DERBYSHIRE COUNTY COUNCIL

Pension Fund Annual Report

Year ended 31 March 2010

Pension Fund Annual Report for the Year ended 31 March 2010

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Introduction

Derbyshire County Council is the administering authority for the Derbyshire Pension Fund under the terms of the Local Government Pension Scheme (Administration) Regulations 2008 (the Regulations).

This report has been produced in accordance with Section 34 of the Regulations. It aims to set out the way in which the Pension Fund is managed both in relation to the administration of benefits and to the investment of the Fund. Details of investment performance are provided for 2009/10 and over the longer term and these are compared with index returns and local authority average returns over the same periods. The Fund's accounts for the year are included in section F of the report whilst the Actuary's latest statement under Section 77 of The Local Government Pension Scheme Regulations 1997 is included under section G.

Further information relating to the Fund is included in the following statements which are available on the Council's website www.derbyshire.gov.uk or can be obtained as a hard copy upon request:

Funding strategy statement

Statement of investment principles

Communications policy statement

Investment Committee - Annual Business Plan

A Management and Financial Performance

1. Investments

Responsibility for the investment of the Pension Fund is delegated to the County Council's Investment Committee. In accordance with best practice, the Committee comprises members representing Derby City Council and the Local Government Association (Derbyshire) as well as the County Council. Employee representatives attend as non-voting members. The Committee receives advice from the County Council's Director of Finance and 2 independent investment advisers:

Patricia O'Loughlin (Aviva Investors)
Philip Williams (AllenbridgeEpic)

Investment Committee Membership 2009/10

County Councillors

S Ellis (chair)
M Lacey
G J E MacDonald
P Makin
A F Charles
Ms A Western
D B Taylor

Nominated by the Local Government Association (Derbyshire)

Councillors

A Cox
A Hodkin

Derby City Council

Councillors

M Carr
D Roberts

Employee representatives attend the meetings as non-voting members

J Churm (Amicus)
R Davison (Unison)
R Hennelly (Unison)

Terms of Reference

The main powers and duties of the Investment Committee are based on the provisions of the Local Government Pension Fund (Management and Investment of Funds) Regulations 1998, as amended, and are designed to ensure that the Fund is properly and effectively managed.

The main responsibilities of the Committee are as follows:

Statutory Duties

- To appoint managers, advisers etc

- To monitor performance

- To determine an investment policy having regard to:

  The advisability of investing in a wide variety of investments
  The suitability of particular investment and types of investments
  The above Regulations require that advice should be taken in carrying out the above duties.

- To produce and publish the Fund's Statement of Investment Principles which sets out the Fund's policy and its compliance with Myners' Principles for Institutional Investment.

- To produce and publish the Fund's Governance Policy Statement

- To produce and publish the Fund's Communications Policy Statement.

The Governance Policy and Communications Statements have been produced jointly by the Investment Committee and the Pensions Committee and are available on the Council's website.

Other Duties

- Non-routine matters

- Investment decisions relating to direct property investment and unquoted investments such as venture capital

- Voting decisions not covered by voting guidelines

Investment Committee minutes are reported directly to the Council.

Investment Management

The Fund's investment assets are managed as follows:

(a) UK bonds, International bonds, UK equities, Japanese equities*, Asia Pacific equities*, Emerging Market equities*
(* through pooled investment funds)

By the in-house team comprising:

Graham Hunt (Director of Finance)

The Investment Section

Investment Management
John Waterfall (Investment Officer)
David Henry (Principal Assistant)
Jane Ingle (Principal Assistant)
Dawn Kinley (Principal Assistant)
Ian Sandiford (Principal Assistant)
Richard Fanshawe (Trainee Fund Manager)

Treasury Management/Administrative Support
Jonathan Clarke (Senior Assistant)
Lesley Crowder (Investment Clerk)
Paul Evans (Investment Clerk)
Catherine Bedford (Investment Clerk)

(b) Direct property

Keneth Peters & Co. (in an advisory capacity)

(c) Indirect Property

Cushman & Wakefield Healey and Baker Finance Ltd (in an advisory capacity)

(d) European equities

UBS Global Investment Management (in a discretionary capacity)

(e) North American equities

Wellington Management International (in a discretionary capacity)

2. Benefits

Pensions Committee Membership 2009/10

Responsibility for the administration of benefits is delegated to a Pensions Committee which also reports directly to the Council.

County Councillors

P Makin (Chair)
G J E MacDonald
S Ellis
M Lacey
W Burrows
J G Williams
M Higginbottom

Nominated by the Local Government Association (Derbyshire)
Currently no members have been nominated.

Derby City Councillors

D Roberts
M Carr

Employee representative attends the meetings as a non-voting member
R Davison (Unison)

At its meeting on 26 September 2008 the Pensions Committee approved changes to the "Governance Policy Statement - Pensions". The membership of the Committee was extended to include two elected members from Derby City Council and two from the Local Government Association (Derbyshire). In addition, there can be two trade union representatives (one from Derbyshire County Council and one from Derby City Council) to represent the interests of Scheme members. The Committee members representing Scheme members do not have voting rights. The revised arrangements applied from 2009-10.

Terms of Reference

The duties and responsibilities of the Pensions Committee are within the Local Government Pension Scheme (Administration) Regulations 2008 and Pensions Acts.

The Committee's terms of reference, insofar as they relate to the administering authority's role, include:

- administration of the LGPS in Derbyshire
- consideration of applications for admission body status
- appointment of actuary and additional voluntary contribution providers
- formulation and review of policies relating to discretions
- the appointment of persons to resolve disputes
- consideration of Stage 2 appeals under the dispute resolution procedures
- the formulation of a Funding Strategy Statement
- obligations on administrators of occupational pensions under the various Pension Acts.

Certain functions have been delegated to the Director of Finance and chief officers, in consultation with the Chair of the Pensions Committee. The Pensions Committee also decides on pensions and compensation matters in its role as an employing authority.

Meetings are open to the public except for exempt and confidential items as defined by the Local Government Act 1972.

3. Financial Performance

The costs of managing the pension fund in 2009/10 were as follows:

	Cost £000s	Members	Cost per member
Investment Management	3,321	77,209	£43.01
Pensions Administration	998	77,209	£12.93
Actuarial/Audit fees	69	77,209	£0.89

4. Risk Management

A report on the arrangements for the management of the Fund's administrative, management and investments risks will be submitted to the next meeting of the Pensions Committee.

B Investment Policy and Performance

Policy

The Investment Committee's policy is:

"To invest the Pension Fund with the aim of maximising its returns subject to an agreed level of risk and having taken into account the Fund's liabilities and its projected cash-flows"

A fund specific benchmark was drawn up in 2004, which takes the form of an asset allocation model. The benchmark was revised following an asset-liability study in March 2008, taking effect from April 2009 and is constructed as shown below.

