the previous ten years is set out in the table below. The Fund's annual return of 8% compares to increases in both consumer prices of 2.6% and public sector earnings of 3.9%.

### Investment performance of the Fund 1 April 1995 to 31 March 2005

	Lincolnshire Fund Return	Comparative Benchmark Return	Retail Price Inflation	Public Sector Increase in earnings
	%	%	%	%
1995/96	23.9	23.0	2.7	2.6
1996/97	10.4	11.7	2.6	2.2
1997/98	27.4	26.3	3.5	3.0
1998/99	7.8	9.9	2.1	4.3
1999/00	16.1	15.0	2.6	3.7
2000/01	-8.0	-9.3	2.3	4.4
2001/02	-0.8	-1.2	1.3	4.4
2002/03	-19.3	-22.3	3.1	5.0
2003/04	21.0	23.9	2.6	4.6
2004/05	11.0	11.9	3.2	4.3
<b>10 years annualised</b>	<b>8.0</b>	<b>7.8</b>	<b>2.6</b>	<b>3.9</b>

## Investment Management Arrangements

The arrangements for segregated management of the Fund's assets, in place at 31 March 2005, are set out below.

### Segregated Investment Management Mandates

Asset Class	Manager	Portfolio Market value £m's	Portfolio as a % of the Fund %
Fixed Interest	Morley Asset Management	107.6	12.8
Fixed Interest	Lincolnshire County Council	23.8	2.8
	<b>Total Fixed Interest</b>	<b>131.4</b>	<b>15.6</b>
UK Equities	Lincolnshire County Council	217.7	25.9
UK Equities	Deutsche Asset Management	108.8	12.9
Global Equities	Bank of Ireland Asset Management	118.5	14.1
US Equities	INVESCO Asset Management	39.5	4.7
Pan European Equities	Lincolnshire County Council	68.0	8.1
	<b>Total Equities</b>	<b>552.5</b>	<b>65.7</b>

The Fund invests in Emerging Equity Markets, UK Commercial Property and Private Equity by means of collective investment funds.

### Property, Private Equity and Emerging Markets collective investment vehicles

Asset Class	Manager	Market value of holding £m's	Holding as a % of the Fund %
Property	Innisfree PFI Fund	0.3	0.0
	Standard Life Corporate Property Fund	38.7	4.6
	Standard Life European Property Fund	3.3	0.4
	Deutsche UK Property Funds	23.6	2.8
	Royal London Property Unit Trust	11.2	1.3
	Morley Property Fund	19.0	2.3
	<b>Total UK Property</b>	<b>96.1</b>	<b>11.4</b>
Emerging Markets	Pictet Emerging Markets Fund	15.0	1.7
	<b>Total Emerging Markets</b>	<b>15.0</b>	<b>1.8</b>
Private Equity	Standard Life	3.1	0.4
	Westport Private Equity	10.3	1.2
	Pantheon Private Equity	3.9	0.5
	<b>Total Private Equity</b>	<b>17.3</b>	<b>2.1</b>

### Actuarial position

The employers' contribution rates applying in the year ended 31 March 2005, for employers with more than 100 employees participating in the LGPS, are set out below.

#### Employers' contribution rates 2004/2005

Employer	Contribution rate %
Lincolnshire County Council	260
Boston Borough Council	290
East Lindsey District Council	285
Lincoln City Council	325
North Kesteven District Council	260
South Holland District Council	230
South Kesteven District Council	270
West Lindsey District Council	340
Lincolnshire Police Authority	250
Lincolnshire Probation and After Care Committee	290
Boston College	290
Lincoln College	225
Stamford College	225
Linx Homes	250

*(Employers' contribution rates are expressed as a percentage of employees' contributions)*

#### Administration of benefits

Lincolnshire County Council has contracted with HBS to administer LGPS benefits and other services.

