

Worcestershire County Council
Pension Fund
Annual Report and Accounts
2009/2010

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Investment Monitoring Group Advisers and Officers as at 31st March 2010

Administering Authority

Worcestershire County Council
County Hall, Spetchley Road
Worcester WR5 2NP.

Fund Administrator

Mike Weaver MSc CPFA
Director of Financial Services
Worcestershire County Council
County Hall, Spetchley Road
Worcester WR5 2NP.

Investment Monitoring Group

Councillor A I Hardman
Councillor R W Banks
Councillor S J M Clew
Councillor D Thain
Jim Price – Unison (Observer)

Fund Managers

Capital International Limited
40 Grosvenor Place,
London SW1X 7GG.

JP Morgan Asset Management
Finsbury Dials, 20 Finsbury Street,
London, EC2Y 9AQ.

Nomura Asset Management UK Limited
Nomura House, 1 St. Martin's – le – Grand,
London, EC1A 4NP.

GLG Partners
1 Curzon Street,
London, W1J 5HB.

UBS Global Asset Management UK Limited
21 Lombard Street, London, EC3V 9AH.

Global Custodian

BNY Mellon Asset Servicing B.V.
The Bank of New York, Mellon Centre,
160 Queen Victoria Street,
London, EC4V 4LA

Independent Financial Adviser

Mr G D Wood
The W M Company
525 Ferry Road,
Edinburgh EH5 2AW

Actuary to the Fund

Mercer Human Resource Consulting
Mercury Court, Tithebarn Street,
Liverpool L2 2QH.

Auditors to the Fund

Audit Commission
1st Floor,
Millbank Tower,
Millbank,
London, SW1P 4HQ

Introduction

The County Council administers the Local Government Pension Scheme for employees and ex employees of Local Authorities and certain other bodies in the geographical areas of Herefordshire and Worcestershire. The Fund does not cover the pension arrangements for teachers, which are dealt with nationally, or for police officers and fire fighters, which are administered locally but not funded as part of this scheme.

The employee's rate of contribution to, and benefits payable from, the Fund are determined by regulations issued under the Superannuation Acts. A brief summary of employee benefits is included in Appendix 1.

The Pension Fund Actuary determines the employer rate of contribution following the triennial valuation of the Fund.

The rate of employer contribution is affected by various factors, such as the investment performance of the Fund and changes to the Fund's liabilities through changes in life expectancy or retirements through ill health.

A list of the participating employers of the Fund is given in Appendix 2.

Review of the year

Legislation

The new look Local Government Pension Scheme (LGPS) was introduced from 1 April 2008 and details are contained in three sets of regulations:

The LGPS (Benefits, Membership and Contributions) Regulations 2007

The LGPS (Administration) Regulations 2008

The LGPS (Transitional Provisions) Regulations 2008

Throughout the year the regulations have been subject to considerable comment, consultation and amendment, resulting in further legislation;

The LGPS (Amendment) Regulations 2009

The Draft LGPS (Miscellaneous) Amendment Regulations 2010

LGPS (Administration) (Amendment) Regulations 2010

LGPS (Benefits, Membership and Contributions) (Amendment) Regulations 2010

LGPS Regulations 1997 (saved provisions for post 31 March 2008 active members and for councillors and pension credit members)

The LGS (Management & Investment of Funds) Regulations 2009

The Government Actuary Department (GAD) has also issued an unprecedented amount of new factors and guidance on;

Transfer values, governance, sustaining the LGPS in England and Wales (Cost Sharing), GMPs, Divorce and a number of changes to the rules on tax relief on pension contributions for high earners.

Progress

The new look LGPS arrived on 1 April 2008. All staff who were members of the scheme on 31 March 2008 were automatically transferred to the new scheme arrangements.

The new scheme has introduced tiered employee contribution rates, three tiers of ill health retirement benefits. It provides for 1/60th pension accrual for members from 1 April 2008 with the option to commute to provide a tax free lump sum and for the

first time provides for nominated co-habiting partners.

The new scheme has now been in place for 2 years, and in this time we have seen new amendments to the scheme and new guidance.

Despite these difficult times, LGPS members have been informed of any updates.

The Fund has produced a new policy compliance statement detailing its governance policy. We published the statement setting out our governance arrangements against the set of best practice principles published by the Department of Communities and Local Government (CLG)

CLG has published draft proposals for further amendment to the LGPS regulations to introduce a cost sharing mechanism for the LGPS in England and Wales by 31 March 2010.