Recommended Asset Allocation Table

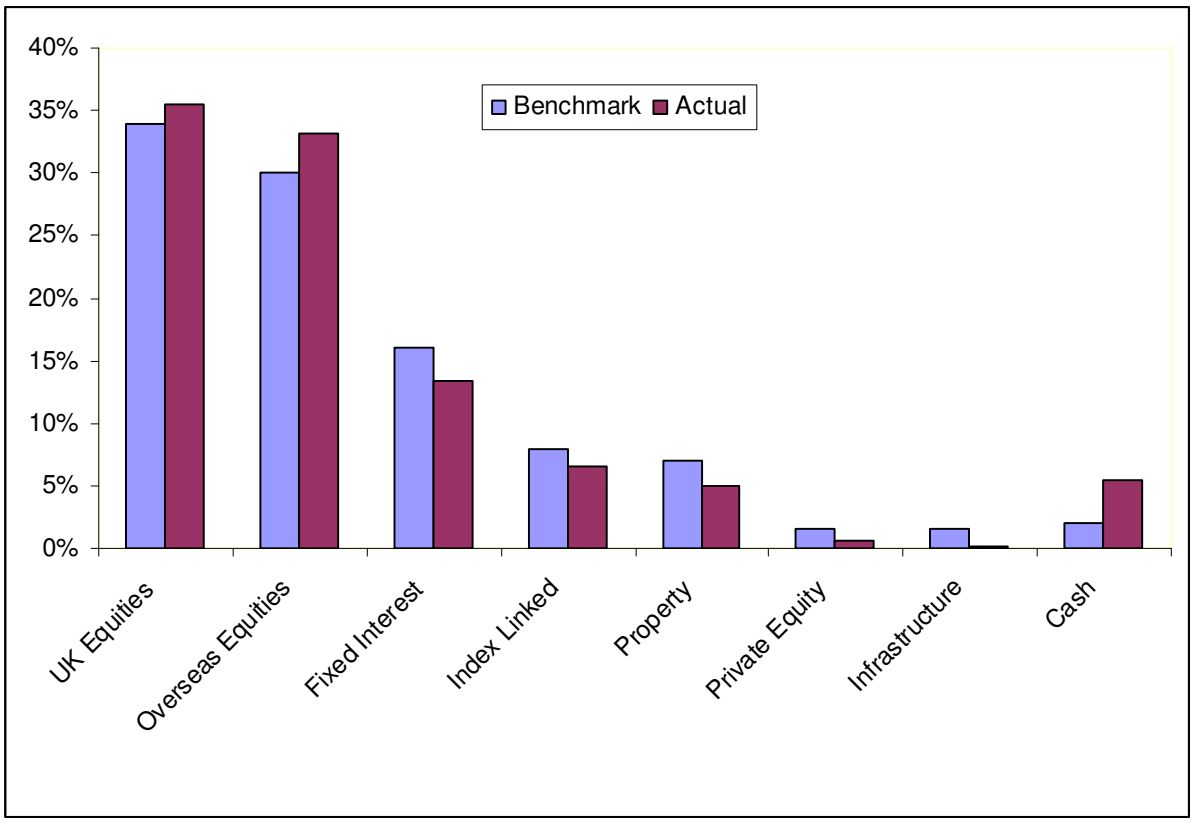
Asset Category	Benchmark Proportion	Permitted Range	Benchmark Index
Total Equities	64%	+/-6%	
UK Equities	34%	/-5%	FTSE All-Share
Overseas Equities	30%	+/-5%	
US	9%	+/-4%	FTSE World North America
Europe	9%	+/-4%	FTSE World Europe Ex-UK
Japan	5%	+/-2%	FTSE World Japan
Pacific ex-Japan	4%	+/-2%	FTSE World Pacific Basin ex-Japan
Emerging Markets	3%	+/-2%	FTSE Emerging Markets
Bonds	24%	+/-7%	
Fixed Income Government Bonds	9%	+/-7%	FTSE UK Govt All Stocks
Real Return Government Bonds	8%	+/-3%	FTSE UK Index Linked All Stocks
Non-Government Bonds	7%	+/-3%	BAML £ Corp Bonds
Property	7%	+/-4%	IPD All Properties
Private Equity	1.5%	+/-1.5%	FTSE All-Share
Infrastructure	1.5%	+/-1.5%	Sterling 3 Month Libor
Cash	2%	0-8%	Sterling 7 day LIBID

The model does not seek to match the Fund's liabilities, but rather reflects the risk and return expectations of the Investment Committee. There is a larger allocation to equity investments which are expected to generate higher returns than bond investments over the medium/longer term. The model has sufficient flexibility to allow the Investment Committee to take strategic decisions. The

Investment Committee receives advice from the Pension Fund's independent advisers and the Director of Finance when making its decisions.

Asset Allocation 31 March 2010

The Fund's asset allocation as at 31 March 2010 was as follows:



The Pension Fund added to its holdings in Global Equities in the first half of the financial year due to the attractive valuations at that time. In the second half of the year, funds were re-directed towards Emerging Market Equities, Non-Government Bonds, Property, Private Equity and Infrastructure following strong performance of the main equity markets and the need to rebalance the Fund's asset allocation.

The Pension Fund's targets

The Fund's targets are as follows:

To beat the actuary's long term assumptions of returns (currently an investment return of 6.5%pa)

To outperform the Fund's benchmark index return by ¼% over 1, 3, 5 and 10 year periods

(Comparisons for periods prior to the Fund benchmark's introduction on 1 April 2004 are against an index return based on Local Authority average weightings).

Market Background 2009/10

The year to 31 March 2010 was very good for pension funds. The Average Local Authority fund returned 35.2%, the best return in the 30 years since these records began.

Global equity markets recovered sharply during the financial year. Emerging markets produced the strongest returns although some of this was lost through currency translation. The UK, USA, Europe and Asia Pacific also produced very strong returns with Asia Pacific gaining from exchange rates while USA and European returns to Sterling investors were reduced by currency movements. The Japanese return was significantly lower than for other equity markets although its market fall in 2008/9 was also significantly less than elsewhere.

Bond performance was mixed. UK Government Bonds returned 0.8%, whereas UK Corporate Bonds returned 21.7%, benefitting from the improving global economy Returns from overseas bonds were 0%, whilst Index linked securities generated a return of 10.3%, reflecting investor concerns about rising inflation.

Property performance turned positive in the second half of 2009, and the IPD index returned 16.3% over the course of the year.

Investment performance

Investment performance is calculated independently by the WM Company on a quarterly basis. Results are considered by the Investment Committee as they become available and are reported to Fund members on an annual basis as part of this report.

Comparative annual returns for the Fund are shown below for 2009/10. Also shown are rolling 3, 5, and 10-year results along with inflation figures to give an indication of real returns.

1 April 2009 - 31 March 2010

The Fund's results for 2009/10 are shown below and compared with index returns and the local authority average performance for the same period

	DCC %	Benchmark Index %	Local Authority Average %
UK Equities	53.0	52.3	51.9
Overseas Equities			
USA	44.3	43.2	42.9
Europe	51.5	48.8	47.4
Japan	36.9	29.6	32.6
Pacific	68.6	67.2	64.8
Emerging Markets	84.0	75.0	68.1
Total Overseas Equities	52.5	48.1	49.4
UK Government Bonds	-0.9	0.8	3.5
UK Corporate Bonds	15.7	21.7	27.3
Overseas Bonds	-3.5	0.0	13.6
Index linked	9.4	10.3	11.6
Property	13.9	16.3	9.9
Total	**35.3**	**35.9**	**35.2**

Equity markets have had a very good year, helping pension funds to more than make up for the declines of the previous year. The Derbyshire fund returned 35.3% overall, ahead of the average local authority fund return of 35.2%, but behind its own benchmark return of 35.9%. This placed its performance in the 54th percentile of local authority pension funds for the year.

Fund returns in all equity markets the have exceeded those of the benchmark index and the local authority average fund.

Conversely, the Fund's bond portfolio has underperformed against the benchmark index and the local authority average fund. The underperformance in corporate bonds derives mostly from the different mix of assets held in the Fund's pooled bond vehicles, which include supranational bonds, from the assets of the benchmark index which do not include supranational bonds. The performance of Fund's overseas bonds is significantly below that of the benchmark index, which unlike the Fund's overseas bond holdings, is not hedged against currency fluctuations.

Fund property returns were below the benchmark index but ahead of the local authority average.

The net effect of this performance was for the value of the Derbyshire Pension Fund to rise sharply from £1,758.8m as at 31 March 2009 to £2,408.5m as at 31 March 2010.

Longer Term Performance (periods to 31 March 2010)

Performance for the Fund over 3, 5 and 10 years to 31 March 2010 is shown below.

	3 years % pa	5 years % pa	10 years % pa
Derbyshire	3.1	7.9	4.6
Average Local Authority	1.7	7.1	3.8
Benchmark Returns	1.8	7.1	3.9
Retail Price Index	2.6	3.0	2.7

The Derbyshire Pension Fund has outperformed both its benchmark index and the local authority average over all periods under review. However, due to market conditions it has not matched its primary target of beating the actuary's long term assumptions of returns (6.5%). Its performance is ranked at the 20th, 15th, and 15th percentile of local authority pension fund returns over 3, 5 and 10 years respectively.

Costs

The cost of investing the Fund expressed as a cost per member for the past 3 years was:

	2007- 08	2008- 09	2009-10
DCC	£34.37	£34.29	£43.01
Shire County average*	£77.92	£64.09	n/a

[* Source: Department for Communities & Local Government (CLG) statistics on the Local Government Pension Scheme. The figures for 2009/10 were not available as at August 2010.]

The Fund's cost increase over the last year is primarily due to some particular development costs, legal and management fees related to direct property holdings in that year. The costs are significantly lower than the average because the Fund has a high proportion of in-house management, which costs much less than external management costs.

Largest Holdings

The Fund's 10 largest Equity Investments at 31 March 2010 were as follows:

Name of company	Value of Holding £000s
B P plc	66,693
Royal Dutch Shell plc	49,610
HSBC Holdings plc	49,265
Vodafone Group plc	45,600
GlaxoSmithkline plc	38,251
Rio Tinto plc	32,157
Anglo American plc	25,853
BG Group plc	22,330
British American Tobacco plc	22,142
AstraZeneca plc	21,440

C Arrangements for the Administration of the Fund

Introduction

The Derbyshire Pension Fund is administered in-house by the Pensions Section which is part of the Finance Division of the Corporate Resources Department. The officers responsible for administration are:

Graham Hunt	Director of Finance
Keith Holmes	Assistant Director of Finance (Exchequer)
Ian Howe	Pensions Manager
Susan Hinchliff	Pensions Officer
Andrew Dence	Pensions Officer

As an administering authority under the Local Government Pension Scheme (Administration) Regulations 2008 the Council is responsible for administering the Local Government Pension Scheme for all local authority employers in the County and certain other organizations. Some participate under admission agreements. A full list of employers is given at Note 19 in Section E of this Report.