#### The principal points of contact in respect of questions about the LGPS are:

**Investments** David C Forbes, Assistant County Treasurer – Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL. (Tel: 01522 553642) (email : dcf@lincolnshire.gov.uk)

**Pensions** David Vickers, Pensions Manager – HBS, Mill House, Brayford Wharf North, Lincoln, LN1 1YT (Tel: 01522 836453) (email: dave.vickers@hbs.uk.com)

**P Moore BA CPFA**  
**County Treasurer**

**LINCOLNSHIRE COUNTY COUNCIL PENSION FUND ACCOUNT & NET ASSETS  
STATEMENT FOR THE YEAR ENDED 31 MARCH 2005**



	<b>2004/2005 £000</b>	<b>2003/2004 £000</b>
<b><i>FUND ACCOUNT</i></b>		
<b>CONTRIBUTIONS &amp; BENEFITS</b>		
Contributions receivable	51,964	45,027
Transfers in	7,024	8,506
	<u>58,988</u>	<u>53,533</u>
Benefits payable	39,707	36,399
Leavers	5,547	17,923
Administrative expenses	887	759
	<u>46,141</u>	<u>55,081</u>
<b>NET ADDITIONS (WITHDRAWALS) FROM DEALINGS WITH MEMBERS</b>	12,847	(1,548)
<b>RETURNS ON INVESTMENTS</b>		
Investment management expenses	(1,578)	(1,542)
Investment income	23,898	24,100
Change in market value of investments	59,608	105,001
<b>NET RETURNS ON INVESTMENTS</b>	<u>81,928</u>	<u>127,559</u>
<b>NET CHANGE IN THE FUND VALUE</b>	<b>94,775</b>	<b>126,011</b>
<b><i>NET ASSETS OF THE SCHEME</i></b>		
<b>OPENING NET ASSETS AS AT 1st APRIL</b>	746,332	620,321
<b>CLOSING NET ASSETS AS AT 31st MARCH</b>	841,107	746,332
<b><i>NET ASSET STATEMENT</i></b>		
<b>INVESTMENTS</b>		
FIXED INTEREST SECURITIES	93,078	80,024
EQUITIES	529,255	481,484
INDEX LINKED SECURITIES	37,880	34,030
MANAGED FUNDS AND UNITISED TRUSTS	143,731	123,864
CASH DEPOSITS	7,808	6,484
<b>TOTAL INVESTMENTS</b>	<u><b>811,752</b></u>	<u><b>725,886</b></u>
<b>CURRENT ASSETS &amp; LIABILITIES</b>	29,355	20,446
<b>CLOSING NET ASSETS AS AT 31st MARCH</b>	<u><b>841,107</b></u>	<u><b>746,332</b></u>

## AUDIT OPINION AND ACTUARIAL STATEMENT

### **Independent Auditor's Report to Lincolnshire County Council**

I have audited the statement of accounts on pages 17 to 45 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 12 to 16 and the Pension Fund accounts, on pages 46 to 52, which have been prepared in accordance with the accounting policies applicable to pension funds set out on page 49. This report is made solely to Lincolnshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### **Respective Responsibilities of the County Treasurer and Auditor**

As described on page 2 the County Treasurer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance. I report to you my opinion as to whether the statement of accounts present fairly: • the financial position of the Council and its income and expenditure for the year, • the financial transactions of its Pension Fund during the year and the amount and disposition of the Fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year. I review whether the statement on internal control on pages 3 to 6 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the 10 Council's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose. I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed. I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

### **Opinion**

In my opinion the statement of accounts presents fairly the financial position of Lincolnshire County Council as at 31 March 2005 and its income and expenditure for the year then ended. In my opinion the financial statements present fairly the financial transactions of the Lincolnshire County Council Pension Fund during the year ended 31 March 2005, and the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year. Independent Auditor's Report to Lincolnshire County Council Certificate I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission

Signature:  
Date:  
N G Bellamy, CPFA  
District Auditor

1st Floor  
Bridge Business Park  
Bridge Park Road  
Thurmaston  
Leicester  
LE 4 8BL

*(Extract from the County Council's Report and Accounts, page references are to the County Council's financial statement)*

## Actuarial Statement

Actuarial Statement for the purposes of Regulation 77 of the Local Government Pension Scheme Regulations 1997.

Name of Scheme : Lincolnshire County Council Pension Fund  
 Effective Date of Valuation : 31 March 2001

### *Security of Prospective Rights*

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

Contributions are paid 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 1998 and contribute at the rate of 5% of pensionable pay.