The CLG has published statutory guidance on LGPS Admitted Body Status, giving greater clarity to the Admitted Body Status provisions in the LGPS.

Future

With 3.5million members, the LGPS is one of the largest public sector pension schemes in the UK. As part of a general review of public sector pension schemes, the LGPS may be subject to future change.

Members are living longer and so receiving pensions for longer, which means the cost of providing pensions has risen. Also the nature of the workforce has changed, with more scheme members working part-time and looking to achieve a better work-life balance.

Through the co-operation of the Government and employer and employee representatives, the Scheme is constantly changing and adapting to modern day needs and demands.

As a result, the LGPS has been updated to reflect the work patterns of a modern workforce, and to ensure that the LGPS is affordable, whilst still providing valuable pension benefits.

Discussions are still continuing on a number of matters including; proposals for the new cost sharing arrangements, proposed changes to the investment framework.

We are preparing for the Triennial Valuation of the Pension Fund exercise and CLG's Model Fund requirements. New guidance confirming the timetable and data requirements for the 2010 Pension Fund Actuarial Valuation have been issued.

Administration

All members of the pensions team have had training on Task Manager, Imaging and the new processes that have to be adopted to cope with the changes.

Changes to all the software, literature, letters, forms and website are being continually reviewed and updated.

Efficiency

The introduction of the automatic workflow system Task Manager, Imaging and member self service will change the way we work and help to improve our service delivery. Developments are continuing to utilise the administrative system to its full potential.

It is our intention to restructure the Pensions Section to accommodate the new ways of working.

The section measures its efficiency and effectiveness by participating in the CIPFA Benchmarking Club whereby it is compared with other local authority pension funds.

Membership

As at 31 March 2010 21,725 employees were contributing to the Fund, a net increase of 1,443 members compared to the figure as at 31 March 2009. A total of 12,765 retired employees and beneficiaries are in receipt of an annual pension, which is an increase of 596 on last year.

A further 11,498 former members have an entitlement to deferred pension benefits. A chart showing the number of contributors, pensioners and deferred pensioners is given at Figure 1.

Complaints

Internal Disputes Resolution Procedure (IDRP):

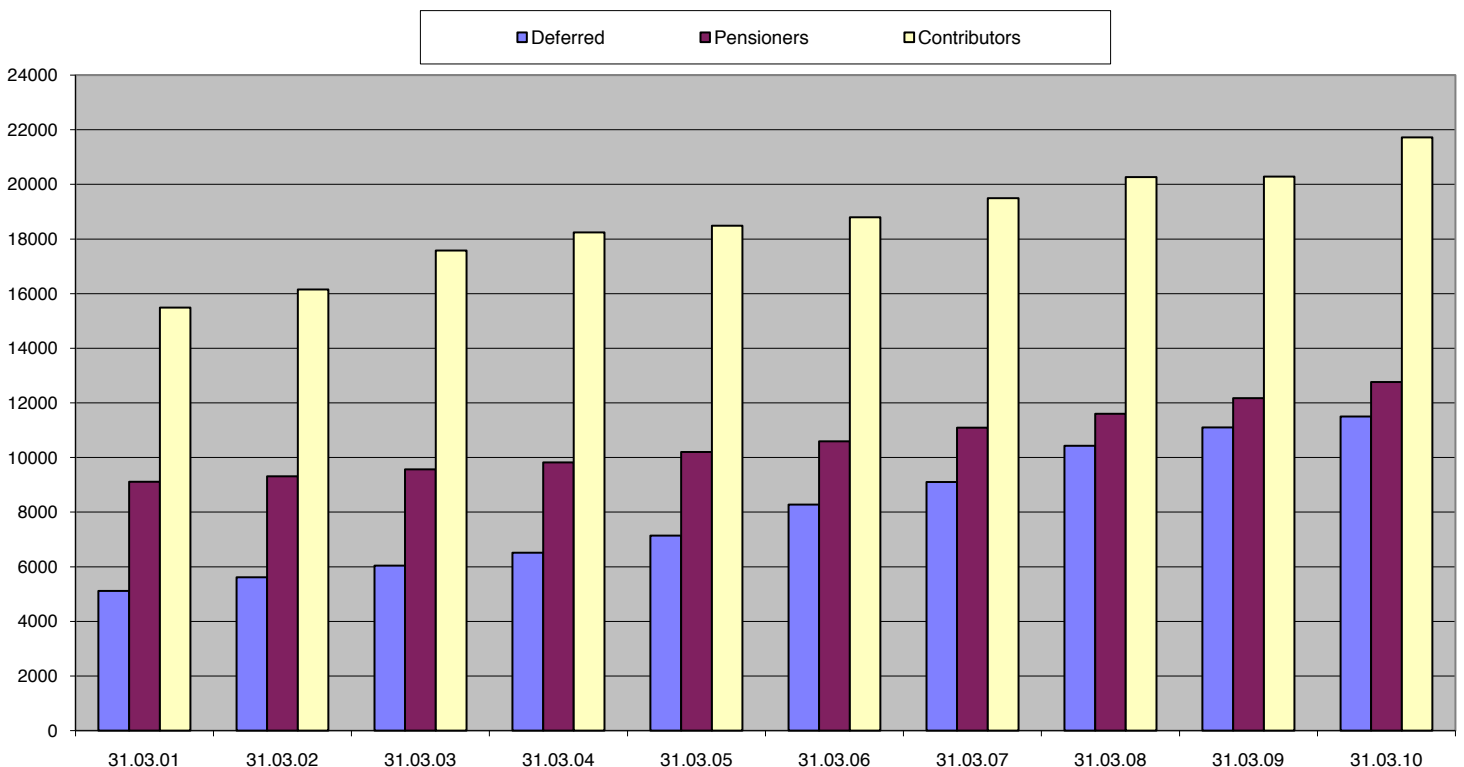
During the year one case was dealt with by the Appointed Person responsible for considering a Stage 1 appeal concerning tier three ill-health retirement benefits, and one Stage 2 appeal concerning level of benefits awarded. The employer decisions were upheld.

