

***NORTHAMPTONSHIRE COUNTY
COUNCIL PENSION SCHEME***

***Annual Report and Accounts
2005-06***

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Annual Report and Accounts 2005-06

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INTRODUCTION

This annual report sets out the arrangements by which the Local Government Pension Scheme operates, reports changes which have taken place and reviews the investment activity and performance of the Northamptonshire Fund during the year.

An abbreviated version of this report is circulated to the scheme members along with their annual benefits statements.

The report has been prepared in accordance with Statement of Recommended Practice for Pension Scheme Accounts (SORP).

J. Neilson

***Director for Business
Support***

Date: 23 May 2006

LEGAL FRAMEWORK AND ADMINISTRATION

Legal framework

The Local Government Pension Scheme is a statutory, funded pension scheme. It is “contracted-out” of the state scheme and is termed a defined benefit (or final salary) scheme. The operation of the Northamptonshire Local Government Pension scheme is principally governed by the Local Government Pension Scheme Regulations 1997 [as amended] (effective from April 1998). The scheme covers eligible employees of the County Council, the Police Authority, District and Borough Councils within the county area other than teaching staff, police officers and fire-fighters for whom separate statutory arrangements exist. A number of other bodies are also members of the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on pages 37 to 39.

This defined benefit scheme provides benefits related to salary for its members and is unaffected by the investment return achieved on the Scheme’s assets. Pensions paid to retired employees, their dependents, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. The amount is determined by the Secretary of State and is based on the Retail Price Index (RPI).

Contributions

The Scheme is financed by contributions from employees and employers, together with income earned from investments. The surplus of contributions and investment income over benefits being paid is invested.

The contribution from employees is prescribed by statute at the rate of 5% or 6% of pensionable pay depending upon their conditions of service.

Employers’ contribution rates are set following the actuarial valuation which takes place every three years. The contribution rate reflects the fund deficit or surplus and is the rate at which employers need to contribute to achieve a 100% funding level. The Fund has agreed that deficits will be recovered over a maximum period of 20 years as set out in the Funding Strategy Statement.

Contribution rates for 2005-06 were based on the last completed valuation of the Scheme’s financial position as at 31st March 2004 and are shown on pages 37 to 39.

The next actuarial valuation is due at 31 March 2007 and any change in contribution rates, as a result of that valuation, will take effect from 1 April 2008.

Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999 came into force in February 2000. One of the principal provisions was the requirement by administering authorities to maintain and publish a Statement of Investment Principles (SIP).

The written statement which sets out the principles governing decisions about investment also addresses the way voting rights are carried out and the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

The Statement of Investment Principles is a separate publication available upon request.

Funding Strategy Statement

The Local Government Pension Scheme (England and Wales) (Amendment) Regulations 2004 provide the statutory framework from which the Administering Authority is required to prepare and publish a Funding Strategy Statement.

The statement sets out the aims and purpose of the Pension Fund, the responsibilities of the key parties, discusses solvency issues and target funding levels and links to investment policy set out in the Statement of Investment Principles.

The Funding Strategy Statement is a separate publication available upon request.

Governance Policy

The Local Government Pension Scheme (Amendment) (No2) Regulations 2005 [SI2005 No. 3199] – December 2005, require all Administering Authorities to prepare, publish and review a Policy Statement setting out the governance of the Fund.

This statement sets out the Fund's scheme of delegation and the terms of reference, structure and operational procedures of delegation.

The Governance Policy is a separate publication available upon request.

Communications Policy

The Local Government Pension Scheme (Amendment) (No2) Regulations 2005 [SI2005 No. 3199] – December 2005, require all Administering Authorities to prepare, publish and review a Policy Statement setting out the communication strategy for communicating with Members, Members representatives, prospective Members and Employing Authorities; and for the promotion of the Scheme to prospective Members and their Employing Authorities.

The Communications Policy is a separate publication available upon request.

INVESTMENT ARRANGEMENTS

Legal Framework

The investment management of the Fund is governed by the provisions of the Local Government Pension Scheme – Management and Investment Regulations 1998. The main stipulations are:

- An administering authority may appoint one or more investment managers to manage and invest fund monies on their behalf.
- The investment manager must provide, at least once every three months, a report setting out his actions.
- The investment manager must have regard to the need for diversification of investments of fund monies and to the suitability of investments which they propose to make.

Investment Panel

The investment activities of the Fund are controlled by the County Council's Pensions Committee, supported by an Investment Advisory Panel which meets quarterly to consider investment strategy and monitor the fund managers' investment performance.

The Panel consists of:

- five members nominated by the County Council;
- one district council representative;
- the County Council's Director for Business Support; and
- an employee representative nominated by the employees' union UNISON.

Since April 2001 the Panel has been advised by independent adviser, Mr. P Meredith. The independent adviser is not formally a member of the Panel. The members of the Panel as at 31 March 2006 are listed on page 40.

The Panel seeks to ensure that all:

- funds are suitably invested,
- investments are diversified,
- relevant investment limits are not exceeded,
- investments and investment arrangements are regularly monitored and reviewed.

Investment Managers

Day to day investment decisions are taken by external investment managers, appointed by the Pensions Committee to optimise returns as determined within the funds Asset Allocation.

Asset Allocation is the determination by the Pensions Committee informed by professional investment advisors of the categories of investment that best serves the current and future demands on the fund. Typical categories are Equities, Fixed Interest Instruments, Property and cash.

Traditionally the fund has adopted a balanced mandate approach to investment, with Deutsche Asset Management and UBS Asset Management sharing equal investment responsibilities.

A balanced mandate is where a fund manager invests in the full range of asset categories and is allowed a low degree of flexibility between the classes. A typical example would see an investment manager holding more equities and less bonds than the Asset Allocation indicated. They could do this if they considered it beneficial to the fund.

During this financial year the Pensions Committee implemented a change to this traditional approach and replaced Deutsche Asset Management with a number of “Specialist” investment managers, but retained UBS on a balanced brief. All managers have been given “active” briefs to outperform the benchmark.

The key differences with specialist managers as opposed to balanced managers are:

- ❖ They are given specific briefs in a defined asset class, therefore have little or no flexibility between asset classes.
- ❖ Their holdings are smaller therefore are less disruptive to replace should they consistently under perform.
- ❖ They usually have more competitive performance targets to reflect the intensity of their more limited investment brief.
- ❖ Some managers are limited in which country they can invest, for example we have two specialist investment managers who can only invest in UK equities.

Fund manager performance is undertaken by the Investment Advisory Panel of the County Council, where fund managers are required to report investment performance on a quarterly basis. They are subject to challenge in these meetings from the Panel members and the Panels well respected and informed independent investment advisor.

Custodian Services

Northern Trust has been the Funds appointed Global Custodian since September 2000.

The responsibilities of the Global Custodian are:

- arranging for the custody of the scheme’s assets in compliance with the custody agreement.
- ensuring that all holdings have been registered as assets of the fund.
- manage the settlement of all deals entered into by the fund managers, collect all dividends and interest accruing to the fund and to hold all cash.

- providing the Director for Business Support with monthly valuations of the scheme's assets and details of all transactions during the quarter.
- providing details in a timely manner to Russell Mellon Actuarial Performance Services Limited and the WM Company.

Review of Custodian Services

The Fund has engaged an independent review of the service provided, the findings of which will not be available until 2006-07.

REVIEW OF DEVELOPMENTS IN 2005-06

Introduction.

This financial year has seen significant change in both investment, legislative and administrative terms, the following pages provide a summary of these developments.

Customised Benchmark

The fund adopted the customised benchmark set out below with effect from 1 April 2005 the key change of which was the adoption of a Global approach in the investment of overseas equities. The Global approach has a focus on global competitors within commercial sectors, whilst previously overseas equities were managed on a “silo” approach which focused more on the market or country and then the stock within that market. This facilitated greater flexibility in the quality of stock held by the fund and additionally greater diversity.

Customised Benchmark 1st April 2005.

	Weighting	%	Market Benchmark adopted
UK Equities		42	FTSE All Share
Overseas Equities		28	
<i>North America</i>	8.5		FTSE AW Developed North America
<i>Europe</i>	8.5		FTSE AW Developed Europe Ex UK
<i>Japan</i>	4.5		FTSE AW Developed Japan
<i>Pacific</i>	4.0		FTSE AW Developed Pacific Basin ex Japan
<i>Emerging Markets</i>	2.5		MSCI Emerging Markets Free
Bonds		26	
UK Bonds	16		Merrill Lynch Sterling Broad Market
Overseas Bonds	2		JP Morgan Traded World ex UK
UK Index Linked	6		FTSE Over 5 Years Index Linked Gilts
Cash	2		7 Day LIBID
Property		4	IPD Monthly
Total		<u>100</u>	

Fund Manager Changes

The review of the benchmark led to a review in the selection and style of fund manager, which was informed by relative underperformance by one of the existing balanced managers in the management of their equity brief.