The Pensions Section also administers the Police and Fire Pension Schemes on behalf of the Derbyshire Police Authority and the Derbyshire Fire Authority.

The Local Government Pension Scheme (LGPS) is a statutory scheme with regulations made under the Superannuation Act 1972. It is a “final salary” occupational pension scheme that is contracted out of the Second State Pension, therefore, Scheme members pay lower National Insurance contributions.

Scheme members were required to pay a contribution between 5.5% and 7.5% of their pensionable pay, depending on their pay banding. Certain contributors, previously classed as manual workers, had a protected rate of 5.5% in 2009-10. The period of protection ends on 31 March 2011.

Each employer had an individual rate of contribution comprising an amount for the future accrual of benefits and a contribution towards its past service deficit. For example, Derbyshire County Council paid a contribution of 17.95% of pensionable pay with 13.4% for the cost of current service and 4.55% for the past service deficit.

Administration

Pensions administration broadly comprises:

- maintaining a computerised database for:

    1. active members (i.e. contributors)
    2. pensioners including widows, widowers and dependants
    3. those with deferred benefits that will become payable in the future
- providing annual benefit statements to active and preserved Scheme members
- providing estimates of benefits
- calculation and payment of retirement benefits
- calculation and payment of transfer values to other schemes
- processing transfer values from other schemes
- providing valuations and splitting pensions in divorce cases
- communicating with employers and Scheme members on Scheme changes and pensions issues
- training for employers on pensions issues
- providing data for triennial valuations and annual FRS17 disclosures
- reporting to the Pensions Committee on Scheme changes, discretions, disputes and applications for admission body status
- verification of the rates of employees' contributions used by employers
- replying to queries from Scheme members and employers

Cost

There were 25 full-time equivalent members of staff and the cost of administration, excluding actuarial and audit fees, was £998,000. comprising staffing costs, IT, central charges and the cost of providing a pensions payroll for pensioners.

The cost of administration expressed as a cost per member for the past three years was:

Year	2007/08	2008/09	2009/10
DCC	£14.12	£13.00	£12.93
Shire county average*	£24.43	£26.45	-
Metropolitan authorities average*	£21.76	£20.75	-

[* Source: Department for Communities & Local Government (CLG) statistics on the Local Government Pension Scheme. The figures for 2009/10 were not available as at August 2010.]

Disputes

If a person is dissatisfied with a decision relating to their pension they can invoke the internal dispute resolution procedure (IDRP). This is a two-part process with the complaint being considered in the first instance by a person specified by their Scheme employer or, where the administering authority made the decision, to a person specified by the authority.

If, after receiving the specified person's decision, the Scheme member is still dissatisfied they can refer their complaint to the administering authority for determination. At DCC it is the Council's Pensions Committee that considers such cases and its role is to:

- reconsider the decision taking account of the facts and any evidence submitted by either party for the first stage decision
- ensure that the regulations were applied correctly
- check that impartial procedures were used to arrive at the decision.

If, having exhausted the two stage internal procedure, the applicant is still dissatisfied they can appeal to the Pensions Ombudsman.

During the year 2009/10, Pensions Committee considered two cases under stage 2 of the internal dispute resolution procedure. Both cases related to the early payment of preserved benefits on ill health grounds and were turned down by Pensions Committee. There were no applications to the Pensions Ombudsman.

Communications

In line with the Policy Statement on Communications, the Pensions Section communicated with employers and Scheme members using DCC's website, benefit statements, employer training events, publications and seminars.

Employers received seven *Employers' Newsletters* in the year. These are available on the employer's area of DCC's pensions website.

DCC's pensions website was developed further to include more information for Scheme members and employers. An on-line modeller was included on the website to allow Scheme members to run their own estimates at age 65. Feedback from users on the on-line modeller has been scored at the highest level, 5 out of 5.

Scheme members received an annual benefit statement during the year.

Those Scheme members with additional voluntary contributions (AVCs) received statements on their investment.

The Pensions Section ran three employer training events in Derby, Ripley and Matlock aimed at employers' HR and payroll staff. These were well attended and further events will be held in 2010/11.

The staff of the Pensions Section spoke at pre-retirement courses and pensions seminars for individual employers.

Scheme members and pensioners were invited to attend the Annual General Meetings held in January 2010 in Matlock, Chesterfield and Derby. Questions and answers from the AGMs and the presentations are available on the website.

The 2009 Report to Pensioner Members was issued to all pensioners in 2010 and is available on the website.

D Pensions Administration Strategy

An administering authority may choose to prepare a Pensions Administration Strategy containing such matters as:

(i) procedures for liaison and communication with employing authorities

(ii) performance targets and agreements about levels of performance

(iii) procedures which aim to secure that the administering authority and employing authorities comply with statutory requirements and with any agreement about levels of performance

(iv) procedures for improving communication of information by the administering authority and employing authorities to each other

(v) the circumstances in which the administering authority may consider administering authority and employing authorities giving written notice to an employing authority on account of that authority's unsatisfactory performance.

In view of the increasing complexity of pensions administration and the importance of meeting the timescales for the submission of data by employers to the administering authority (DCC), a Pensions Administration Strategy detailing the obligations of both parties would be beneficial.

Whilst the intention was to prepare a Pensions Administration Strategy during 2009-10, the preparations for the introduction of new financial systems meant that there was insufficient time to do this. Work on the Pensions Administration Strategy will commence in the second half of 2010/11 after the valuation data has been submitted.

	31/03/2008	**31/03/2009**	**31/03/2010**
Contributors	36,497	37,273	36,959
Deferred Pensions	16,445	17,331	19,321
Pensioners / Dependants	19,376	19,957	20,929

Each of the 25 full-time equivalent members of staff administered the Scheme for an average of 3,088 Scheme members.

Fund activity

(a) Retirement analysis:

	31/03/2008	31/03/2009	31/03/2010
Ill Health	52	34	35
Normal age retirement	597	595	666
Flexible	41	44	65
Redundancy	78	147	112
Efficiency	3	7	1
Employer Consent	15	11	13
Total	**786**	**838**	**892**

(b) Deaths in service

	31/03/2008	31/03/2009	31/03/2010
Deaths in service	36	42	30

(c) Deaths of deferred pensioners

	31/03/2008	31/03/2009	31/03/2010
Deaths of deferred pensions	21	23	12

(d) Deaths of pensioners/dependants

	31/03/2008	31/03/2009	31/03/2010
Deaths of pensioners & dependants	394	405	474

(e) Transfers-in

	31/03/2008	31/03/2009	31/03/2010
Interfund Transfers (from the Local Government Pension Scheme)	198	84	156
Club Transfer (Public Sector Transfer Club)	59	40	37
Non Club	144	70	100
Personal Pension	145	98	142
Total	**546**	**292**	**435**

(f) Transfers-out

	31/03/2008	31/03/2009	31/03/2010
Interfund Transfers (from the Local Government Pension Scheme)	199	64	197
Club Transfer (Public Sector Transfer Club)	97	71	95
Non Club	7	2	7
Personal Pension	5	6	3
Total	**308**	**143**	**302**

(g) **Schedule of Contributions**

A schedule of contributions for the year showing the amounts paid by individual employers and their employees is given at Appendix 1.

(h) **Arrears of Contributions**

Employers are required to collect contributions from active Scheme members and pay these together with their employer's contribution to the County Council not later than the 19th of the following month to which the contributions relate. Two Scheme employers (new admission bodies) were significantly late in making payment and have been charged interest in accordance with the provisions of the Regulations.

E AUDITOR'S OPINION

Independent auditor's report to the Members of Derbyshire County Council

I have audited the pension fund accounting statements for the year ended 31 March 2010. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Derbyshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Finance and auditor

The Director of Finance is responsible for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice. In preparing this pension fund accounting statements, the Director of Finance is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgments and estimates that were reasonable and prudent;
- keeping proper accounting records which were up to date;
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

My responsibility is to audit the pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year. I also report to you whether, in my opinion, the information which comprises the commentary on the financial performance included within the Pension Fund Annual Report, is consistent with the pension fund accounting statements.

I review whether the governance compliance statement published in the Pension Fund Annual Report reflects compliance with the requirements of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. I report if it does not meet the requirements specified by the Department of Communities and Local Government or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the pension fund accounting statements and related notes and consider whether it is consistent with the audited pension fund accounting statements. This other information comprises the remaining elements of the Pension Fund Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my 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 pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority'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 pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounting statements and related notes.

Opinion

In my opinion:

- the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March

2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

- the information given in the commentary on financial performance included within the Pension Fund Annual Report is consistent with the pension fund accounting statements.