Contributions paid by the employers for the year commencing 1 April 2001 are as specified in the certificate contained in our report dated March 1999 on the valuation of the Fund as at 31 March 1998. Contributions to be paid by the employers for the three years commencing 1 April 2002 are as specified in the certificate contained in our report dated March 2002 on the valuation of the Fund as at 31 March 2001.

### *Summary of Methods and Assumptions Used*

The valuation method and assumptions are described fully in our valuation report dated March 2002.

My opinion on the security of the prospective rights is based on the projected unit valuation method. This assesses the cost of benefits accruing to existing members during the year following the valuation, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities (allowing for future salary increases) and the assessed value of assets.

Like the previous valuation, a "market-related" valuation method has been used. The market-related method derives the financial assumptions by considering various average yields in the twelve month period leading up to the valuation date and values the assets of the Fund based on the average market value in this same period. Using average yields and market values builds in an element of smoothing and stability for the future.

The key financial assumptions adopted as at the 31 March 2001 were:-

Financial Assumptions	Nominal		Real	
	Mar 2001 % p.a.	Long Term % p.a.	Mar 2001	Long Term % p.a.
Investment Return				
Equities	6.25%	6.75%	3.45%	3.95%
Bonds	5.25%	5.75%	2.45%	2.95%
75% Equities / 25% Bonds	6.00%	6.50%	3.20%	3.70%
Pay Increases	4.80%	4.80%	2.00%	2.00%
Price Inflation/Pension Increases	2.80%	2.80%	-	-

The 2001 valuation revealed that the Fund's assets, which at 31 March 2001 were valued at £804.0million, were sufficient to meet approximately 97.4% of the liabilities accrued up to that date. Assets were valued at their market value smoothed over the 12 months to the valuation date.

Copies of the actuarial valuation report as at 31 March 2001 are available on request from the Finance Department of Lincolnshire County Council Pension Fund. The next actuarial valuation is due with an effective date of 31 March 2004.

**Donald Fleming**  
 Fellow of the Faculty of Actuaries  
 Partner  
 January 2003

Hymans Robertson  
 221 West George Street  
 GLASGOW  
 G2 2ND

## INVESTMENT BACKGROUND

### Returns for major markets

Equity markets generally produced positive returns over the twelve months ended March 2005. Excepting Japan and the United States of America, sterling investors gained between 13% and 19% from the other major equity markets. The subdued returns from the US and Japanese markets were made worse for sterling investors by the relative weakness of the dollar and yen.

Concerns about inflation in the world economy and the increases in interest rates in the US and UK restrained Bond markets, with returns ranging from 6% for UK Corporate Bonds to 2% for international Government Bonds.

Commercial Property in the UK continued to deliver very strong overall returns of 18%.

### Investment Returns to sterling based investors 1 April 2004 to 31 March 2005

Asset Class	Index	Index return to sterling investors %
<b>Equities</b>		
United Kingdom	FTSE All Share	15.6
United States	FTSE North America	4.8
Europe	FTSE Europe (ex UK)	18.6
Japan	FTSE Japan	(4.3)
Far East	FTSE Pacific (ex Japan)	13.5
Emerging Markets	MSCI Emerging Markets	16.6
<b>Fixed Interest</b>		
UK Index Linked Gilts	FTSE Index – Linked All Stocks	5.4
UK Gilts over 15 years	FTSE All Stocks Over 15 years	5.4
Overseas Bonds	JP Morgan World ex UK	2.3
UK Corporate Bonds	ML UK Non Gilts All Stocks	6.1
<b>Property</b>	IPD All Properties	18.0
<b>Cash</b>	Seven Day Rate	4.6

## MARKETS OVER THE REPORTING PERIOD

### World Equity Markets

- Continued economic growth in the United States and China, combined with some signs of recovery in Japan, supported a widespread increase in company earnings.
- Commodity prices inflated further in response to increasing demand from newly industrialising economies. The price of oil increased by 50% and copper by 24% over the year ended March 2005.
- In response to concerns about inflation the US Federal Reserve began to gradually increase interest rates, from the historically low level of 1% in July 2004 to 2.5% by March 2005. In the UK further base rate increases served to slow the housing market and consumer activity.
- Globally, companies providing raw materials benefited from increasing demand for their production with the share prices of Oil and Gas producers rising 24% in the UK and 54% in the US.
- The US dollar declined in value against other major currencies weighed down by large trade and government deficits. The euro was also adversely impacted by concerns about the possible rejection of the EU constitution by the voters of France and Holland.
- Takeover and merger activity continued to increase as the improving finances of many companies has encouraged managements to expand their businesses. A growing number of companies also decided to return surplus cash to shareholders through share buy backs and special dividends.
- Political tensions around the world focused on Iraq, terrorism and nuclear programmes in North Korea and Iran.