The Fund determined to undertake a formal appointment process for new fund managers, which resulted in the appointment of six specialist managers.

At 30 **June 2005** the revised fund manager structure was:

	Holding	Brief
❖ UBS	50%	Balanced Mandate.
❖ Martin Currie	10%	UK Equity Specialist
❖ Majedie	10%	UK Equity Specialist
❖ Alliance Bernstein	14%	Overseas Equity Specialist [x UK]
❖ Aberdeen	12%	Fixed Interest Specialist
❖ CB Richard Ellis	2%	UK Property Specialist
❖ REEF	2%	UK Property Specialist

The implementation of the revised fund manager structure was substantially completed by June 2005.

During the appointment process the Fund effected minor amendments to the customised benchmark with effect from 1st July 2005 as set out below.

Customised Benchmark 1st July 2005

	Weighting %	Market Benchmark adopted
UK Equities	41	FTSE All Share
Overseas Equities	28	
<i>North America</i>	8.5	FTSE AW Developed North America
<i>Europe</i>	8.5	FTSE AW Developed Europe Ex UK
<i>Japan</i>	4.5	FTSE AW Developed Japan
<i>Pacific</i>	4.0	FTSE AW Developed Pacific Basin ex Japan
<i>Emerging Markets</i>	2.5	FTSE AW Emerging Markets
Bonds	25	
UK Bonds	16	Merrill Lynch Sterling Broad Market
Overseas Bonds	2	JP Morgan Traded World ex UK
UK Index Linked	6	FTSE Over 5 Years Index Linked Gilts
Cash	1	7 Day LIBID
Property	6	HSBC PUT Balanced
Total	<u>100</u>	

The key changes were:

- A reduction in UK Equity holdings of 1%
- A reduction in Cash Holding of 1%
- Compensating increases in Property holdings of 2%
- Index changes in emerging markets and property.

Asset Liability Study

The Fund is required to undertake a full actuarial valuation of its assets and liabilities every three years, the latest valuation came into effect from 1st April 2005.

The valuation process considers current and future liabilities and the degree to which these liabilities are provided for in the current value of assets, anticipated future investment return and the level of ongoing employer funding.

It is best practice therefore that following a valuation a review of the investment performance and investment structure against the current and future investment environment is undertaken.

The desire for a review was also informed from the process of appointing new fund managers which highlighted potential changes.

The Asset Liability Study commenced in December 2005 and the resulting changes came into effect on the 1st April 2006.

Membership

Movements in membership indicate that the fund is increasing the number of contributors. In 2005-06 the fund increased contributing members by 750 (4.3%) and 376 (2.2%) in 2004-05.

The number of pensioners eligible for pension benefits has increased by 407 (4.6%) in 2005-06, 385 (4.5%) in 2004-05 and the number of deferred beneficiaries has increased by 732 (9.7%) in 2005-06, 455 (6.4%) in 2004-05.

The significant increase in deferred beneficiaries reflects the withdrawal from the Scheme of the Magistrates Courts. A review of how this service should be provided resulted in the transfer of all staff to the Department of Constitutional Affairs, which is part of the Principal Civil Service Pension Scheme. These members have temporarily been shown as deferred beneficiaries pending further guidance on the transfer.

The number of transfers out and refunds has decreased by 214, being 365 in 2005-06 against 579 in 2004-05.

Full details of membership numbers can be found on page 37.

Regulations

This financial year has been a remarkable time for Local Government Pensions. New legislation which was introduced in October 2004 was withdrawn in May 2005 with retrospective effect to October 2004. This decision impacted greatly on the administration of the Scheme and also has affected the actuarial assumptions for the future liabilities of the Fund.

The cost of the withdrawal of the legislation, in particular those costs associated with the withdrawal and retrospective reinstatement of the '85 year rule' has been recognised and the impact it will have on the pension fund. It is intended that new legislation applicable from April 2006 will seek to recover those costs by allowing individuals to commute pension for lump sum retirement grant.

Additional legislation has been made requiring all Administering Authorities to produce and publish a Communications Policy and a Governance Policy. Both these documents have been produced for this Fund.

Further talks have been held on the future of the Local Government Pension Scheme. This is being considered by a Tripartite Committee, made up of Employers, Unions and the Office of the Deputy Prime Minister. A timetable for consultation and implementation of a new Scheme in April 2008 is to be provided soon.

Northamptonshire County Council Pension Fund

Investment Review

Economic and market background

In the last year, developed economies enjoyed a further year of good growth with the higher cost of oil and other raw materials apparently absorbed with only a modest up-tick in inflation and inflationary expectations. Currency, bond and equity markets seemed to have become inured to the growing US trade deficit, now at 7% of gross domestic product [more than half total exports], viewing it as an inevitable offset to the inability of Asian manufacturing and OPEC to recycle their surpluses. Cheap manufactured imports continue to restrain prices to western consumers. With capital investment remaining subdued company profits rose strongly. Cheap finance promoted a steady stream of corporate acquisitions, particularly in European markets where the concept of national champions was eroded, particularly for UK companies apparently wide-open to foreign take over. Many famous UK quoted companies became foreign owned subsidiaries including P&O, British Plaster Board, Allied Breweries and Ready Mix Concrete, and more recently British Airports and Associated British Ports. The resulting actual and projected inflow of capital helped to support sterling against the UK trade deficit.

Equity markets rose rapidly back towards levels last seen at the height of the internet bubble in early 2000, though this time the strength was much less narrowly based. In the UK it was led by these “mid cap” takeovers plus the heavily weighted mining and oil sectors and gave a total return of 28%. Europe [ex UK] performed even more strongly returning 35% and the US returned 23%. The Japanese economy appeared to have finally thrown off the spectre of deflation and its equity market returned 48%. But all were eclipsed by a return of 63% from emerging markets with investors piling in with apparently little regard for risk. Property also had another strong year, returning 21% with further strong demand from institutional investors for diversifying assets with a reasonable income. There was also an unseemly scramble for assets to match the liabilities of corporate pension funds leading to wild gyrations in the prices of the very longest dated UK fixed interest and index-linked bonds. However, overall their market returns were relatively modest with both at 9%.

Performance

With markets so strong the value of the Fund rose from £823m to £1.05bn. The return over this first year of the revised management arrangements was 25.0% and the managers in aggregate added some value relative to the benchmark return of 24.6% with a poor result from UBS offset by strong results from most of the newly appointed specialists.

Outlook

The world economy has benefited enormously from the rapid growth of China, India and many of the other developing nations, who have embraced the potential of free trade particularly in manufactures. Control of monetary and fiscal policies in the US and Europe has been judicious or possibly lucky. Despite some natural disasters and political “sabre rattling” there has been no serious disruption to the supply of oil or other raw materials. The enormous US economy has successfully weathered terrorism and the cost of Iraq and the devastation of New Orleans. After three good years it is little surprise that consumers and markets have been displaying apparently unbridled confidence. Uncertainties get sidelined at such times. Oil from the Middle East is vulnerable to stability in the Arabian Peninsula and the passivity of Iran which is developing nuclear weapons. The enormous economic stimulus to developed economies from low interest rates and increased government spending in recent years is now winding down: indeed interest rates are expected to move a little higher in all major economies to keep the lid on inflation. France and much of the rest of “core Europe” provide regular reminders that even prosperous citizens do not always support free movement of labour and completely free trade. But above all the imbalance created through the US trade deficit is a constant and growing threat. Resolution requires initially curtailment of growth in spending by the US consumer, which seems unlikely, and eventually a reduction, which seems inconceivable and even dangerous. The only sustainable alternative is a major reduction in the value of the dollar. If associated with remedial action on the US budget deficit through higher taxes and/or lower government spending this could be seriously damaging to market confidence. The UK position is only a little less uncomfortable. Policies trending inexorably towards free market and free trade have contributed to recent sustained growth, low inflation and strong growth in company profits, which in turn has led to current record profit margins. Quite apart from the danger of restraint on free trade, further profits progress will be difficult in the face of current oil and other commodity prices and global competition is increasingly being felt outside mass manufacturing. It is hardly conceivable that future equity returns can match the pace of the last three years and, with bonds and property yields now historically low, the returns from all asset classes may be decidedly more pedestrian. Though as with the squeeze last year at the long end of the bond markets, this does not preclude significant volatility.