Ian Sadd
District Auditor
Rivermead House
Grove Park
Enderby
Leicester
LE19 1SU

10 November 2010

F. PENSION FUND ACCOUNT AND NET ASSET STATEMENT

EXPLANATORY FOREWORD

Investment Policy

Responsibility for policy matters lies with an Investment Committee of seven County Councillors, two Derby City Councillors, two representatives of the Local Government Association (Derbyshire) and three Trades Union representatives attending as non-voting members. The Investment Committee receives advice from the Director of Finance and from two independent external advisers. Day-to-day management of the Fund is delegated to the Director of Finance and his in-house staff, operating within a policy framework laid down by the Investment Committee. Policy is determined by reference to investment regulations issued under the Superannuation Act, 1972, which require that advice is taken at regular intervals and that the investments are suitably diversified. In addition the regulations place limitations on investments including maximum investment in a single holding and in 'unlisted securities' (no more than 10% in each category).

The return for 2009-10 for the Fund was 35.3% (2008-09, -17.2%) which compares with the average return on local Council funds of 35.1%. Over the last five years the Fund's return was 7.9% pa which compares with the average return of 7.0%. Over ten years the Fund's return was 4.6% per annum which is 0.8% per annum ahead of the average. For comparison the ten year figures for average earnings and retail price increases are 2.7% and 3.8% respectively. On a year by year basis returns tend to fluctuate significantly according to economic and market conditions and long-term returns are a more appropriate guide to the performance of the Fund. World equity market performance over the last two years has had a significant impact on both short and longer term performance.

Members Statistics

	Actuals		
	2008	2009	2010
Contributors	36,497	37,273	36,959
Pensioners and Dependants	19,376	19,957	20,929
Deferred Pensions	16,445	17,331	19,321

Actuarial Position of the Fund

Every three years an actuarial valuation of the Fund is undertaken in accordance with the provisions of the Local Government Pension Scheme (Administration) Regulations 2008 (prior to these the provisions of the Local Government Pension Scheme Regulations 1997 applied). The purpose of the valuation is to determine the solvency of the Fund and to set the level of contributions payable by each participating employer for the following three years. A valuation of the Fund was undertaken as at 31 March 2007 to set the level of employer contributions for the three years commencing 1 April 2008. The Net Assets of the Pension Fund at 31 March 2007 were £2,087,881k.

The contributions required in respect of future service have been determined using the "projected unit" method. The full rate of employer's contribution provides for the cost of year-by-year accrual of benefits in respect of current Fund members and the amount required to meet a past service deficiency.

The valuation was undertaken using a market value approach. The assets were valued at their market value with market related discount rates used as the basis for determining the present value of the liabilities. There are a number of assumptions used in determining the value of past service liabilities, which are detailed in Note 4.

The financial assumptions used were as follows:

	Past Service	**Future Service**
Fixed Interest Gilts Yield:	4.40%	n/a
Index Linked Gilts Real Yield:	1.30%	n/a
Asset Out-Performance Assumption (Pre-Retirement)*	2.50%	n/a
Asset Out-Performance Assumption (Post Retirement)*	1.00%	n/a
Real Earnings Inflation	1.50%	1.50%
Discount Rate (Pre Retirement)	6.90%	6.50%
Discount Rate (Post Retirement)	5.40%	6.50%
Price Inflation	3.10%	2.80%
Salary Increases	4.60%	4.25%
Pension Increases	3.10%	2.75%

*Asset out-performance assumptions represent the expected out-performance of investment returns relative to gilts. This partly depends on the proportion of the Fund invested in equities.

The actuarial value placed on the assets represented 80% of the value of the past service liabilities compared with 70% at the 2004 valuation. This is being dealt with in accordance with the Funding Strategy Statement, which is available on the Council's website at www.derbyshire.gov.uk/pensions.

The main reason for the improvement in funding was favourable investment performance relative to the actuary's assumptions. In common with other local authorities, Derbyshire's Fund benefited from strong equity markets in the 3 years to 31 March 2007 on which the actuarial valuation was based. This was offset by a lowering of gilt yields (and therefore the discount rate for liabilities) and an increased life expectancy for Fund members.

Employers were given the option of paying either a full rate of contributions for the whole of the period covered by the actuary's valuation certificate or to achieve this by a stepped approach over a period of time.

Contributions payable by the County, Unitary and District Councils expressed as a percentage of pensionable payroll:

Council	2009-10 %	Stepped or full rate	2010-11 %	Stepped or full rate
Derbyshire County	17.95	stepped	18.2	stepped
Amber Valley Borough	21.9 plus £373,536	full	21.9 plus £390,718	full
District of Bolsover	20.2	full	20.2	full
Chesterfield Borough	20.7	full	20.7	full
Derby City	17.8	full	17.8	full
Derbyshire Dales	19.6	full	19.6	full
Erewash Borough	20.9	full	20.9	full
High Peak Borough	23.8	full	23.8	full
North East Derbyshire	20.2 plus £447,295	full	20.2 plus £467,871	full
South Derbyshire	19.9	full	19.9	full

All employing bodies are paying a rate which is sufficient to meet the cost of future service and reduce their past service deficiency over a period of time.

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 came into force on 1 April 2008 and employees paid between 5.5% and 7.5% of their pay, excluding non-contractual overtime, depending on their pay banding. Certain contributors (previously classed as manual workers paying at a rate of 5%) had a protected rate of 5.5% in 2009-10. This increased to 6.5% (if appropriate) for 2010-11.

The Derbyshire Pension Fund Statement of Investment Principles, Funding Strategy Statement, Actuarial Valuation Report, Governance Compliance Statement, Communications Policy Statement, Annual Report and Annual Business Plan are available on the Derbyshire County Council's website at www.derbyshire.gov.uk/pensions.

PENSIONS FUND ACCOUNT

2008-09 £'000		Note	2009-10 £'000
	Contributions and Benefits		
133,761	Contributions	4,19	138,894
6,235	Transfers In	5	10,408
139,996			149,302
(90,669)	Benefits	6,19	(99,116)
(3,902)	Payments to and on Account of Leavers	7	(15,701)
(1,070)	Administrative Expenses	8	(1,067)
(95,641)			(115,884)
44,355	**Net Additions from Dealings With Members**		**33,418**
	Return on Investments		
72,960	Investment Income	9	63,741
(4,064)	Taxation	10	(3,300)
(422,805)	Change in Market Value of Investments	11	559,183
(2,557)	Investment Management Expenses	13	(3,321)
(356,466)	**Net Return on Investments**		**616,303**
(312,111)	**Net Increase / (Decrease) in the Fund During the Year**		**649,721**
2,070,900	Net Assets of The Fund at 1 April		1,758,789
1,758,789	**Net Assets of the Fund at 31 March**		**2,408,510**

NET ASSET STATEMENT

2008-09 £'000		Note	2009-10 £'000
1,758,609	Investment Assets	11,12	2,404,282
(7,165)	Investment Liabilities	11,12	(3,211)
8,359	Current Assets	15	8,782
(1,014)	Current Liabilities	16	(1,343)
1,758,789	**Net Assets of the Fund at 31 March**		**2,408,510**

The accounts summarise the transactions of the Pension Fund and deal with the net assets at the disposal of the Investment Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the fund year. The actuarial position of the fund, which does take account of such obligations, is dealt with in the Pension Fund – foreword to Financial Statements and the actuarial statement included in the Annual Report and these accounts should be read in conjunction with them.

1. Basis of preparation

The accounts have been prepared in accordance with the Statement of Recommended Practice ("SORP"): Financial Reports of Pension Schemes (Revised May 2007) insofar as it is relevant.

The amount of separately invested Additional Voluntary Contributions ("AVCs") paid by members during the year and their value at the net assets statement date are not included in the Pension Fund financial statements in accordance with regulation 5(2)(c) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (S1 1998 No 1831).

2. Accounting policies

Contributions
Employee contributions are accounted for when deducted from members' pay.
Employer normal contributions are accounted for in the period to which the corresponding pay relates.
Other employer contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, on a cash basis.

Benefits
Benefits and payments to leavers are accounted for in the period they fall due for payment.
Where a member has a choice about the form of their benefit, the benefit is accounted for and the liability is recognised when the member notifies the Council of their decisions as to what form of benefit they will take.
Where a member has no choice about the form of benefit, the benefit is accounted for in the period of leaving/retirement/death, being the period in which the liability to pay the benefit arises.

Transfers
Where past service liabilities do not transfer between schemes until assets/liabilities have been transferred, transfers are accounted for on a cash basis.
Where trustees have agreed to accept past service liabilities in advance of the transfer of funds, the transfer is accounted for in accordance with the terms of the agreement.

The numbers of transfer payments primarily from and to other local authority pension funds were significantly greater than in the previous year. A backlog of transfers had arisen in 2008-09 when the Council was awaiting changes to its computerised pensions

administration system following revisions to the basis of transfer calculations. The majority of the outstanding cases were cleared in the first half of 2009-10.

The values of transfers to and from local authority pension funds have risen due to a change in the basis of calculation.

Expenses
Administrative and Investment expenses are accounted for on an accruals basis.

Investment income
Dividends from quoted securities are accounted for when the securities are quoted ex-dividend.

Rent is accounted for in accordance with the terms of the lease.
Interest on cash and bonds is accrued on a daily basis.