- Having produced a return of 60% in the previous year a return of 16% from Emerging Markets was more in line with the better performing major developed markets. Concerns about the impact of rising interest rates to some extent deterred Emerging Market investors.

### Fixed Interest Markets

- The return from Bond markets largely reflected their income yield as the likelihood of increases in interest rates and inflation limited any capital gains.
- Despite the interest rate and inflation concerns Bond yields remain, in historical terms, relatively low. Demand for Bond investments has been maintained at a high level by regulatory requirements on insurance companies and pension funds that have encouraged such institutional investors to increase their holdings of these theoretically less volatile investments.

### Commercial Property

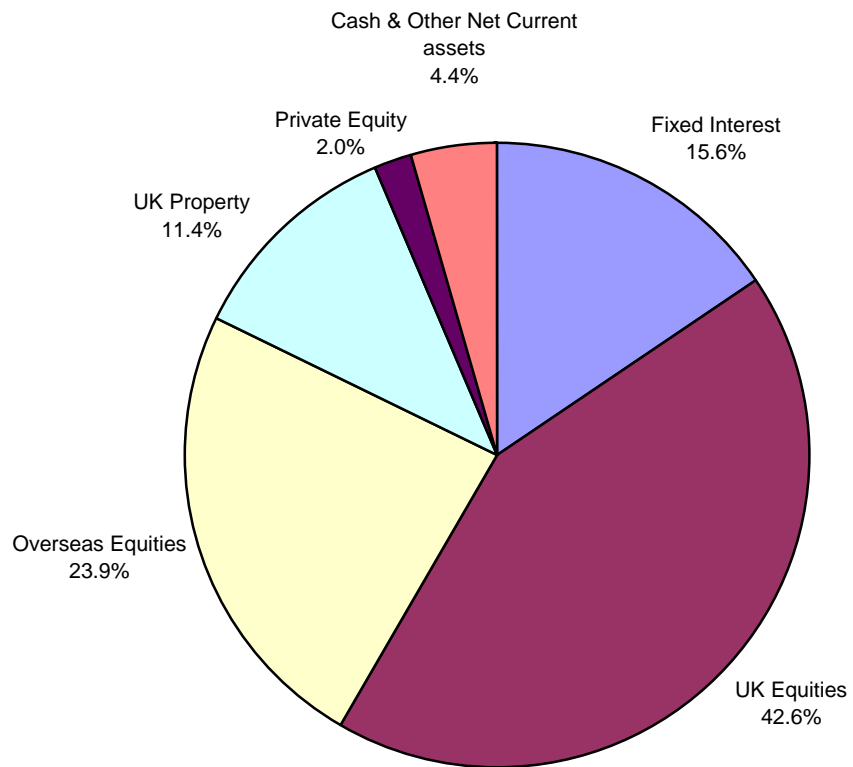
- Overall, Commercial Property in the UK returned 18% as demand from private and institutional investors continues to be very strong.
- The retail and industrial sectors returned 20% and 17% respectively, ahead of office properties where improving demand by occupiers supported a return of 14%.