Strategic Asset Allocation

In the very long term equity returns should broadly track company earnings, which are expected in turn to broadly track economic growth and with dividends added to total return to exceed it by a small “risk premium”. Under almost all scenarios this should eventually provide better returns than bonds. However, a balance must be struck, with enough in equities to produce the higher returns which help to minimise employer contributions in the long term, offset by enough in bonds and property to provide diversification and hence to help to moderate potential short term upward fluctuations in those contributions. This is a complex risk judgement taken on actuarial advice. Following consideration of an asset liability study undertaken by Mercers Investment Consulting, effective

1st April 2006, the strategic benchmark exposure to equities remains at 69%. However, with the UK equity market becoming increasingly concentrated and less representative of the UK economy, this exposure is now equally split between UK and overseas. The revised overseas equity benchmark distribution has moved some way from the former equal weights for North America, Europe [ex UK] and Pacific Basin towards market capitalisation, which weights the US more highly. Property in the benchmark has been increased at the expense of bonds.

Fund management

The new hybrid management arrangement, with UBS retained for a full multi-asset brief for half the Fund and with specialist managers for the other half, has now been in place for a year. With hindsight the rebalancing of assets and movement of equity management from Deutsche to specialists was undoubtedly timely. All the managers are kept under regular review to ensure that active management adds value. Alternative asset classes are also kept under regular review, though in most cases serious consideration awaits a time when markets embrace risk less readily than they appear to do so at present.

PMCM 19th July 2006

INVESTMENT PERFORMANCE

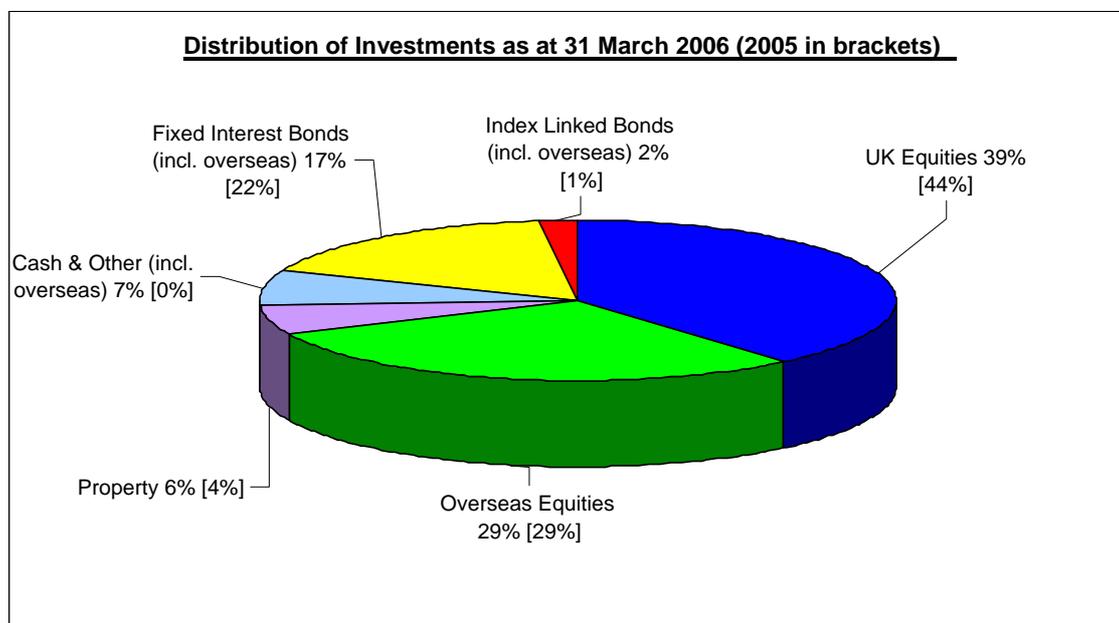
The Fund receives performance reports from two providers of performance information, Russell Mellon with a focus on individual fund manager performance and The WM Company with a focus on the Local Authority Universe

The former is used to report on specific fund manager performance on a consistent basis, facilitating fund manager comparison and challenge. These reports provide the key data by which fund managers are measured against their individual investment mandates and potentially may lead to their replacement if consistently unfavourable.

The latter is sought because it provides useful information on the ever changing Local Government investment culture and facilitates the Local Government sharing of best practice.

Portfolio as a whole

The actual distribution for the portfolio as a whole, at 31 March 2006 between the asset types is shown with the equivalent figures for 31 March 2005 in brackets. The distribution shows reductions in Fixed Interest Bonds and UK Equities offset against increases in Cash and Property. The large cash holdings capture the transfer of assets between Fund Managers, in respect of benchmark changes which came effective 1 April 2006.



INVESTMENT PERFORMANCE

The County Council benchmarked the performance of its investment managers against that of the median fund in the Combined Actuarial Performance Services [CAPS] sample until 30 September 2002. Since then the benchmark has been bespoke to the Fund.

At 31 March 2005 the Fund was valued at £810.5 million. Transactions of £50.9m and a capital gain of £179.7m provided a Fund Value of £1,041.5m as at 31 March 2006; being the value of Funds held by Fund Managers.

The Fund returned 25.0% against the Funds specific benchmark +24.6%, an increase over benchmark of +0.4%, but short of the +1.1% Fund Manager Performance target. The return was also slightly above the average of Local Authority returns (24.9%), measured by the WM Local Authority Average.

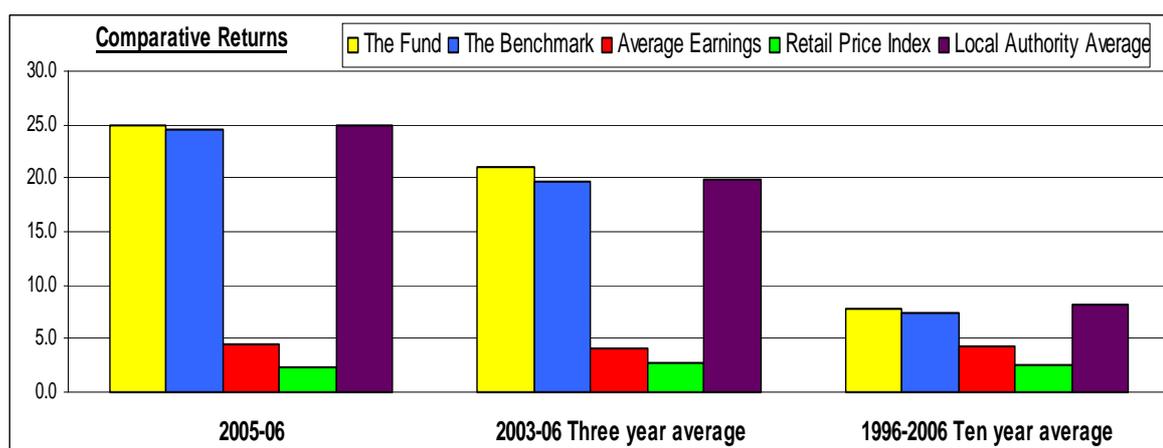
These performance figures are shown in the table below with comparisons over three and ten years in addition, together with the comparable increases in average earnings and retail prices.

The figures quoted above represent the net money flows and any gain or loss in the capital value of investments.

INVESTMENT PERFORMANCE TABLE		The Fund	The Benchmark	Retail Price Index	Average Earnings	Local Authority Average
Average return % per annum						
2005-06	1 year	25.0	24.6	2.4	4.4	24.9
2003-06	3 years	21.1	19.7	2.7	4.1	19.9
1996-2006	10 years	7.8	7.5	2.6	4.3	8.1

The Investment Performance Table indicates that the Northamptonshire Fund, the benchmark and Local Authorities average percentage returns, have consistently exceeded the Retail Price Index and Average earnings, over the periods in question.

These figures are showed graphically in the table below.



Monitoring against Benchmark

The performance of the managers, in respect of their portfolios is monitored against the benchmark quarterly. The target for each manager is to return the following percentages per annum above the benchmark over a three year period:

Fund Manager	Individual Target	Pro-rated Target
UBS	1%	1.00%
Martin Currie	2%	1.50%
Majedie	2%	1.50%
Alliance Bernstein	2%	1.50%
Aberdeen AM	0.75%	0.56%
RREEF	0.75%	0.56%
CBRE	1%	0.75%

Note: Pro-rated target reflects adjusted targets for managers recently appointed to the fund.