Income arising on the underlying investments of accumulation funds is accounted for within change in market value of investments.

Foreign currency translation
Overseas assets are translated into Sterling from local currency at the exchange rate ruling at the balance sheet date.
Exchange gains and losses are treated as follows:

- those relating to the translation of investments are accounted for as part of change in market value included in the Fund Account;
- those relating to current assets and liabilities are accounted for within the Fund Account under an appropriate heading.

3. Basis of valuation
Investments are valued on the net assets statement at their market value as at 31 March 2010. Quoted securities are included at closing bid prices.
Fixed interest stocks are valued excluding accrued income.
Unquoted investments are included at cost unless clear evidence is available of an increase or fall in value.

Pooled investment vehicles are included at closing bid price for funds with bid/offer spreads, or if single priced, at the closing price.

Property is included at open market value as at 31 March 2010, determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein. The property portfolio was independently valued by Edmund Kirby, Chartered Surveyors and Architects.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract on that date. All gains and losses arising on forward foreign exchange contracts are reported within "Change in Market Value".

4. Contributions

	2008-09 £'000	2009-10 £'000
Employers		
Normal	70,038	74,318
Deficit Funding	28,310	28,802
Augmentation	939	0
Members		
Normal	34,474	35,774
	133,761	**138,894**

The rates of employers' contributions payable in 2008-09 and 2009-10 were set as part of the 2007 valuation which revealed an overall funding level of 80.2%

5. Transfers in

	2008-09 £'000	2009-10 £'000
Individual transfers in from other schemes	6,235	10,304
Restitution payments for mis-sold personal pensions	0	104
	6,235	**10,408**

6. Benefits

	2008-09 £'000	2009-10 £'000
Pensions	69,518	75,424
Commutation of pensions and lump sum retirement benefits	19,021	21,116
Lump sum death benefits	2,130	2,576
	90,669	**99,116**

7. Payments to and on account of leavers

	2008-09 £'000	2009-10 £'000
Refund of contributions	16	17
Individual transfers out to other schemes	3,330	15,684
Group transfers out	556	0
	3,902	**15,701**

8. Administrative expenses

	2008-09 £'000	2009-10 £'000
Administration and processing	969	998
Actuarial fees	37	19
Audit fee	64	50
	1,070	**1,067**

9. Investment income

	2008-09 £'000	2009-10 £'000
Income from fixed interest securities	13,688	11,665
Dividends from equities	46,418	43,180
Income from index-linked securities	2,413	2,537
Income from pooled investment vehicles	785	1,056
Net rents from properties	5,188	4,711
Interest on cash deposits	4,468	592
	72,960	**63,741**

10. Taxation

	2008-09 £'000	2009-10 £'000
Irrecoverable taxation	4,064	3,300

11. Investment assets and liabilities

	Value at 1st April £'000	Purchases & hedging payments £'000	Sales & hedging receipts £'000	Change in mkt val £'000	Value at 31st March £'000
Investment assets					
Fixed interest securities	288,253	445,323	(408,552)	(14,914)	310,110
Equities	938,104	320,035	(321,923)	460,080	1,396,296
Index linked securities	128,254	175,455	(153,836)	6,765	156,638
Pooled investment vehicles	239,790	26,895	(686)	98,844	364,843
Properties	68,060	7	(51)	6,679	74,695
Currency hedging contracts	775	64,263	(66,291)	2,027	774
Insurance policies	14	0	0	11	25
	1,663,250	*1,031,978*	*(951,339)*	*559,492*	*2,303,381*
Cash deposits & short term loans	81,733				88,141
Other investment balances	13,626				12,760
	1,758,609				**2,404,282**
Investment liabilities					
Currency hedging contracts	(791)	20,155	(19,846)	(309)	(791)
Other investment balances	(6,374)				(2,420)
	(7,165)				**(3,211)**
	1,751,444				**2,401,071**

The total change in market value of investment assets and investment liabilities is an increase of £559,183k.

Included within the above purchases and sales figures are transaction costs of £509k. These comprise stamp duty (£73k) and commissions paid to stockbrokers (£436k).

Costs are also incurred by the Fund through the bid-offer spread on investments within pooled investment vehicles. Such costs are not separately identifiable.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts. The Fund's objective is to decrease risk in the portfolio by entering into futures positions to match a proportion of assets that are already held in the portfolio without disturbing the underlying assets. At the year end

there were four currency hedging contracts, all with less than one year to expiry, with a gross contract value of £39,998k (2009 was £46,070k).

	2008-09 £'000	2009-10 £'000
Fixed interest securities		
UK public sector quoted	243,337	211,317
UK corporate quoted	11,560	11,776
Overseas public sector quoted	33,356	87,017
	288,253	**310,110**
Equities		
UK quoted	568,998	812,752
Overseas quoted	369,106	583,544
	938,104	**1,396,296**
Index-linked securities		
UK public sector quoted	91,187	107,820
Overseas public sector quoted	37,067	48,818
	128,254	**156,638**
Pooled Investment Vehicles		
Property – unquoted	36,553	46,407
Other quoted	156,307	249,251
Other unquoted	46,930	69,185
	239,790	**364,843**

	2008-09 £'000	2009-10 £'000
Properties		
UK freehold	46,510	50,485
UK leasehold	21,550	24,210
	68,060	**74,695**
Cash deposits and short term loans		
Sterling cash deposits	28,955	35,903
Money market funds	20,592	22,114
Other Sterling short term loans	32,000	25,000
Foreign currency	186	5,124
	81,733	**88,141**

The proportion of the market value of net investment assets managed in-house and by each external manager at the year end is set out below. Collective investment vehicles held as stock selection decisions are included under in-house.

	2008-09		2009-10	
	£'000	%	£'000	%
In-house	1,448,088	82.7	1,952,207	81.3
Wellington Management International Ltd	147,742	8.4	213,872	8.9
UBS Global Asset Management (UK) Ltd	155,614	8.9	234,992	9.8
	1,751,444	**100**	**2,401,071**	**100**

All fund managers operating the pooled investment vehicles are registered in the United Kingdom except for:

Fund	**Country of registration of fund manager**
Montanaro Focus Fund	Channel Islands
Atlantis Asian Recovery Fund	Ireland
Baring Australia Fund	Ireland
Aberdeen Global Japan Smaller Companies Fund	Luxembourg
J P Morgan Funds Latin American Equity Fund "A"	Luxembourg
Martin Currie Global Funds - Greater China Fund	Luxembourg
Martin Currie Global Funds - Japan Mid-Cap Fund	Luxembourg

12. Fund investments by geographical sector (at market value)

	2008-09		2009-10	
	£'000	%	£'000	%
UK	1,165,908	66.6	1,466,152	61.1
N America	190,731	10.9	258,881	10.8
Europe	185,589	10.6	329,675	13.7
Asia and other	209,216	11.9	346,363	14.4
	1,751,444	**100**	**2,401,071**	**100**

13. Investment management expenses

	2008-09 £'000	2009-10 £'000
Administration, management and custody	2,376	3,143
Performance measurement services	8	8
Legal and other advisory fees	173	170
	2,557	**3,321**

14. Additional Voluntary Contributions

In accordance with Regulation 5(2)(c) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, the accounts do not include employees' Additional Voluntary Contributions ("AVCs"). The amounts involved are not material in relation to the size of the overall pension fund.

Members may make AVCs which are invested separately from the Fund's assets. These investments are specifically allocated to the provision of additional benefits for those members. These are money purchase arrangements where the member uses the invested amount to provide an additional lump sum or to purchase an annuity or buy additional benefits in the Local Government Pension Scheme.

The total value of funds provided by these contributions was:

	2008-09 £'000	**2009-10 £'000**
Equitable Life Assurance Society		
with profits fund	445	411
unit-linked funds	574	620
building society fund	10	10
Total Equitable Life Assurance Society	*1,029*	*1,041*
Standard Life		
sterling fund	1	0
managed fund	305	419
cautious managed fund	34	29
protection fund	38	54
ethical fund	67	81
with profits fund	340	321
Total Standard Life	*785*	*904*
Prudential Assurance Company Ltd		
deposit fund	3,812	3,766
Total Prudential Assurance	*3,812*	*3,766*
Clerical Medical		
with profits fund	452	469
unit linked fund	56	42
Total Clerical Medical	*508*	*511*
Total AVC Investments	**6,134**	**6,222**
Death in Service Cover		
Equitable Life	707	520

Death in Service cover is payable by the AVC provider where an employee has opted to pay an extra life insurance sum. The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) increased the death grant payable for contributors to three times their "final pay" (in the case of a part-time employee it is three times their actual pensionable pay). The maximum amount insurable is, therefore, restricted to an amount equivalent to "final pay" and in the case of a part-time contributor, their actual pensionable pay. "Final pay" is defined in the above Regulations.