**ASSET DISTRIBUTION AT 31 MARCH 2005**

<b>Asset class</b>	<b>Market Value</b>	<b>31/3/05</b>	<b>31/3/04</b>
	<b>£000</b>	<b>%</b>	<b>%</b>
Fixed Interest	130,958	15.6	15.3
UK Equities	358,661	42.6	42.9
Overseas Equities	200,994	23.9	25.0
UK Property	96,108	11.4	11.0
Private Equity	17,223	2.0	2.2
Cash & Other Net Current assets	37,163	4.4	3.6
<b>Total</b>	<b>841,107</b>	<b>100</b>	<b>100.0</b>

**INVESTMENT DISTRIBUTION**

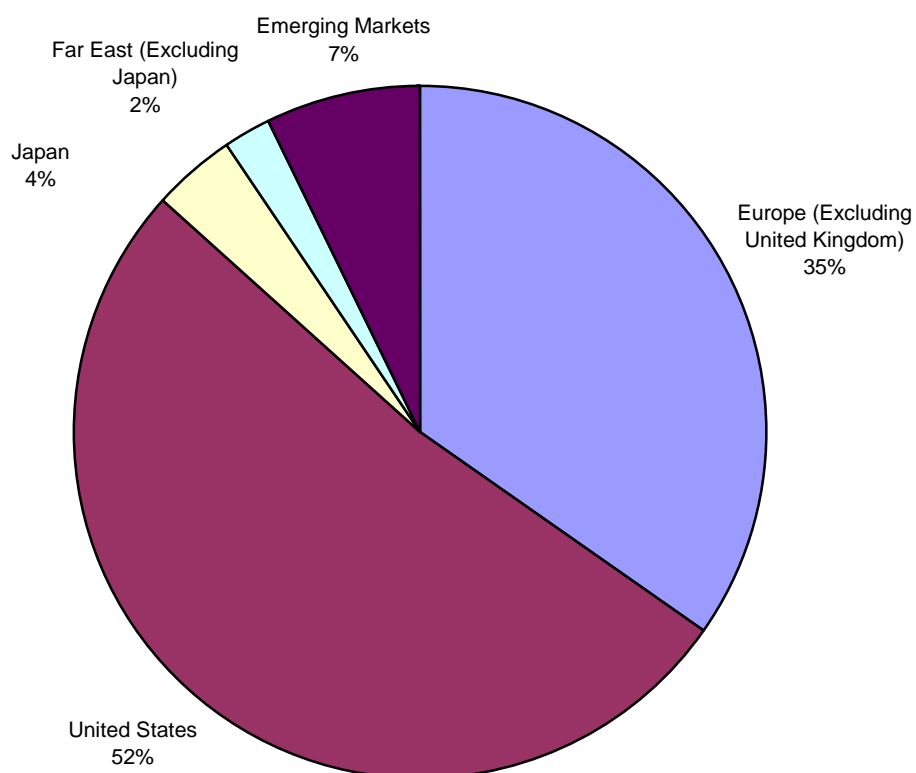
**ASSET ALLOCATION AS AT 31 MARCH  
2005**



OVERSEAS EQUITIES ASSET DISTRIBUTION AS AT 31 MARCH 2005

Asset class	Market Value £000	31/3/05 %	31/3/04 %
Europe (Excluding United Kingdom)	69,947	34.8	32.7
United States	104,391	51.9	53.2
Japan	7,646	3.8	4.2
Far East (Excluding Japan)	4,432	2.2	2.9
Emerging Markets	14,578	7.3	6.9
<b>Total</b>	<b>200,994</b>	<b>100.0</b>	<b>100.0</b>

OVERSEAS INVESTMENT DISTRIBUTION  
AS AT 31 MARCH 2005





**TWENTY LARGEST HOLDINGS IN THE FUND AS AT 31 MARCH 2005**

	Market Value £000	Proportion of Fund %
Standard Life UK Property Fund	38,714	4.8
BP	26,746	3.3
HSBC	24,249	3.0
Vodafone	23,904	3.0
Deutsche UK Managed Property Fund	23,423	2.9
Morley Property Fund	19,032	2.4
Glaxo Smithkline	18,550	2.3
Royal Bank of Scotland	16,431	2.0
Shell Transport & Trading	13,867	1.7
Royal London Exempt Property Unit Trust	11,195	1.4
Treasury 2.5% Index Linked 2013	7,719	1.0
DeAM UK Small Cap Fund	7,233	0.9
Barclays	7,073	0.9
Treasury 2.5% Index Linked 2016	6,942	0.9
HBOS	6,479	0.8
Treasury 2.5% Index Linked 2011	6,006	0.7
Rio Tinto	5,966	0.7
Astrazeneca	5,860	0.7
Treasury 8% Stock 2021	5,833	0.7
Tesco	5,365	0.7
<b>Total</b>	<b>280,587</b>	<b>34.8</b>

## **SUMMARY OF LGPS CONTRIBUTIONS AND BENEFITS**

Membership of the LGPS is available to all contracted employees of participating employers whether whole time, part time or casual. While membership of the Scheme is not compulsory for employees, new employees are deemed to have joined the Scheme unless they specifically opt out.