Manager Investment Performance Table

The table below shows UBS' investment returns compared to benchmark over one, three and ten years. UBS has been shown separately to the other fund manager's, because they have held an investment manager mandate longer than ten years and therefore a longer term profile of performance can be shown.

UBS – Balanced Mandate	2005-06 1 year	2003-06 3 years	1996-2006 10 years
Benchmark	24.6	19.7	7.5
Return	22.4	21.6	8.4

UBS have underperformed the benchmark over one year, however the three and ten year figures show UBS ahead of benchmark and their individual investment targeted return of 1% out performance.

Specialist Manager Performance

This table sets out the specialist fund manager performance since their appointment in June 2005, therefore approximately a period of nine months. Aberdeen and RREEF are exceptions as these mandates were transfers from Deutsche Asset Management and therefore show a full years activity.

2005-06			
Specialist Manager	Return	Benchmark	Variance
Majedie	26.4	21.9	+4.5
Martin Currie	25.4	21.9	+3.5
Alliance Bernstein	33.1	29.3	+3.8
Aberdeen AM	6.9	7.0	-0.1
CBRE	11.4	16.0	-4.6
RREEF	22.2	16.0	+6.2

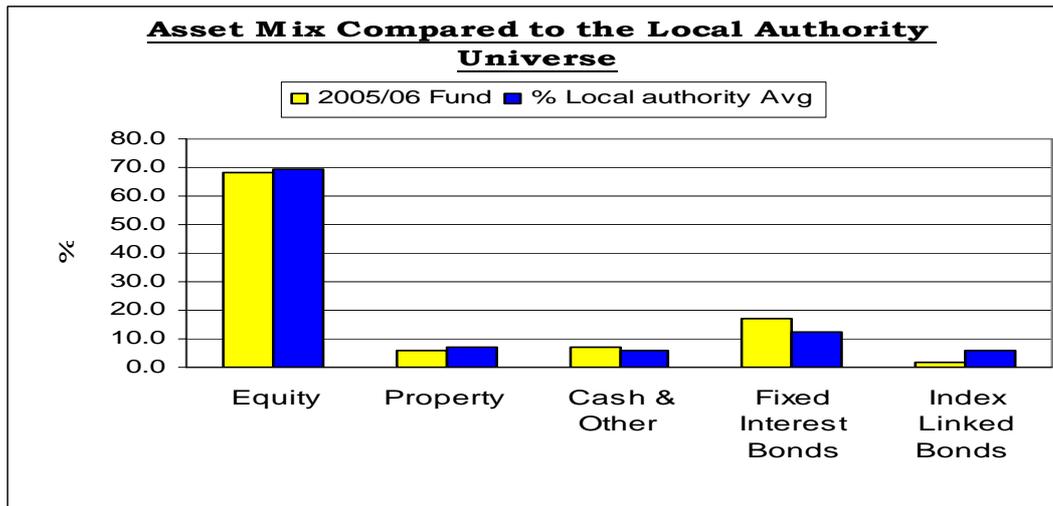
* Aberdeen figures are for twelve months.

In general specialist manager performance has been exceptional in such a short time frame. However, this performance has been measured over a relatively short time frame and a better indication of performance will be gleaned over the longer term.

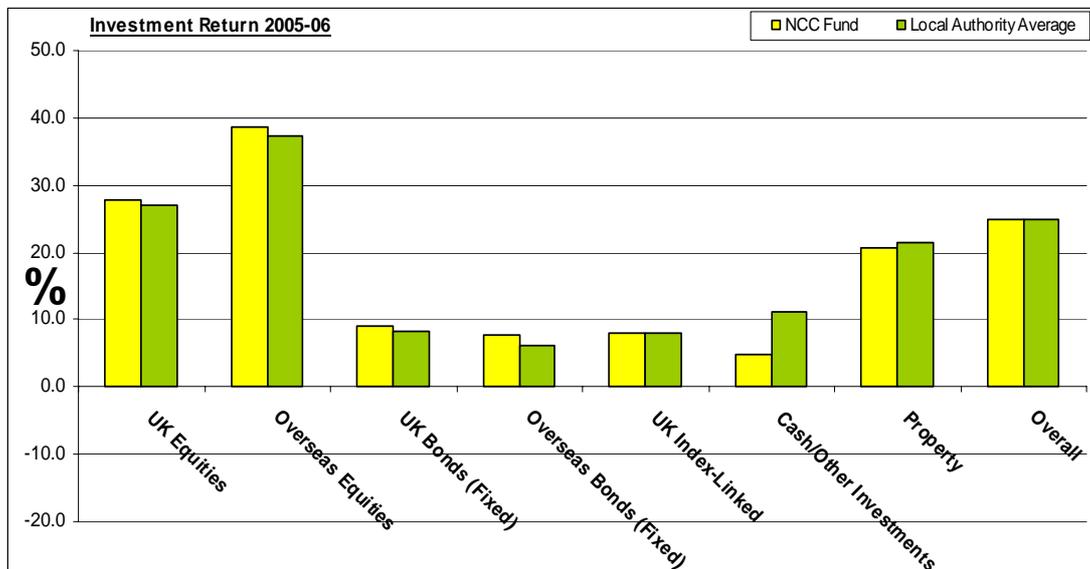
In particular the negative performance of CBRE is indicative of establishing a new property mandate.

Investment returns and the Local Authority Average

The Fund participates in the WM Companies benchmarking of Local Authority investment performance, which provides useful information on how well the Fund has performed in comparison with other Local Authorities.



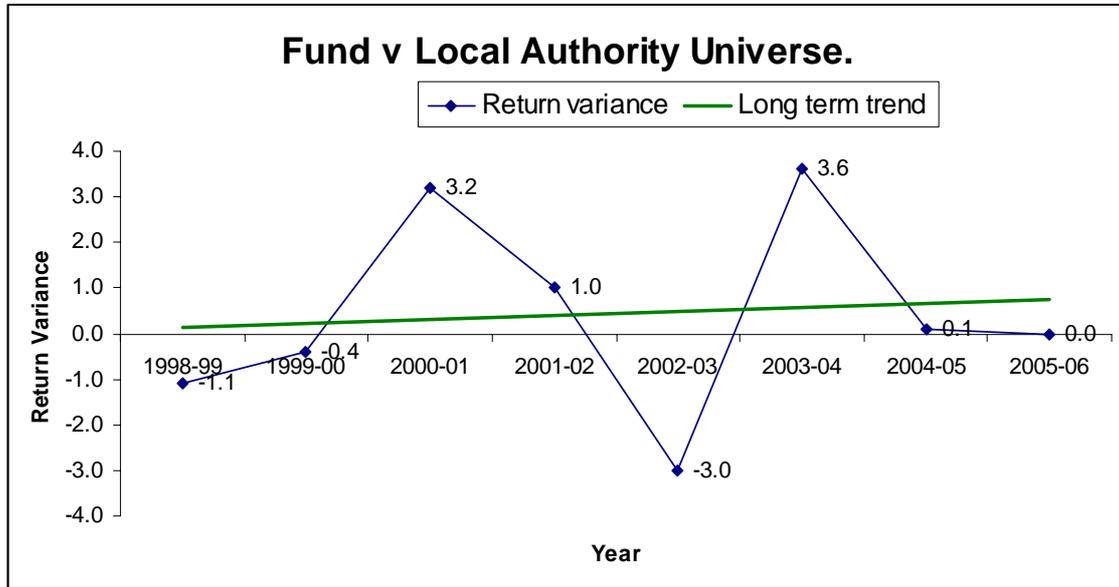
The Funds specific benchmark indicates that the authority is broadly comparable with the Local Authority Average, the main variances indicating the Funds preference for Fixed Interest Bonds against Index Linked Bonds.



The overall return for the fund is in line with the Local Authority average. Specifically the fund under performed on cash and property, offset against higher returns on equities and fixed income.

Annual Returns – Total Assets

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Total Fund	6.9	13.2	-3.1	0.5	-21.8	27.0	11.8	25.0
WM								
Benchmark	8.0	13.6	-6.3	-0.5	-18.8	23.4	11.7	24.9



The graph demonstrates the volatility of annual return comparisons of Fund performance against the Local Authority Universe. The trend line indicates that over the period shown (8 years) the Fund is outperforming the Local Authority Universe.