	Equitable Life £'000	Prudential £'000	Standard Life £'000	Clerical Medical £'000	Total £'000
Value at 1.4.2009	**1,029**	**3,812**	**785**	**508**	**6,134**
Income					
Contributions received	21	525	46	52	**644**
Interest and bonuses and change in market value	130	19	172	7	**328**
Transfers in	-	14	27	-	**41**
Expenditure					
Life assurance premiums	(2)	-	-	-	**(2)**
Retirement benefits	(133)	(556)	(83)	(54)	**(826)**
Transfers out and withdrawals	-	(48)	(43)	-	**(91)**
Contribution repayments	(4)	-	-	(2)	**(6)**
Value at 31.3.2010	**1,041**	**3,766**	**904**	**511**	**6,222**

15. Current assets

	2008-09 £'000	2009-10 £'000
Employers' contributions due	5,020	4,664
Employees' contributions due	1,638	1,674
Sundry debtors	1,701	2,444
	8,359	**8,782**

Employers' and employees' contributions due at 31 March 2010 have been received since the year-end.

16. Current liabilities

	2008-09 £'000	2009-10 £'000
Unpaid benefits	965	1,342
Sundry creditors	49	1
	1,014	**1,343**

17. Related Party Transactions

Derbyshire County Council is the administering authority for the purposes of the Fund under the Local Government Pension Scheme (Administration) Regulations 2008. Included in administrative expenses and investment management expenses in 2009-10 are charges from the Corporate Finance Division and other Council departments of £1,449k (2008-09, £1,363k) for providing services.

The Fund has also made a loan to Derbyshire County Council at various times throughout the year of between £10 million and £30 million. At 31 March 2010 there was no balance (2009, £17 million). This loan was repayable on demand and earned a market rate of interest as prescribed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998.

18. Investment Commitments

Investment commitments are commitments to private equity and infrastructure investments, not yet drawn down by the managers. At the end of the financial year, investment commitments in respect of future payments were:

	2008-09 £'000	2009-10 £'000
Unquoted investments	4,164	8,916

19. Participating Employers

The participating employers with active members in the Fund are Derbyshire County Council (which is also the Administering Authority), Derby City Council (Unitary Authority) and 8 district Councils (which are Scheduled Bodies) and a further 43 Scheduled and 33 Admission Bodies. The Unitary and district Councils are listed in the foreword of this Annual Report. Other participating employers are listed on the following page.

The contributions receivable and the benefits payable by the Fund during the year in respect of each type of participating employer were as follows:

	2008-09		2009-10	
	Benefits payable £'000	Contributions receivable £'000	Benefits payable £'000	Contributions receivable £'000
Derbyshire County Council	42,883	58,247	47,564	60,430
Scheduled Bodies	45,932	72,491	49,126	74,212
Admission Bodies	1,854	3,023	2,426	4,252
	90,669	**133,761**	**99,116**	**138,894**

	Total contribution rate % of pensionable payroll	
	2009-10	2010-11
Scheduled Bodies		
National Probation Service - Derbyshire	15.1	15.1
Peak District National Park Authority	15.7	15.7
Chesterfield Crematorium	27.1	27.1
Derbyshire Valuation Tribunal	43.8	43.8
The University of Derby	13.8	13.8
Chesterfield College	15.3	15.3
South East Derbyshire College (merged with Derby College on 15 Feb 2010)	12.6	0
Derby College	14	14
Derbyshire Police Authority	14.5	14.5
Derbyshire Fire Authority	16	16
Derby Homes Limited	14.7	14.7
High Peak Community Housing Ltd	11.8	11.8
Rykneld Homes Ltd	14.6	14.6
Landau Forte College	11	11
Connexions Derbyshire Limited	16.6	17.9
Town and Parish Councils - Group 1	22.6	22.6
Town and Parish Councils - Group 2	14.1	14.1

Town and Parish Councils

Group 1		Group 2
New Mills Town Council	Whaley Bridge Town Council	Alfreton Town Council
Clay Cross Parish Council	Willington Parish Council	Wingerworth Parish Council
Pinxton Parish Council	Shirebrook Town Council	Heanor & Loscoe Town Council
Wirksworth Town Council	Eckington Parish Council	Darley Dale Town Council
Old Bolsover Town Council	Kilburn Parish Council	Morton Parish Council
Belper Town Council		Burnaston Parish Council
Killamarsh Parish Council		Newton Solney Parish Council
Ashbourne Town Council		North Wingfield Parish Council
Dronfield Town Council		Tupton Parish Council
Whitwell Parish Council		Tibshelf Parish Council
Staveley Town Council		Glapwell Parish Council
Matlock Town Council		

The following Admission Bodies also participate:

	Total contribution rate % of pensionable payroll	
	2009-10	2010-11
Three Valleys Housing Limited	17.5	18.5
Amber Valley Housing Limited	12.6	12.6
Dales Housing Limited	18.2	20
Tramway Museum Society	8.8 plus £9,200	8.8 plus £9,600
Derbyshire Coalition for Inclusive Living	16.4 plus £21,800	16.4 plus £27,800
Chesterfield Care Group	16.4 plus £5,300	16.4 plus £5,600
Belper Sports Centre	12 plus £25,000	12 plus £26,100
Derbyshire Student Residences Limited	12.9	12.9
Commission for Social Care Inspection	6.2	6.2
Derby and Derbyshire Economic Partnership (see note)	12.9 plus £319,327	-
Derby Cityscape Ltd	17.9	17.9
Cleanaway Ltd (Contract with Chesterfield BC)	5.7	5.7
Cleanaway Ltd (Contract with Amber Valley BC)	16.1	16.1
Rentokil Initial Management Services Ltd	34.4	34.4
CSB Contract Services Ltd	22.8	22.8
Norwest Holst Ltd	17.3	17.3
Initial Facilities Management Ltd	19.3	19.3
Initial Catering Services Ltd	17.5	17.5
DC Leisure Management Ltd (contract with Amber Valley BC)	13.9	13.9
Leisure and Community Partnership Ltd (contract with Amber Valley BC)	13.9	13.9
Vale Contract Services Ltd	14.1	14.1
Balfour Beatty Power Networks Ltd	15.1	15.1
Macintyre Care Ltd	16.6	16.6
SIV Enterprises Ltd	15.5	15.5
Veolia Ltd (contract with High Peak BC)	15.4	15.4
KGB Cleaning & Support Services	15.9	15.9
APCOA	17.9	17.9
DC Leisure Management Ltd (High Peak BC)	13.3	13.3
Leisure & Community Partnership Ltd (High Peak BC)	13.3	13.3
Clean Slate UK Ltd	17.3	17.3
Graysons Restaurants Ltd	17.3	17.8
Dell Corporation Ltd	12.8	12.8
Superclean Services Wothorpe Ltd	17.5	17.5

Note Derby and Derbyshire Economic Partnership ceased trading on 31 October 2009.

G Actuarial Statement

Actuarial Valuation as at 31 March 2007 Derbyshire County Council Pension Fund

Rates and Adjustments Certificate issued in accordance with Regulation 77

Name of Fund Derbyshire County Council Pension Fund
Regulation 77(3)

I hereby certify that, in my opinion, the Common Rate of employers' contributions payable in each year of the period of three years beginning 1 April 2008 should be at the rate of 12.7 per cent of Pensionable Pay.

I hereby certify that, in my opinion, the amount of the employers' contribution rate payable in each year of the period of three years beginning with 1 April 2008, as set out above, should be individually adjusted as set out in the attached Schedule.

Contributions will be payable monthly in arrears with each payment normally being due by the 19th of the following month. Pensionable Pay is pay as determined under the LGPS Regulations for the calculation of employee contributions.

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of the Rates and Adjustments Certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's actuary and the Administering Authority.

The contribution rates set out in the attached Schedule represent the minimum contribution which may be paid by each employer. Additional contributions may be paid if requested by the employer concerned.