National legislation and regulation cover the LGPS including the benefit entitlements of Scheme participants and their families. Such benefits are not linked to the investment performance of the Fund. Key features of the contributions payable and the benefits available are outlined below:

### **Contributions**

Employees contribute 6% of their pensionable pay towards their pension, the exception being manual workers who were Fund members before 1 April 1998 who pay 5%.

### **Benefits**

The normal retirement age for Scheme members is 65 but employees in the Scheme prior to 1 April 1998 can retire at 60 provided they have 25 years service. Retirement before these ages, other than on ill-health grounds, is not possible without the permission of the employer.

### **Annual Pensions**

Pensions are calculated at a rate of  $\frac{1}{80}$ th of the employee's pensionable pay in their last twelve months of employment for each year of service up to a maximum of 40 years. Pensions for persons aged 55 and over are linked to the movement in the Retail Price Index.

### **Lump Sum Payments**

A retiree receives a lump sum payment upon ceasing work equating in general, to three times the annual pension.

Benefits are as for normal retirement but with additional years added dependent on the length of service.

### **Death-benefits**

Death in service attracts a lump sum grant equivalent to up to twice final pensionable pay. An annual pension is payable to the surviving spouse and any eligible children. For death after retirement a single payment is made of five times the member's annual pension (less any pension paid since retirement.) The surviving spouse is entitled to an annual pension of up to 50% of the member's pension for the rest of their life.

### **Supplementary Pensions**

Scheme members may purchase additional service within the Scheme provided that they would not normally be able to achieve 40 years service by their normal retirement age. As an alternative, Scheme members may increase their benefits by paying Additional Voluntary Contributions, up to limits imposed by the Inland Revenue, to a private pension provider under an arrangement sanctioned by the County Council.

### **Ill Health Retirement**

## LIST OF PARTICIPATING EMPLOYERS

Employing authorities who are participating members of the Fund at 31 March 2005

### **Scheduled Authorities**

Aubourn & Haddington Parish Council  
Black Sluice Internal Drainage Board  
Boston Borough Council  
Boston College  
Bourne Town Council  
Branston & Mere Parish Council  
Cherry Willingham Parish Council  
City of Lincoln Council  
Crowland Parish Council  
Deeping St James Parish Council  
East Lindsey District Council  
Grantham College  
Heighington Parish Council  
Horncastle Town Council  
Ingoldmells Parish Council  
Langworth Parish Council  
Lincoln College  
Lincolnshire County Council  
Lincolnshire Magistrates Courts Committee  
Lincolnshire Police Authority  
Lincolnshire Probation Service  
Lincolnshire Valuation Tribunal  
Lindsey Marsh Drainage Board  
Louth Town Council  
Mablethorpe and Sutton Town Council  
Market Deeping Town Council  
Nettleham Parish Council  
North East Lindsey Internal Drainage Board  
North Hykeham Town Council  
North Kesteven District Council  
Skegness Town Council  
South Holland District Council  
South Holland Internal Drainage Board  
South Kesteven District Council  
Stamford College  
Stamford Town Council  
Sudbrook Parish Council

Upper Witham Internal Drainage Board  
Washingborough Parish Council  
Welland and Deeping Internal Drainage Board  
West Lindsey District Council  
Witham First Internal Drainage Board  
Witham Fourth Internal Drainage Board  
Witham Third Internal Drainage Board

### **Admitted Authorities**

ACIS Group  
Bishop Grosseteste College  
Boston Mayflower  
Centre for British Teachers  
City of Lincoln Archaeological Unit  
Community Leisure Services  
Heritage Trust for Lincolnshire  
Lincolnshire Enterprise  
Lincolnshire Tourism  
Lincolnshire Trust for Nature  
Linx Homes  
Sleaford Development Group