ACTUARIAL POSITION STATEMENT

1. An actuarial valuation of the Fund was carried out as at 31 March 2004.
2. The 31 March 2004 valuation has adopted the FRS17 approach to accounting for pension costs, based entirely on market values.
3. The valuation has shown a past deficiency of £295.2 million and a funding level of 71%. The assets held at the valuation were sufficient to cover 71% of the accrued liabilities assessed on an ongoing basis, a funding level decrease of 19.4% compared to the level in 2001.
4. This valuation also showed that the common contribution rate payable by each participating body is 170% of members' contributions (188% at the March 1998 valuation). Individual adjustments to the common contribution rate payable by the respective authorities have been provided.
5. The revised contribution rates effective from 1st April 2005, are on average 301% (254% at the March 1998 valuation) of member contributions. The rise is due to a combination of increases to the cost of accruing benefits and increases to the contribution required to meet past-service shortfall. The existing contribution rates following the 31 March 2004 valuation for each participating body are shown in Appendix 4.
6. The market value of the Fund's assets at the valuation date was £715.8m.
7. The main actuarial assumptions used in the 31 March 2004 actuarial valuation were as follows:

Rate of price inflation 2.8% per annum

Rate of general pay increases 4.3% per annum

Rate of increase of pensions 2.8% per annum
[in excess of Guaranteed Minimum Pension (GMPs)]

Investment return assumptions:

The return on long dated gilts 4.6%

Assumed out performance relative to gilts, provided by Funds
significant equity exposure:

Pre Retirement (per annum) 2%

Post Retirement (per annum) 1%

Aggregate investment return

Pre Retirement (per annum) 6.6%

Post Retirement (per annum) 5.6%

ACTUARIAL VALUATION as at 31 March 2004

1. Mercers Human Resource Consulting undertook a valuation of the Fund as at 31 March 2004 in compliance with Regulation 77 of the Local Government Pension Scheme Act 1997 (as amended) ("the Regulations").

The revised contribution arrangements which are effective from 1 April 2005 are set out in the Rates and Adjustments Certificate required by Regulation 77.

It should be noted that contribution rates are subject to review under Regulation 78(3)(b) if the need arises and, in any case, rates for years from 2008-09 onwards will be reviewed at the next valuation.

In the normal course of events, it would be expected that the funding level would increase by the time of the next valuation at 31 March 2007, largely because the rates of contribution to be paid contain an element to liquidate the deficiency found at this valuation. The residual deficiency would then be re-spread at the next valuation. (Amortising early retirement costs as they arise means that future redundancies should have no great effect on the position of the Fund.) However, any increase in funding level is dependant on the assumptions made being borne out in practice, the main areas where variations might be expected being increases in pay and investment returns in excess of price inflation.

2. Mercers Human Resource Consulting are of the opinion that the rates of contribution in payment from 1 April 2005, together with the increases recommended to apply in future, and the existing assets of the Fund, will be sufficient, on the basis of the assumptions adopted for the actuarial valuation of the Fund as at 31 March 2004, to meet the liabilities of the on-going Fund under the regulations associated with accrued and currently accruing pensionable service, increasing levels of pensionable remuneration and increases to pensions both in payment and in deferment.

FOREWORD TO THE ACCOUNTS

1. The accounts summarise the transactions of the Fund during the year, both in respect of benefits and investments, and show the position of the Fund at 31st March 2006. They are shown on pages 24 and 25.
2. The Pension Fund financial statements provide information about the financial position, performance and financial adaptability of the Fund. They are intended to show the results of the stewardship and management, that is the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end. The only items that are required to be excluded by regulations are liabilities to pay pensions and other benefits in the future, which are reported upon in the actuary's statement.
3. These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain and with the guidelines set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (SORP) (Revised November 2002); except for additional voluntary contributions discussed in Note 14 on page 30.
4. The Fund Account discloses the magnitude and character of financial transactions and changes in the value of the Fund during the period. These transactions are identified as being either Contributions and Benefits or Returns on Investments (including investment income and profit and losses on investment). The net Fund increase or decrease is reconciled to the net assets of the scheme.
5. The Net Asset Statement shown on page 25 discloses the size and distribution of the net assets of the Fund at the end of the financial year.
6. The Notes to the Accounts on pages 26 to 30 provide further explanation and breakdown of the figures included in the Fund Account and the Net Asset Statement.

ACCOUNTS 2005-06

Fund Account for the year ending 31 March 2006

2004-05 £000	Note	2005-06 £000
	Contributions	
42,796	Employers' contributions	48,170
15,439	Employees' contributions	15,627
300	Employees' additional voluntary contributions	316
58	Employers special contributions	0
	Transfers in	
<u>12,329</u>	Individual transfers in	<u>10,379</u>
<u>70,922</u>		<u>74,492</u>
	Benefits payable	
(462)	Death benefits	(555)
(6,008)	Lump sums	(6,607)
(30,454)	Pensions	(34,221)
	Payments to and for leavers	
(331)	Return of contributions	(300)
(6,967)	Individual transfers out	(8,784)
<u>(1,418)</u>		<u>(1,617)</u>
<u>45,640</u>		<u>52,084</u>
25,282	Administration cost	(7)
		<u>52,084</u>
	Net additions or (withdrawals) from dealing with members	22,408
	Returns on investments	
18,989	Net profit/(loss) on sales	74,625
<u>42,433</u>	Net increase/(decrease) in unrealised profit	<u>102,659</u>
61,422	Change in market value of investments	177,284
22,157	Interest and dividends on investments	26,457
135	Stock Lending	139
57	Commission Recapture	70
(1,787)	Investment managers' fees	(2,548)
<u>81,984</u>	Net returns/(losses) on investments	<u>201,402</u>
107,266	Net increase/(decrease) in the fund	223,810
<u>715,796</u>	Net assets of the fund at the start of the year	<u>823,062</u>
<u>823,062</u>	Net assets of the fund at the end of year	<u>1,046,872</u>

Net Asset Statement as at 31 March 2006

31 March 2005 £000		Note	31 March 2006 £000
	Investments at market value		
72,199	Fixed-interest securities		138,743
7,983	Index-linked securities		24,616
537,706	Equities		647,579
<u>194,143</u>	Pooled Investment Vehicles		<u>197,919</u>
812,031		(13)	1,008,857
	Current assets		
6,207	Debtors	5878	
1,568	Outstanding settlements	(5) 31,565	
239	Cash with managers	573	
<u>9,007</u>	Cash with Northamptonshire County Council	(3) <u>7458</u>	
17,021			45,474
	Current liabilities		
<u>(5,990)</u>	Creditors	(6) <u>(7,460)</u>	
(5,990)			(7,460)
11,031	Current assets less liabilities		38,015
<u>823,062</u>	Net assets		<u>1,046,872</u>

Source and use of Invested Funds

	£000
Net Assets at 1 April 2005	823,062
Investments purchased during year (at cost)	1,090,191
Investments sold during the year (at cost)	(993,354)
Inspecie Transfers	(2,670)
Net (increase)/decrease in value of unrealised profits	102,659
Net (increase)/decrease in current assets	28,453
Net (increase)/decrease in current liabilities	<u>(1,470)</u>
Net Assets at 31 March 2006	<u>1,046,872</u>

NOTES TO THE ACCOUNTS

The Director for Business Support is responsible for:

- the preparation of the accounts for Northamptonshire Pension Fund so as to present fairly the financial position at the accounting date and its income and expenditure for the year.
- making reasonable and prudent judgements and estimates.
- complying in all material aspects with the Code of Practice on Local Authority Accounting in Great Britain and applying accounting policies consistently.
- keeping proper, up to date, accounting records.
- taking reasonable steps for the prevention and detection of fraud and other irregularities.
- the administration of pension benefits.

1. Accounting Policies

The accounts have been prepared to comply with the statement of recommended practice (SORP) for the Pension Scheme Accounts.

- (a) Contributions and benefits are included in the accounts on an accruals basis.
- (b) Transfer values have been recorded on the basis of amounts receivable or payable as at 31 March.
- (c) Interest and dividends are included in the accounts on an accruals basis.
- (d) Investments including listed securities, property and unit trusts are included in the accounts at market value, which is determined by the custodian using prices supplied by several sources that include Exshare, Telekurs, Reuters, FT Interactive Data and Bloomberg. Unquoted securities are valued having due regard to the latest dealings, professional valuation, asset values and other appropriate financial information.

2. Long Term Liabilities

The accounts do not take account of the liabilities to pay future benefits. They should therefore be read in conjunction with the Report of the Actuary on pages 21-22 which takes liabilities into account.

3. Cash

The cash balance forms part of the bank balances of Northamptonshire County Council, attributable to the Pension Fund, but does not represent a separate balance in the name of the Fund.