Pensions Ombudsman:

There were no cases referred to the Pensions Ombudsman this year.

Numbers of Pensioners and Contributors

Figure 1



The Fund's Investment Portfolio and Performance

The County Council as Administering Authority is responsible for the investment of the Pension Fund which is delegated to the Director of Financial Services. Performance is reviewed by the Director of Financial Services, supported by an Investment Monitoring Group. The Group consists mainly of County Councillors, advised by an independent financial adviser (see page 2), and meets on a quarterly basis with an additional annual meeting to consider the full year's performance. The Group also reviews the actions taken by the investment managers in voting the Fund's shares.

The operation of the Fund is governed by statutory regulations, mainly the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, which provide for a prudent approach to fund management and set out such matters as the type of investments into which the Fund's assets can be placed, with certain restrictions.

For management purposes the Fund is divided between five external investment managers operating a mix of active equity and bond mandates, together with a passive equity Index Tracking brief as set out below:

GLG Partners LP
UK Active Equities

Capital International Limited
Americas Active Equities

UBS Global Asset Management (UK) Limited
European ex-UK Active Equities

Nomura Asset Management UK Limited
Far East Active Equities

UBS Global Asset Management (UK) Limited
Passive UK, USA and Europe Equities

JP Morgan Asset Management
Bonds

The above managers were all appointed between December 2002 and March 2003 following a major restructuring exercise of the Fund. Performance is measured against respective world indices on a three year rolling basis. The details of the mandates are

set out in the Statement of Investment Principles (Appendix 4).

Custody of the Fund's assets is provided by the Global Custodian, BNY Mellon Asset Servicing B.V. who was appointed in November 2002.

In addition to the custodian's role in the safe-keeping of the Fund's total assets, the company also provides settlement and income collection services, the exercise of voting rights and the execution of corporate actions in conjunction with the investment managers. The appointment of a global custodian also secures an independent confirmation of the fund's assets and their value.

Statistics for measuring the investment managers' performances against the Fund's index benchmarks and against other local authorities, are provided quarterly by the WM Company. The figures show performance in the year 2009/2010 for each fund by means of a time-weighted return, as recommended by the Society of Investment Analysts. The Worcestershire return of 45.9% out-performed the index benchmark return by 0.2%.

The 5-year period to 31 March 2010 shows that the Fund achieved a return of 7.0% compared to the Universe return of 7.1%.