Regulation 77(7)
No allowance for non-ill health early retirements has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions. Allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.
Signature

Name Stephen Jacquest

Date of signing 31 March 2008

Appendix 1 to Annual Report 2009-10	EMPLOYEE CONTRIBUTIONS				EMPLOYER CONTRIBUTIONS			
EMPLOYER NAME	BASIC	ARREARS	ADDITIONAL	TOTAL EES	ER CONTS	LUMP SUM	TOTAL EMPLOYERS INC LUMP SUM	STATUS
Derbyshire C.C	15,602,585	28,848	154,333	15,785,766	44,643,887		44,643,887	ADMINISTERING AUTHORITY
National Probation Service	563,795	123	10,535	574,453	1,297,146		1,297,146	SCHEDULED BODY
Peak District National Park	354,801	833	18,816	374,450	862,280		862,280	SCHEDULED BODY
Derby Homes Ltd	371,489	-364	1,148	372,273	843,912		843,912	SCHEDULED BODY
High Peak Comm Housing Ltd	166,766		4,296	171,062	309,839		309,839	SCHEDULED BODY
Rykneld Homes	351,735	0	2,293	354,028	817,720		817,720	SCHEDULED BODY
Amber Valley B C	374,241		1,648	375,889	1,276,999	373,536	1,650,535	DISTRICT COUNCIL
The District of Bolsover	702,182	0	187	702,369	2,234,794		2,234,794	DISTRICT COUNCIL
Chesterfield B C	1,149,357	509	2,229	1,152,095	3,780,610		3,780,610	DISTRICT COUNCIL
Derby City Council	7,189,126	10,344	45,593	7,245,063	20,120,016		20,120,016	UNITARY AUTHORITY
Erewash B C	509,979	0	447	510,426	1,679,235		1,679,235	DISTRICT COUNCIL
High Peak BC	394,642	1,701	2,012	398,355	1,450,729		1,450,729	DISTRICT COUNCIL
North East Derbyshire DC	576,879	11	2,562	579,452	1,820,448	447,295	2,267,743	DISTRICT COUNCIL
South Derbyshire DC	516,527	0	3,643	520,170	1,588,851		1,588,851	DISTRICT COUNCIL
Derbyshire Dales D C	373,694	467	3,357	377,518	1,149,210		1,149,210	DISTRICT COUNCIL
Chesterfield Crematorium	10,904	0	0	10,904	48,581		48,581	SCHEDULED BODY
Morton Parish Council	642		0	642	1,331		1,331	SCHEDULED BODY
Shirebrook Town Council	3,381	0	0	3,381	12,674		12,674	SCHEDULED BODY
New Mills Town Council	7,520	53	0	7,573	28,872		28,872	SCHEDULED BODY
Clay Cross Parish Council	3,878	0	237	4,115	15,074		15,074	SCHEDULED BODY
Eckington Parish Council	1,202	0	0	1,202	3,994		3,994	SCHEDULED BODY
Smalley Parish Council				0			0	SCHEDULED BODY
Pinxton Parish Council	3,881	18	0	3,899	14,835		14,835	SCHEDULED BODY
Wirksworth Town Council	2,756	30	0	2,786	9,883		9,883	SCHEDULED BODY
Old Bolsover Town Council	7,539	0	0	7,539	28,432		28,432	SCHEDULED BODY
Glapwell Parish Council	547		32	579	1,255		1,255	SCHEDULED BODY
Belper Town Council	4,993	0	0	4,993	18,478		18,478	SCHEDULED BODY
Killamarsh Parish Council	6,620	0	0	6,620	24,948		24,948	SCHEDULED BODY
Burnaston Parish Council	222	0	0	222	510		510	SCHEDULED BODY
Newton Solney PC	119	0	0	119	257		257	SCHEDULED BODY
North Wingfield PC	1,426	0	0	1,426	3,093		3,093	SCHEDULED BODY
Derbyshire Valuation Tribunal	2,440	0	0	2,440	15,716		15,716	SCHEDULED BODY
University of Derby	1,202,668		13,387	1,216,055	2,559,645		2,559,645	SCHEDULED BODY
Ashbourne Town Council	1,619	46	0	1,665	6,092		6,092	SCHEDULED BODY
Dronfield Town Council	6,978	0	0	6,978	24,900		24,900	SCHEDULED BODY
Whitwell Parish Council	3,941	0	0	3,941	13,072		13,072	SCHEDULED BODY
Tupton Parish Council	682	0	0	682	1,686		1,686	SCHEDULED BODY
Staveley Town Council	7,425	0	0	7,425	27,047		27,047	SCHEDULED BODY
Matlock Town Council	7,348	0	0	7,348	27,936		27,936	SCHEDULED BODY
Whaley Bridge Town Council	1,304	0	0	1,304	4,534		4,534	SCHEDULED BODY
Willington Parish Council	614	0	0	614	2,137		2,137	SCHEDULED BODY
Alfreton Town Council	3,016	0	0	3,016	6,834		6,834	SCHEDULED BODY
Wingerworth Parish Council	3,818	0	0	3,818	8,372		8,372	SCHEDULED BODY
Heanor + Loscoe TC	1,301	0	0	1,301	2,823		2,823	SCHEDULED BODY
Darley Dale Town Council	979	0	0	979	2,123		2,123	SCHEDULED BODY

Chesterfield College	313,072	0	0	313,072	764,736		764,736	SCHEDULED BODY
South East Derbys College	96,328	0	0	96,328	192,809		192,809	SCHEDULED BODY
Derby College	617,019	0	647	617,666	1,339,175		1,339,175	SCHEDULED BODY
Tibshelf Parish Council	1,700	0	0	1,700	3,981		3,981	SCHEDULED BODY
Kilburn Parish Council	687			687	1,761		1,761	SCHEDULED BODY
Derbyshire Police Authority	2,210,031	4,201	3,574	2,217,806	5,522,079		5,522,079	SCHEDULED BODY
Connexions Derbyshire Ltd	448,767	600	5,976	455,343	1,151,597		1,151,597	SCHEDULED BODY
Derbys Fire & Rescue Service	316,670	0	0	316,670	772,981		772,981	SCHEDULED BODY
Landau Forte College	46,114	0	0	46,114	80,774		80,774	SCHEDULED BODY
Amber Valley Housing Ltd	260,863	58		260,921	508,896		508,896	ADMITTED BODY
Three Valleys Housing Ltd	157,658	0	711	158,369	441,531		441,531	ADMITTED BODY
Dales Housing Ltd	117,120	0	0	117,120	338,227		338,227	ADMITTED BODY
Tramway Museum Society	4,923	0	0	4,923	6,806	9,200	16,006	ADMITTED BODY
D.C.I.L	4,251	0	0	4,251	10,717	21,800	32,517	ADMITTED BODY
Chesterfield Care Group	10,616	0	0	10,616	27,027	5,300	32,327	ADMITTED BODY
Belper Sports Centre	19,693	737	0	20,430	36,452	25,000	61,452	ADMITTED BODY
Derbys Student Residences Ltd	36,127		0	36,127	76,363		76,363	ADMITTED BODY
CQC	6,244	0		6,244	5,693		5,693	ADMITTED BODY
Derby + Derbys Economic Part	11,296	0	0	11,296	21,230	320,000	341,230	ADMITTED BODY
RIMS	1,649	0	0	1,649	10,041		10,041	ADMITTED BODY
Derby Cityscape Ltd	8,376	0	0	8,376	27,919	21,000	48,919	ADMITTED BODY
Cleanaway Ltd (C'field Refuse)	19,101	0	0	19,101	19,408		19,408	ADMITTED BODY
CSB Contract Services	251	0	0	251	1,039		1,039	ADMITTED BODY
VINCI PLC	1,961	0	0	1,961	5,889		5,889	ADMITTED BODY
Cleanaway Ltd (AV Refuse)	32,336	0	0	32,336	86,263		86,263	ADMITTED BODY
Initial Facilities Services	3,615	0	0	3,615	12,372		12,372	ADMITTED BODY
Initial Catering Services	4,616	0	0	4,616	14,459		14,459	ADMITTED BODY
DC Leisure Management Ltd (AV))	43,807	0	0	43,807	101,113		101,113	ADMITTED BODY
L + C Partnership Ltd (AV))		0		0	0		0	ADMITTED BODY
Vale Contract Services	5,233	0	0	5,233	11,276		11,276	ADMITTED BODY
Balfour Beatty	13,023	0	0	13,023	31,375		31,375	ADMITTED BODY
Macintyre Care	36,955	0	0	36,955	95,758		95,758	ADMITTED BODY
SIV Enterprises Ltd	6,891	539	0	7,430	17,889		17,889	ADMITTED BODY
Veloia Ltd (HP Refuse)	41,684			41,684	110,016		110,016	ADMITTED BODY
HP - DC Leisure Management	36,532	0	0	36,532	81,339		81,339	ADMITTED BODY
HP - Leisure & Community Partnership)		0		0	0		0	ADMITTED BODY
KGB Clean & Support Services Ltd	626	0	0	626	1,809		1,809	ADMITTED BODY
APCOA	5,853	0	0	5,853	17,424		17,424	ADMITTED BODY
Cleanslate (UK) Ltd	717			717	2,256		2,256	ADMITTED BODY
Grayson's Restaurants	2,764			2,764	8,944		8,944	ADMITTED BODY
DELL Corporation Ltd	4,692			4,692	9,556		9,556	ADMITTED BODY
Superclean - Fire Cleaners	549			549	1,748		1,748	ADMITTED BODY
	35,447,971	48,754	277,663	**35,774,389**	98,761,538	1,223,131	**99,984,669**	
								PLUS
							3,789	**Direct Recharge - RFC**
							179,442	**Direct Recharge - PI**
							2,950,007	**Direct Recharge - Pension Fund Shortfall**
	`		**TOTALS**				**103,117,907**	
			Employees	**35,774,389**				
			Employers	**103,117,907**				
			Plus adjustment	**1,920**				
				138,894,216				

APPENDIX 2

DERBYSHIRE COUNTY COUNCIL

GOVERNANCE POLICY STATEMENT - PENSIONS

This Statement has been compiled in accordance with the provisions of The Local Government Pension Scheme (Administration) Regulations 2008 and the draft statutory guidance issued on 21 July 2008 and incorporates the changes approved by the Pensions Committee on 26 September 2008.