Interest paid over to the pension fund on balances held amounted to £204,000 (0405: £236,430) [Included within Note 11 and 12]. On 31 March 2006 the County Council held cash on behalf of the pension fund of £7,458,403 (see Note 12 to the accounts).

4. Contributions

Contributions owed by employers have subsequently been received.

5. Outstanding Settlements

The high level of outstanding settlements reflects amounts held by the Fund Managers as at 31 March 2006.

6. Creditors

The high level of creditors reflects the overall increase in fund values and therefore greater turnover of transactions.

7. Administration and Investment Managers' Fees

	2004-05 £000	2005-06 £000
Administration cost:		
Pensions administration	1,228	1,397
Actuarial services	129	147
Fund monitoring	19	37
Other	<u>42</u>	<u>36</u>
	1,418	1,617
Investment managers' fees:		
	<u>1,787</u>	<u>2,548</u>
Total	<u>3,205</u>	<u>4,165</u>

Pension Administration actual costs increased due to the costs of moving to a new payroll provider.

Actuarial services cost increases reflects the work undertaken on the Asset Liability Study, subsequent advice on the rebalancing of funds between managers, as well as ongoing support on investment issues.

Investment Managers' fees and Fund Monitoring costs, have increased due to the Fund moving from two balanced managers to a balanced manager and six specialist managers. This is more than offset by increased investment return.

'Other' costs reflect a £10k increase in legal fees, in particular regarding Powers of Attorney, compensated by a reduction in PIRC membership fees.

8. (Increase)/decrease in value of unrealised profits

Market value of investments at 31.3.06	£000s 1,008,857	£000s
Investments at cost at 31.3.06	<u>838,414</u>	
Unrealised gain		(170,443)
Market value of investments at 1.4.05	812,031	
Investments at cost at 1.4.05	<u>744,247</u>	
Unrealised Gain		<u>(67,784)</u>
(Increase)/decrease in value of unrealised profits		<u>(102,659)</u>

The increase in value of unrealised profits of £103m represents the change in the unrealised gain between the opening and closing position of the market value of investments and the cost of these investments. It is an increase which has occurred during the normal business activities carried out by our fund managers.

9. Stock Lending

Income of £139,059 was earned from stock lending activities, undertaken on behalf of the Fund by Northern Trust, the Fund's global custodian. This income is the premium paid by third parties who borrow stock held by this Fund. Collateral stock is held to safeguard the funds assets. Lending is limited to 25% of the stock held by the fund, although actual activity is well below this level.

As at 31 March 2006 the value of stock loaned to third parties was £177.3m against collateral held of £189.2m, more information on this is shown below.

Analysis by Asset Class of securities on loan:

	31 March 2006 £000
Investments at market value	
Fixed-interest securities	59,012
Equities	<u>118,253</u>
Total Securities on Loan	<u>177,265</u>

Analysis of Collateral:

	31 March 2006 £000
Investments at market value	
Certificates of Deposit	8,716

Government Bonds UK	127,576
Equities	50,166
Letters of Credit	<u>2,697</u>
Total value of Collateral	<u>189,155</u>

10. Commission Recapture

Income of £69,524 was earned from Commission recapture activities, undertaken on behalf of the Fund by Lynch Jones and Ryan, specifically appointed by the Fund to undertake this role. This relates to “recapturing” commission regarding research and development costs paid to third party brokers, whose sole role is to buy and sell stock on behalf of the fund manager.

11. Analysis of interest and dividends

Interest and dividends for the years ended 31st March was received from the following sectors.

2004-05 Interest and dividends £000s		2005-06 Interest and dividends £000s
1,828	Fixed-interest securities	2,575
397	Index-linked securities	537
15,402	Equities	17,564
	Pooled Investment Vehicles	
1,086	Unit Trust Fixed Interest	1,458
1,428	Unit Trust Equities	628
797	Property Unit Trusts	1,577
<u>1,219</u>	Cash	<u>2,118</u>
<u>22,157</u>		<u>26,457</u>

12. Employer-related investments and related party transactions

There are no employer-related investments. Northamptonshire County Council [NCC] is responsible for managing the pension fund’s finances, and therefore is a related party. NCC made payments of £23.8m to and received income of £1,397,096 from the pension fund in the 2005-06 financial year. Payments relate to employer contributions into the fund in respect of the County Council and receipts relate to administration costs incurred by the County Council on behalf of the Pension Fund.

On 31 March 2006 NCC held cash on behalf of the pension fund of £7,458,403 (see Note 3 to the accounts). The pension fund received interest on balances held of £204,000 (0405 £236,430) from NCC.

13. Investment transactions during the year

The market values of investments referred to in this report are provided by our global custodian, Northern Trust.

	Market Value 31 March 2005	Purchases	Sales	Inspecie Transfer	Change In Market Value	Market Value 31 March 2006
	£000	£000	£000	£000	£000	£000
Fixed interest Securities						
Public sector	72,092	522,967	(463,200)	0	4,690	136,549
Other	107	20,329	(18,287)	0	45	2,194
	72,199	543,296	(481,487)	0	4,735	138,743
Index-linked securities						
UK	7,983	27,927	(11,227)	0	(67)	24,616
	7,983	27,927	(11,227)	0	(67)	24,616
Equities						
Other listed Funds	537,506	426,184	(394,528)	19,227	58,798	647,187
Other unlisted Funds	200	192	0	0	0	392
	537,706	426,376	(394,528)	19,227	58,798	647,579
Pooled Investment Vehicles						
Fixed Interest						
Funds	104,221	49,835	(72,887)	0	2,010	83,179
Equity Funds	58,611	18,174	(28,394)	(21,905)	31,338	57,824
Property Funds	31,311	24,583	(4,831)	0	5,853	56,916
	194,143	92,592	(106,112)	(21,905)	39,201	197,919
Total	812,031	1,090,191	(993,354)	(2,678)	102,667	1,008,857

14. AVC Investments

Additional Voluntary Investments are assets invested separately from the main fund in the form of individual building society accounts and insurance policies, securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement, confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	31 March 2005	31 March 2006
	£'000s	£'000s
Nationwide Building Society	1,806	1,955
Standard Life	392	445
Total	<u>2,198</u>	<u>2,400</u>

In future years, separately invested AVC funds will be included within Investments (Note 13) in accordance with the Pensions SORP 2002.

AUDITOR'S REPORT

In order to evidence that this document has been examined by external audit a copy of the Independent Auditor's Report to Northamptonshire County Council is shown on the following page.

Independent auditors' report to Northamptonshire County Council

Opinion on the financial statements

We have audited the financial statements of Northamptonshire County Council for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise the Balance Sheet, Statement of Total Movement in Reserves, the Cash Flow Statement, the Consolidated Revenue Account, the Pension Fund and the related notes. The financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Northamptonshire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Northamptonshire County Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Northamptonshire County Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority and its income and expenditure for the year.

We review whether the Statement on Internal Control 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. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) 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 judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Opinion on the Pension Fund Accounts

In our opinion the financial statements present fairly the financial transactions of the Northamptonshire County Council Pension Fund during the year ended 31 March 2006 and the amount and disposition of its assets and liabilities at that date, other than liabilities to pay pensions and benefits after the end of the scheme year.

KPMG LLP
Chartered Accountants
Birmingham
27 September 2006

ANALYSIS OF NET ASSET STATEMENT Appendix 1

31 March 2005			31 March 2006	
£ 000s	%		£ 000s	%
		Government securities and certificates of deposit		
148,293	18.0%	UK fixed-interest	182,378	17.4%
7,983	1.0%	UK index-linked	24,616	2.4%
28,127	3.4%	Overseas fixed-interest	39,544	3.8%
0	0.0%	Overseas index-linked	0	0.0%
184,403	22.4%	Subtotal	246,538	23.6%
		UK equities		
48,373	5.9%	Resources	71,777	6.9%
18,310	2.2%	Basic industries	29,822	2.8%
6,727	0.8%	General industrials	25,275	2.4%
65,580	8.0%	Consumer goods	81,989	7.8%
93,370	11.3%	Services	28,053	2.7%
16,148	2.0%	Utilities	28,053	2.7%
6,734	0.8%	Information technology	13,650	1.3%
108,092	13.1%	Financials	139,367	13.3%
363,334	44.1%	Subtotal	417,986	39.9%
		Global equities		
17,703	2.2%	Resources	24,354	2.3%
5,175	0.6%	Basic industries	8,921	0.9%
23,069	2.8%	General industrials	30,217	2.9%
48,191	5.9%	Consumer goods	52,004	5.0%
35,977	4.4%	Services	30,028	2.9%
8,580	1.0%	Utilities	5,940	0.6%
10,332	1.3%	Information technology	23,363	2.2%
83,956	10.2%	Financials	112,589	10.7%
232,983	28.4%	Subtotal	287,416	27.5%
31,311	3.8%	Property unit trusts	56,916	5.4%
812,031	98.7%	Total investments [sum of above]	1,008,857	96.4%
7,775	0.9%	Debtors	37,443	3.5%
239	0.0%	Cash with Managers	573	0.1%
9,007	1.1%	Cash with County Council	7,458	0.7%
(5,990)	(0.7)%	Creditors	(7,460)	(0.7)%
823,062	100.0%	Total	1,046,872	100.0%