A comparison of performance over the 10 years to 31 March 2010, published by the WM Company, shows an average annual return of 3.3% for Worcestershire, compared to the Local Authority Universe performance of 3.8%.

**COMPARISON OF AVERAGE ANNUAL PERFORMANCE OF THE FUND WITH THE LOCAL AUTHORITY
MEDIAN RETURN AND THE COMPOSITE INDEX BENCHMARK**

FIGURE 2

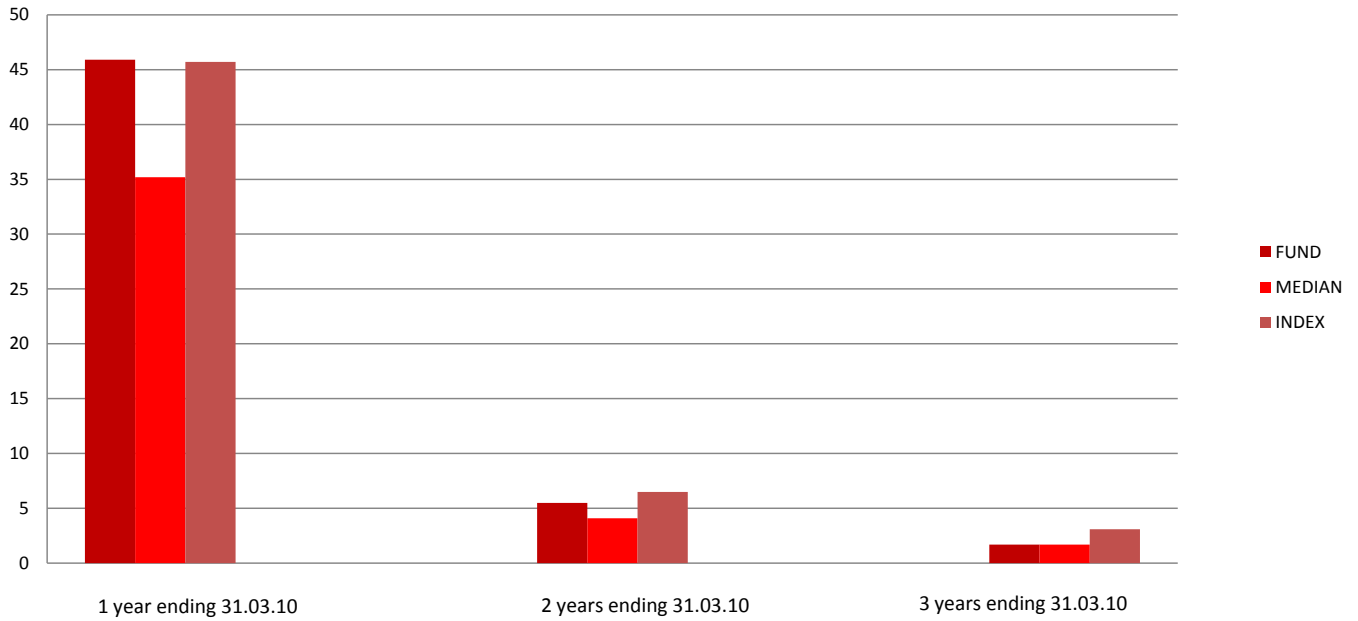
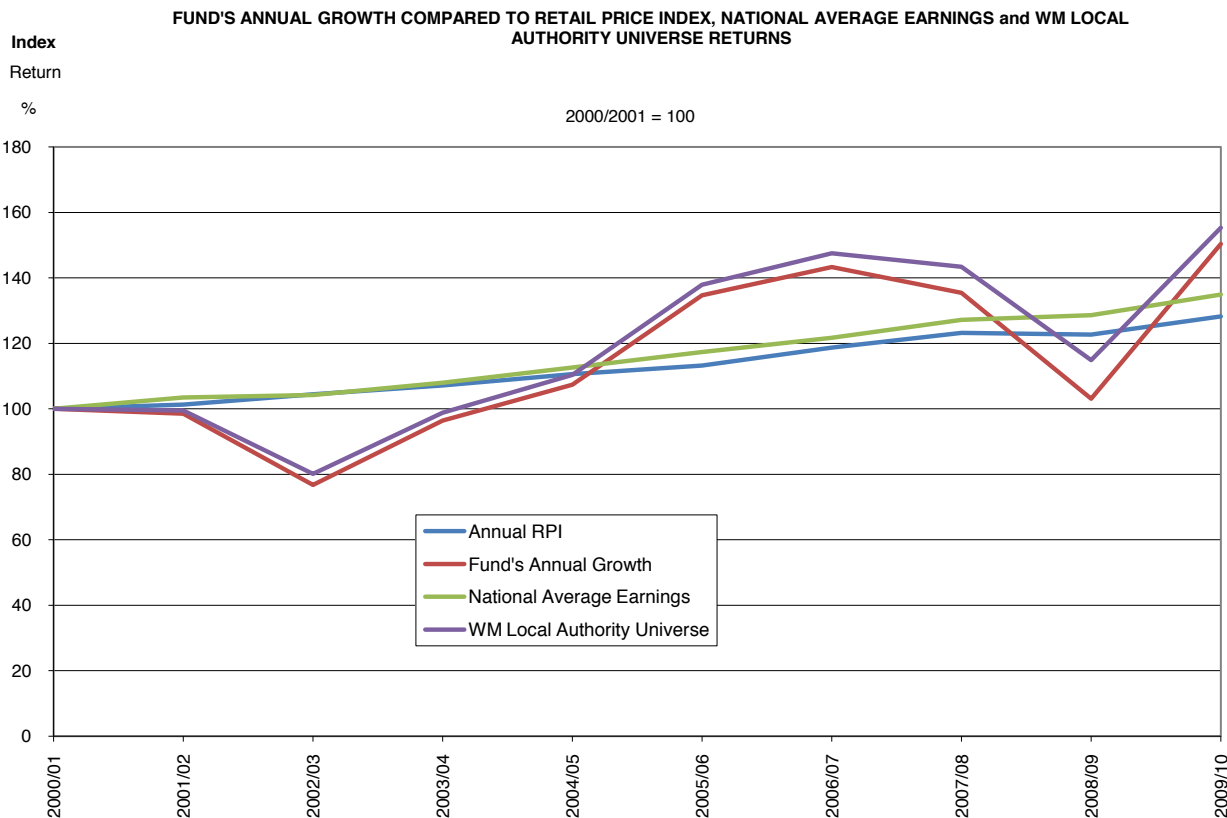