This document relates to the Pensions Committee in its role as an Administering Authority.

Structure –

Delegation of Functions

1] Responsibility for the Council's statutory function as administering authority (other than investment matters) under the Local Government Pension Scheme Regulations and associated legislation under Sections 7, 12 and 24 of the Superannuation Act 1972 is delegated to the Pensions Committee. The minutes of the Pensions Committee are reported to the Council.

The Pensions Committee also has responsibility for pensions and compensation matters for the County Council in its capacity as an employing authority.

Frequency of Meetings

In view of the personal nature of some of its functions and the requirement for comments on draft legislation, the Pensions Committee meets as and when there are matters to be considered.

Terms of Reference

The duties and responsibilities of the Pensions Committee are within the Local Government Pension Scheme Regulations 1997 and Pensions Acts.

The Committee's terms of reference, insofar as they relate to the administering authority's role, include:

- administration of the LGPS in Derbyshire
- consideration of applications for admission body status
- appointment of actuary and additional voluntary contribution providers
- formulation and review of policies relating to discretions

- the appointment of persons to resolve disputes
- consideration of Stage 2 appeals under the dispute resolution procedures
- the formulation of a Funding Strategy Statement
- obligations on administrators of occupational pensions under the various Pension Acts.

The Pensions Committee also decides on pension and compensation matters in its role as an employing authority. Certain functions have been delegated to the County Treasurer and chief officers, in consultation with the Chair of the Pensions Committee. However, these functions are outside the scope of this document.

Meetings are open to the public except for exempt and confidential items as defined by the Local Government Act 1972.

Representation

Structure

The Committee comprises 7 elected members of the County Council and receives reports from the Head of Corporate Finance, County Secretary and other chief officers as appropriate. The elected members have undertaken training on the role of the Pensions Committee.

Membership of the Committee is to be extended to include 2 elected members from Derby City Council and 2 from the Local Government Association (Derbyshire). 2 trade union representatives (as non-voting members) comprising 1 from Derbyshire County Council and 1 from Derby City Council are to be asked to represent the interests of contributors, pensioners and deferred pensioners.

All members (including those representing Scheme members and pensioners) are permitted to nominate substitutes.

SELECTION AND ROLE OF LAY MEMBERS

VOTING

All elected members of the administering authority have voting rights as a matter of course.

Sections 13(3) and (4) of the Local Government & Housing Act 1989 give discretion for the Pensions Committee to decide as to whether members who are not elected members Derbyshire County Council should have voting rights.

TRAINING / FACILITY TIME / EXPENSES
An annual training plan and training log are to be introduced.

ACCESS
All Committee members have equal access to committee papers, documents and advice that falls to be considered at meetings

SCOPE

Wider scheme issues are considered by the Council's Pension Committee

PUBLICITY

Policy documents & publications

The following pensions related documents are available to the Fund's stakeholders on the Councils website and in hard copy form on request. *Pensions News* is sent to all Scheme members in paper form.

Governance Policy Statement

Funding Strategy Statement

The Funding Strategy Statement looks at the Pension Fund's liabilities and how these are to be met over the longer term.

Communications Policy Statement

This explains the communications policy with the Fund's various stakeholders.

Pensions Committee meetings

The meetings are open to members of the public other than for exempt reports (eg those dealing with individuals, financial or business affairs of a person or company). Copies of reports and minutes are available on the Council's website.

Pensions News

This is a periodic publication which aims to keep Scheme members in touch with developments in the Local Government Pension Scheme and matters relating to the Pension Fund including the annual accounts

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September 2008
Corporate Finance Division, Corporate Resources Department, County Hall, Matlock

Governance policy Sept 2008.doc

APPENDIX 3

GOVERNANCE POLICY STATEMENT – INVESTMENTS

This document has been produced in accordance with the Local Government Pension Scheme (Amendment) (No. 2) Regulations 2005 which require an administering authority to consult on, prepare and publish by 1 April 2006 a stand-alone governance policy statement setting out its policy on the delegation of its pension fund functions to committees and officers together with the frequency of meetings, terms of reference and whether the Committee includes representatives of employing authorities or scheme members and if so whether those representatives have voting rights. The current arrangements are set out below:

1. Delegation of Functions

Current Arrangements

Responsibility for the investment of the Pension Fund is delegated to the County Council's Investment Committee. Investment Committee minutes are reported directly to the Council.

Background Information

In April 2002, the CIPFA Pensions Panel issued guidance on the Principles for Investment Decision Making in the LGPS in response to the Myners Review of Institutional Investment in the United Kingdom. The guidance states that 'Each administering authority should have a designated group of elected members appointed to a committee to whom responsibility for the management and administration of the pension fund has been assigned'.

Under the cabinet structure in local government, management of the pension fund is a non-executive function and this theme should be carried through the reporting procedure. On this basis, the appointment of an Investment Committee which reports directly to the Council is in line with recommended practice.

2. Frequency of Meetings

Current Arrangements

The Investment Committee meets 4 times a year

Background Information

The Investment Committee is required to carry out certain statutory functions on at least a quarterly basis – eg. review investments, review transactions, review fund performance. The Committee timetable is designed to fit in with those

requirements. Urgent matters are dealt with by the County Treasurer in consultation with the Chair of the Investment Committee as required.

3. Terms of Reference

Current Arrangements

The main powers and duties of the Investment Committee are based on the provisions of the Local Government Pension Fund (Management and Investment of Funds) Regulations 1998, as amended, and are designed to ensure that the Fund is properly and effectively managed.

The main statutory responsibilities are:

- To appoint and review the performance of managers, advisers etc

- To monitor Fund performance

- To determine an investment policy having regard to:

  The advisability of investing in a wide variety of investments

  The suitability of particular investment and types of investments

  The Regulations require that advice should be taken in carrying out these duties.

- To produce and publish the Fund's Statement of Investment Principles which sets out the Fund's policy in respect of:

  The types of investment to be used
  The balance between different types of investment
  Risk
  The expected return on investments
  The realisation of investments
  Social, environmental and ethical considerations
  The exercise of investment rights
  Compliance with Myners' Principles

  Other duties include the following:

- Investment decisions relating to the purchase and sale of direct property investment and unquoted investments such as venture capital

- Company voting decisions not covered by voting guidelines

- Non-routine matters

Members receive appropriate training throughout the year designed to assist them in performing their duties.

Meetings are open to the public to attend other than for exempt items (eg. those dealing with contracts) in line with the terms of the Local Government Act 1972.

Background Information

The above terms of reference ensure that the Committee carries out its statutory duties. Its responsibilities for property and unquoted investments are included as those assets are generally less easily realisable than market investments. Responsibility for voting guidelines is included as part of the Committee's responsibility to encourage good standards of corporate governance in its investee companies

4. Structure

Current arrangements

The Committee comprises

7 council members representing Derbyshire County Council
2 council members representing Derby City Council
2 council members representing the Local Government Association (Derbyshire)

all of whom have voting powers

and

in addition 2 Trades Union representatives attend as (non voting) observers

The County Treasurer and 2 independent Investment Advisers report to the Committee.

The County Council members of the Committee reflect the political balance of the County Council.

Background Information

All elected members of the administering authority have voting rights as a matter of course.

- The Local Government (Committee and Political Groups) Regulations 1990 SI No 1553 5(1)(d) states that voting rights will be given to a person appointed to a sub-committee or a committee established under the Superannuation Act 1972 who is a member of the authority which appointed the Committee.

Elected members representing other local authorities also have voting rights.

- The provisions of Section 13(3) and (4) of the Local Government and Housing Act 1989 allow an administering authority discretion as to whether or not a member of the Investment Committee who is not a member of that authority is treated as a voting or non voting member.

Accordingly the County Council has allowed co-opted members to have voting rights.

5. Operational procedures of the Delegation

Current practice

As part of its duties, the Committee:

Determines investment policy
Issues asset allocation guidelines
Sets performance targets
Monitors performance
Issues voting guidelines

Within this framework day to day management of the Fund's investments is delegated to the County Treasurer. The County Treasurer is responsible for ensuring that policy is carried out either by the Council's Investment Section or by External Managers, as appropriate.

From time to time it is necessary for decisions resting with the Committee to be taken as a matter of urgency. These include decisions on the purchase or sale of direct property or venture capital investments, and also corporate governance issues. Such decisions are taken by the County Treasurer in consultation with the Chair of the Investment Committee (or in his absence the Vice Chair) and are reported to the next meeting of the Investment Committee.

Background Information

The above procedures are designed to ensure that the Committee carries out its statutory duties, sets policy and controls asset allocation whilst leaving day to day investment decisions to the County Treasurer and the relevant investment managers.