MAJOR INVESTMENTS**Appendix 2**

	Number of shares	Market value £ 000s	Percentage of Fund's total investments
<u>EQUITIES</u>			
Overseas			
ABN-AMRO HLDGS NV EURO.56	6,877,211	2,625	0.25
ALLIANZ AG NPV (REGD)(VINKULIERT)	10,513,929	3,055	0.29
AMERN INTL GROUP INC COM	163,650	2,656	0.25
CANON INC NPV	424,800	3,045	0.29
CITIGROUP INC COM COM	83,634	5,164	0.49
CREDIT SUISSE GRP CHF0.50 (REGD)	72,180	4,001	0.38
NESTLE SA CHF1 (REGD)	51,582	2,904	0.28
SANOFI-AVENTIS EUR2	26,069	2,884	0.28
SUMITOMO MITSUI FG NPV	515	3,659	0.35
TOTAL EUR10	28,603	4,228	0.40
TOYOTA MOTOR CORP NPV	461,811	5,580	0.53
UBS AG CHF 0.80 (REGD)	324,675	4,369	0.42
UBS GBL ASSET MGT GBL EMG MKTS EQTY J	90,386	15,530	1.48
United Kingdom			
ASTRAZENECA ORD USD0.25	288,522	8,367	0.80
BARCLAYS ORD GBP0.25	2,086,796	14,055	1.34
BERNSTEIN EMERGING MARKETS OFF SHORE	599,745	12,577	1.20
BP ORD USD0.25	4,923,768	32,546	3.11
GLAXOSMITHKLINE ORD GBP0.25	1,713,126	25,783	2.46
HBOS ORD GBP0.25	1,083,085	10,408	0.99
HSBC HLDGS ORD USD0.50(UK REG)	1,426,151	13,762	1.32
MAJEDIE ASSET MGT SPECIAL SITS INV B ACCNAV	4,847,102	10,144	0.97
PRUDENTIAL ORD GBP0.05	2,100,523	14,021	1.34
ROYAL BK SCOT GRP ORD GBP0.25	772,926	14,477	1.38
ROYAL DUTCH SHELL 'B'SHS EUR0.07 (UK LIST)	1,314,255	24,603	2.35
UBS GBL ASSET LIFE SMALL COMPANY UK A UNITS	4,718,685	13,566	1.30
VODAFONE GROUP ORD USD0.10	18,990,438	22,883	2.19

	Number of shares	Market value £ 000s	Percentage of Fund's Total investments
<u>TREASURY NOTES AND BONDS</u>			
Fixed Income - Unit Trust Bonds			
ABERDEEN FUNDS MG INTERNATIONAL BD A GBP	6,549,445	8,874	0.85
ABERDEEN FXD INC LONG DATED STG CREDIT G	22,802,071	29,871	2.85
ABERDEEN FXD INC STERLING CREDIT GBP	10,152,284	12,487	1.19
UBS GLOBAL ASSET LIFE UK CORPORATE BD FUND A UNIT	10,685,638	12,470	1.19
UBS GBL ASSET LIFE UK LONG-DTD CORP BD AFUND	16,029,698	19,476	1.86
Fixed Income - Index Linked Bonds			
UK (GOVT OF) 2.5% I/L STK 16/04/20 GBP	500,000	1,316	0.13
UK (GOVT OF) 2.5% I/L STK 16/04/20 GBP	2,680,000	7,051	0.67
UK (GOVT OF) 2.5% I/L STK 16/08/13 GBP	410,000	4,559	0.44
UK (GOVT OF) 2.5% I/L STK 16/08/13 GBP	2,000,000	935	0.09
UK (GOVT OF) 2.5% I/L STK 17/07/24 GBP	1,800,000	4,231	0.40
UK (GOVT OF) 2.5% I/L STK 23/08/11 GBP	920,000	2,455	0.23
UK (GOVT OF) 4.125% I/L STK 22/07/30 GBP	1,740,000	4,010	0.38
Fixed Income - Government Bonds			
UK (GOVT OF) 5% STK 07/03/2025 GBP 100	8,890,000	9,751	0.91
SWEDEN (KINGDOM OF) 8% BDS 15/8/2007 SEK '1037	120,000,000	9,505	0.91
UK (GOVT OF) 4.75% STK 07/06/2010 GBP100	7,640,000	7,723	0.70
UK (GOVT OF) 4.25% STK 7/3/2036 GBP 100	7,095,000	7,284	0.70
FRANCE (GOVT OF) 5.75% OAT 25/10/2032 EUR1	6,790,000	6,055	0.58

Membership as at 31 March 2006

	Contributors	Pensioners	Deferred Pensions	Total
Northamptonshire County Council	10,908	4,716	4,908	20,532
Probation	237	97	69	403
Coroners' Staff	1	1	0	2
Northamptonshire Police Authority	1,016	308	321	1,645
District Councils				
Corby	379	455	292	1,126
Daventry	347	225	194	766
East Northamptonshire	193	204	95	492
Kettering	473	406	190	1,069
Northampton	1,277	1,347	687	3,311
South Northamptonshire	318	240	178	736
Wellingborough	396	357	191	944
Other bodies	2,602	907	1,165	4,674
(As at 31 March 2006)	18,147	9,263	8,290	35,700
(As at 31 March 2005)	(17,397)	(8,856)	(7,558)	(33,811)

	Mar 06	Mar 05
Number of new starters throughout the year	2,185	2,409
Number of new pensioners throughout the year	658	678
Number of new deferred beneficiaries throughout the year	755	715
Number of refunds and transfers out	365	579

PARTICIPATING EMPLOYERS AND CONTRIBUTION RATES Appendix 4

2005-06 Employers' Contributions as a percentage of Employees Contributions.

<u>Major Scheduled Bodies</u>	<u>%</u>
Northamptonshire County Council	267
Northamptonshire Police Authority	234
Northamptonshire Probation Committee	265
Corby Borough Council	319
Daventry District Council	322
East Northamptonshire District Council	278
Kettering Borough Council	313
Northampton Borough Council	327
South Northamptonshire Council	313
Borough Council of Wellingborough	321
University of Northampton	241
Northampton College	229
Tresham Institute	198
Moulton College	193

<u>Other Scheduled Bodies</u>	<u>%</u>
Northamptonshire County Council – Councillors	267
South Northamptonshire Council – Councillors	313
Borough Council of Wellingborough – Councillors	321
Collingtree Primary School	267
Corby Danesholme Junior School	267
The Kingswood School, Corby	267
Corby Lodge Park School	267
Corby Woodnewton Infant and Nursery School	267
Corby Woodnewton Junior School	267
Hardingstone Primary School	267
Kettering Millbrook Infant School	267
Kettering Millbrook Junior School	267
Kettering Montagu School	267
Kettering Southfields School for Girls	267
Moulton Primary School	267
Northampton School for Boys	267
Raunds Manor School and Sports College	267
Raunds Windmill Primary School	267
Thrapston Primary School	267
The King John School, Thrapston	267
Welford, Sibbertoft and Sulby Endowed School	267
Wellingborough Sir Christopher Hatton School	267
Wellingborough Weavers School	267
Wellingborough Wrenn School	267

2005-06 Employers Contributions as a percentage of Employees' Contributions (Contd).