Figure 2 shows comparisons of the performance returns of the Fund with the Local Authority Median Fund and the composite index benchmark over the shorter periods of the last one, two and three years.

A comparison between the Fund's performance returns against the retail price index and the national average earnings since 2001 is given at Figure 3.

Figure 3



The market value of the Fund's investment portfolio increased from £910.7m at 31 March 2009 to £1,355.7m at 31 March 2010.

Figure 4

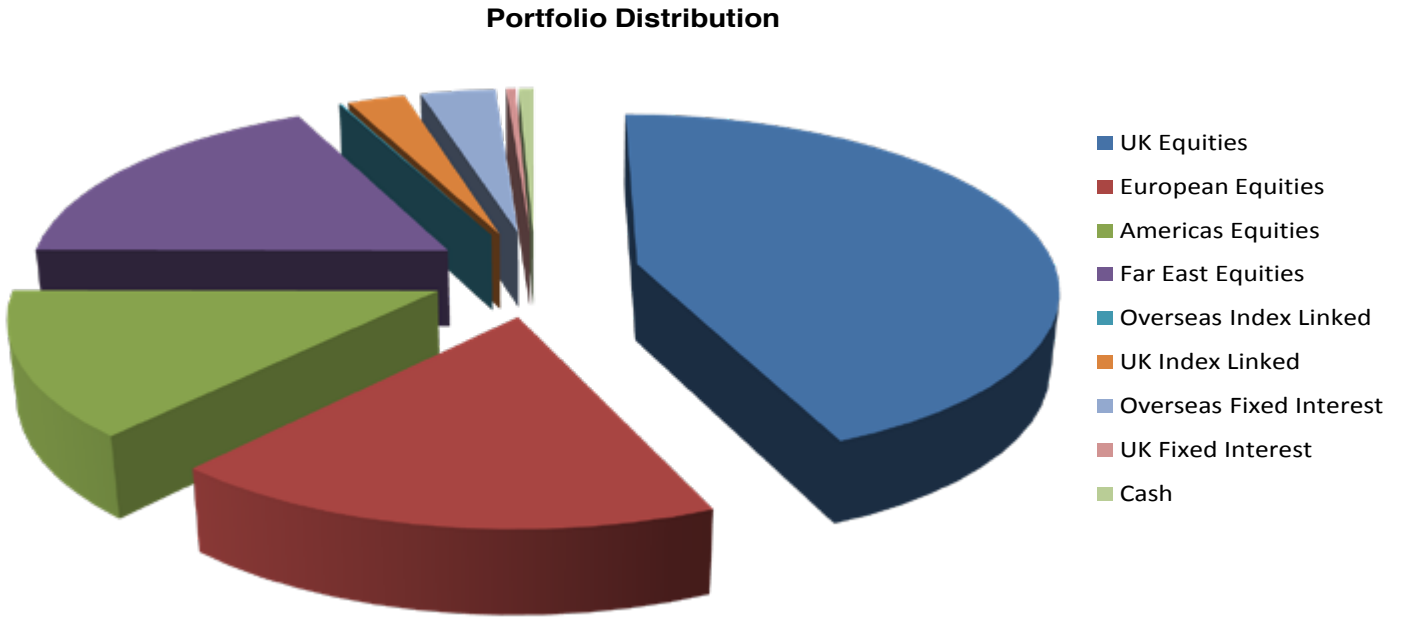
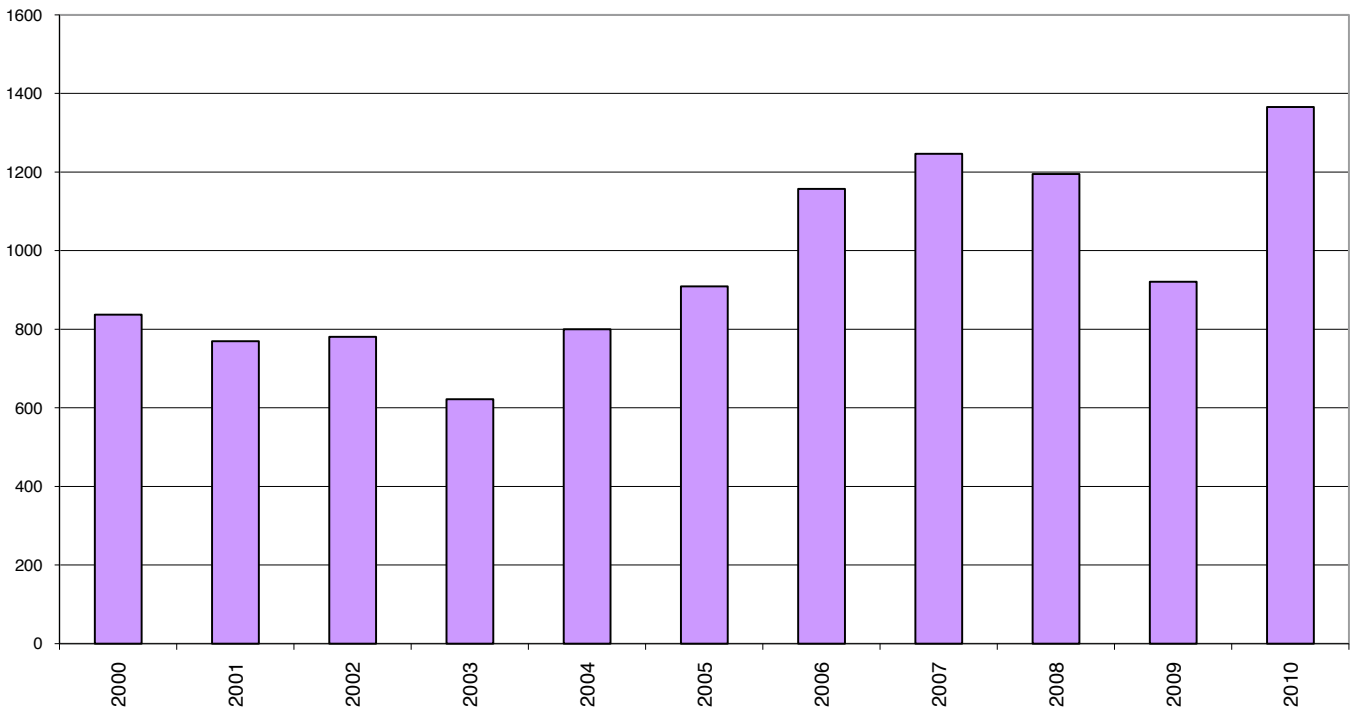


Figure 4 shows the distribution of the portfolio in the various categories.

Figure 5

TOTAL NET ASSETS MARCH 2000 TO MARCH 2010



A chart showing the total net assets of the Fund each year since 2000 is given at Figure 5.

Figure 6

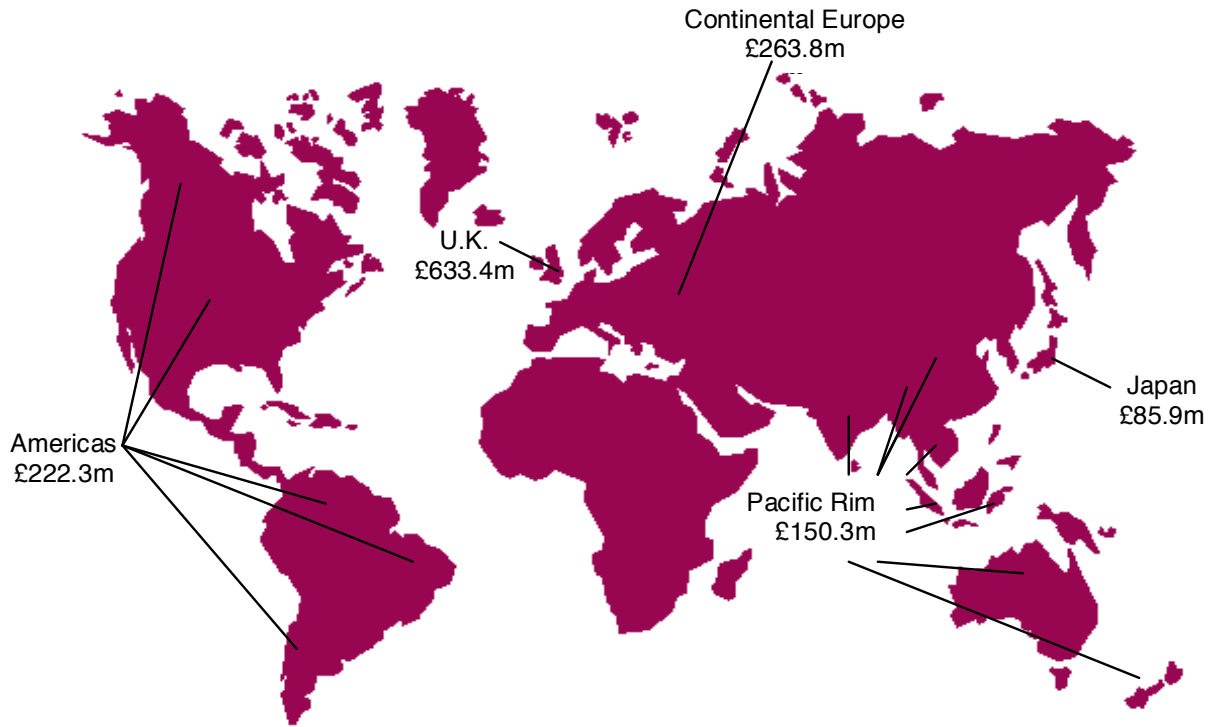


Figure 6 shows the geographical spread of investments.

The Fund's top ten equity holdings (excluding Unitised Trusts) are as follows:

	Market Value at 31.3.10	% of Fund Value at 31.3.10
	£m	
BP	24.0	1.8
HSBC Holdings	23.2	1.7
Glaxosmithkline	18.2	1.3
Royal Dutch Shell	16.4	1.2
Rio Tinto	14.3	1.1
Vodafone	12.8	1.1
Serco Group	10.4	0.8
BAE Systems	9.6	0.7
Standard Chartered	8.1	0.6
Anglo American	7.5	0.6

The total value of these ten holdings represents 10.9% of the whole Fund.

Investment Review 2009/2010

Report of the Independent Financial Adviser

Investment Review to 31 March 2010

In the fiscal year 2009/10 the average Local Authority fund delivered an investment return of just over 35%; this is the highest return in the thirty year existence of the WM Local Authority Universe. The Worcestershire fund grew an impressive 45.9% making it one of the top performing Local Authority funds.