<u>Small Scheduled Bodies</u>	<u>%</u>
Brackley Town Council	275
HM Coroner	324
Daventry Town Council	275
Irthlingborough Town Council	252
Long Buckby Parish Council	275
Moulton Parish Council	275
Oundle Town Council	275
Raunds Town Council	275
Rushden Town Council	275
Towcester Town Council	275
Wootton Parish Council	275
<u>Admitted Bodies</u>	<u>%</u>
Amey PLC	267
Catalyst Corby	288
East Midlands Leadership Centre	290
East Northants Cultural Trust	131
Northampton Academy	160
Northampton High School	207
Northampton Theatres Trust	199
Northamptonshire Connexions Partnership	219
The Castle (Wellingborough) Limited	188
Shaw Healthcare	300
Spire Homes Limited	378
West Northants Development Corporation	275
<u>Small Admitted Bodies</u>	<u>%</u>
Age Concern (Northampton and County)	324
Explore Northamptonshire	228
Newton in the Willows Trust	324
Northamptonshire Chamber of Commerce, Training And Enterprise	324
Scholorest	267
Society of Archivists`	324

2005-06 Employers Contributions as a percentage of Employees' Contributions (Contd).

Employers whose Active Membership ceased during the Financial Year ending March 2006 **%**

Corby Education Action Zone	N/A
Gretton Parish Council	N/A
Wollaston Parish Council	N/A
Northamptonshire Magistrates Courts Committee (Staff transferred to Department of Constitutional Affairs. Principal Civil Service Pension Scheme)	N/A
Corby Beanfield Junior School	N/A

Employers with no Active Members **%**

Corby Development Corporation	N/A
Corby Queen Elizabeth School	N/A
East Midlands Housing Association	N/A
Former Nene College Pensioners	N/A
Former Health Pensioners	N/A
Former Licensing Pensioners	N/A
Former Water Pensioners	N/A
Northampton Kingsley Park Middle School	N/A
Nene Valley Waste Limited	N/A
Northampton and County Association for the Blind	N/A
Northampton Borough Council Ex-Transport	N/A
Northampton Development Corporation	N/A
Northampton Joint Valuation Panel	N/A
Northampton Transport Limited	N/A
Pest Express	N/A
Pytchley Town Council	N/A
Stanion C of E Primary School	N/A
Wicksteed Memorial	N/A

Administering Authority	Northamptonshire County Council
Administrator	Mr J Neilson, Director for Business Support

Pension Committee and Investment Panel membership and advisors

County Council Members	Mr R Brown (Chair) Mr L Patterson (Deputy Chair) Mr J Bailey Mrs O Loud Mr B Parker
Borough Council Member	Mr M Ward (Wellingborough Borough Council)
Director for Business Support	Mr J Neilson
Head of Financial Operations & External Relations	Mr J Raisin
Employees Representatives	Mr P Cox
Actuary	Mercers Human Resource Consulting
Independent Investment Advisers	Mr P Meredith Mercer Investment Consulting
Auditor	KPMG LLP

Contacts.

Further Information regarding the accounts and investments can be obtained from:

Mr P Tysoe, Pension Fund Accountant – [See address below].
Enquiries: phtysoe@northamptonshire.gov.uk
Telephone 01604 236481

Enquiries relating to benefit and administration should be directed to:

Mr I Gibbon, Pension Manager – [See address below].
Enquiries: igibbon@northamptonshire.gov.uk
Telephone 01604 236527

Northamptonshire County Council
P.O Box 136
County Hall
Northampton
NN1 1AT

Glossary of Terms.

Terms used in this report and general terms used in financial markets.

Accruals

Income and expenditure which is due but will not be received or paid until after the end of the financial year.

Actuary

An independent company which advises on the assets and liabilities of the fund with the aim to ensure that the payment of pensions and future benefits are met.

Admitted Bodies

Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

All Share Index

Properly the FTSE All Share index which summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

Arbitrage

Buying and selling securities (usually in different markets) to take advantage of small pricing anomalies.

At Best

An instruction to deal at the best price ruling in the market at the time, ie. The highest price (selling) or lowest (buying).

Authorised Unit Trusts

A unit trust which is approved by the Financial Services Authority (FSA) to be sold to members of the public.

Bargain

Another name for a trade or transaction of the Stock Exchange.

Bear

Someone who believes prices will fall in the future

Bearer

Securities which are legally owned by the Bearer of the document. No registration of ownership.

Beneficial Owner

The true owner of a security regardless of the name in which it is registered.

Bid Price

The price at which securities are purchased by market makers.

Bond

Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured. [See also Fixed Assets].

Bonus issue

Bonds, scrip or free issue are equivalent in terms. Free shares are issued to existing shareholders out of company reserves.

Bull

Someone who believes prices will rise in the future.

Certificate of Deposit

Certificate evidencing deposit of cash with a commercial bank.

Clean Price

The price of a bond which is quoted without accrued interest.

Commercial paper

Short term loan stock issued by corporates as part of a funding programme. Unsecured, Bearer securities.

Contract note

The documentary record of a trade which is sent from the broker to the investor

Convertible

Unsecured loan stock (bond) which converts into equity of the issuing company. The UK Government also issues convertible gilts which convert into other government stock.

Coupon

The regular payment made on bonds.

Debenture

Fixed loan stock (bond) secured against the company's fixed assets. First in the event of the company going into liquidation.

Distribution dates

The date when interest or dividends are distributed to investors. Also called Payment Date.

Dividend

The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. {See also Equities}

Deferred Pension Benefit

A pension benefit which a member has accrued but is not yet entitled to receive.

Earnings per share (Eps]

The net (after tax) profits of a company divided by the number of ordinary shares in issue. This is used as the 'E' term in the P/E ratio to value shares.

Equities

Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

Exercise Price

The price at which the holder of an option or warrant can buy/sell the underlying asset.

Expiry

The date on which an option or warrant expires.

Financial Services Authority (FSA)

The lead UK regulator. A designated agency which is not a government department.

Fixed Interest

Corporate Bond – A certificate of debt issued by a company or institution in return for a fixed rate interest with a promise of redemption to repay the original sum.

Gilt – Similar to Corporate Bonds by way of interest and redemption but these are issued by Government and is a loan to the Government.

FTSE-100 Index

The main UK index used to represent the approximate price movements of the top 100 shares.

Futures

Instruments which give a buyer the right to purchase a commodity at a future date.

Gearing

The amount of borrowing versus debt on a company's Balance Sheet (Net debt/Ordinary shareholders' funds). Warrants and options also exhibit gearing, ie a small move in the price of the underlying asset can be magnified in the move in the price of the option.

Hedge

To protect a fund from a fall in prices. This is usually accomplished by the selling of futures.

Hedge Fund

A limited partnership with very little restriction on the scope of its investment. Usually quoted in Luxembourg or Dublin. Hedge funds often use borrowing to gear up exposure to markets.

IMRO

Investment Management Regulatory Organisation. The regulator for fund management firms.

Index Linked

Stock whose value is related directly to an index, usually the Retail price Index and therefore provides a hedge against inflation.

Interest Yield

The annual coupon on a bond divided by the clean price.

Loan Stock

Unsecured bonds, which may be convertible if they have a warrant attached.

Longs

Long dated gilts with time frame to maturity of more than 15 years.

Market Capitalisation.

For an individual stock it is the value of all shares held in the equity of the company. For a market or index it is the total of all the market caps of the constituent companies.

Mediums

Medium-dated Gilts with time to maturity of 5-15 years.

Nominee

A firm which acts on behalf of the underlying beneficial owner of the securities and in whose name the securities are registered.

Offer Price

The price at which market makers will sell stock.

Ordinary Shares

'A' Shares which confer full voting and dividend rights to the Owner.

Rights Issue

A new issue of shares offered to existing shareholders in proportion to their existing holdings. Usually offered at a discount to entice take-up, which causes the existing shares to fall in value to the theoretical ex-rights price.

Scheduled Bodies

Local Authorities and similar bodies whose staff are entitled automatically to become members of the local Authority Pension Fund.

Scrip Issue

Issue of free shares to current shareholders. Often used instead of a cash dividend (scrip dividend alternative).

Short

Selling more of an asset than the investor owns.

Spread

The difference between the bid and offer prices.

Stag

A person who applies for a new issue in the hope of selling quickly to make a profit.

Stock

Shares (eg Common stock). However, UK Gilts are more correctly described as stock.

Transfer Values

Sums which are paid either to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.

Trust

Investments are owned by trustees for the underlying beneficial owners. A unit trust is a trust, incorporated under a trust deed. An investment trust is a company, not a trust.

Underwriter

A firm which agrees to underwrite a new issue, for a fee, thereby guaranteeing the securities will be sold.

Unit trust

An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the fund manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

Warrants

Long dated options warrants give the holder the right to buy/sell a specified quantity of a particular stock, or any other asset, at a fixed price on or before a specified date.

Yield Gap

Spread between gilt yields and yields on the stock market.

Zero coupon bond

A bond which is issued at a discount to par and does not pay coupons but is redeemed at par.