A surge in the appetite for investment risk dominates the returns for the fiscal year. The actions of global authorities instilled confidence that a full blown recession was avoidable with the result that there was a scramble for oversold assets, both equity and non-government debt.

While the impetus was for rising asset values, the oscillation between fear and greed was very evident in market reaction to each new piece of news. This higher risk environment is likely to continue until government deficits come under control and there is clear growth across the global economy.

Equity returns for the fiscal year are all around the 50% mark. UK Equities, as measured by the FTSE All Share index returned 52.3%. North America and Continental Europe rose by 43.2% and 50.2% respectively; in both cases the returns were held back by the strengthening of sterling. Japan was the weakest of the major markets rising 'only' 29.6% while the rest of the Pacific, including the emerging markets, posted the highest return, 69.3%.

Bond returns varied enormously depending on the quality of issuer. Conventional government bonds, represented by the FTSE UK Gilts All Stocks, returned only 0.8% while corporate bonds were returning in excess of 30%. Inflation linked bonds also performed well with the Index-linked index rising over 10%.

Commercial property staged a modest recovery with the IPD Property Index rising by 16.0% over the year.

Worcestershire's strong return over the fiscal year is due to the high commitment to equities. At the end of March 2009 equities represented 85% of the fund's assets; compared with 62% for the average Local Authority. The higher equity weight and lower exposure to other investment areas added 7% of

relative performance. Between them the investment managers added a further 1% of relative return.

Long Term

Over the long term, equities are expected to deliver better growth than bonds; this is an investment reward for accepting the higher degree of risk inherent in holding equities. Local Authority pension funds are long-term investors and as such can access these higher returns. Considering the Fund's membership profile and the long-term investment return required, the Fund maintains a higher commitment to equities than the average Local Authority fund.

For the ten years to the end of March, the Fund's return of 3.3% per annum is below the Local Authority average of 3.8% per annum. Inflation over the ten years was 2.7% per annum as measured by the Retail Prices Index and 3.7% as measured by the National Average Earnings Index.

Over the last three years the Fund's return of 1.7% per annum is in line with the Local Authority average. Over this period retail price inflation was 2.6% per annum while average earnings grew at 3.4% per annum.

In both of the longer term periods the Fund's asset strategy has added value but this is offset by the relative performance of the active managers.

Report prepared by Graham Wood, The WM Company.

Information on the average Local Authority comes from the WM survey of local authority pension funds.

Worcestershire County Council Pension Fund Accounts 2009/10

Statement of Accounting Policies

This section provides a summary of the significant accounting policies and estimation techniques used in the preparation of Worcestershire County Council's Pension Fund accounts.

1. General

The Accounts for 2009/10 have been prepared in compliance with the Statement of Recommended Practice (Financial Reports of Pension Schemes) 2007 and follow the 2009 Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The codes of practice have been followed, with the exception of any departures indicated below.

The 2009/10 Accounts value equity investments at bid price as required by the SORP.

The core financial statements are as follows:

- The Fund Account
- Net Assets Statement

2. Legislation

Where specific legislation regarding accounting treatment conflicts with the Council's own Accounting Policies, legislative requirements have been followed.

3. Basis upon which Debtors and Creditors are included

With the exception of Transfer Values and Augmentation Costs that are accounted for on a cash basis, all other transactions are accounted for on an accruals basis. This means that all revenue income is recorded when the debt has been established rather than when money has been received. Similarly, expenditure is recorded when it is owed rather than when the payment is made.

4. Investments

Equities traded through the Stock Exchange Electronic Trading Service (SETS), are valued on the basis of the latest bid price.

The Custodian records the Pooled Investment Vehicles at the average of the bid and offer prices provided by

the relevant fund managers, which reflect the market value of the underlying investments.

The value of fixed interest and index linked securities in the Scheme's investment portfolio excludes interest earned but not paid over at the scheme end. This is included separately within accrued investment income.

Transaction costs are included in the purchase cost and sales proceeds of investments.

Futures are included in the net assets statement at market value which represents the total exposure to the stock market or asset class that the futures contracts affect.

5. Investment Income

Income from equities is accounted for on the date stocks are quoted ex-dividend.

Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis.

Income from other investments is accounted for on an accruals basis.

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 and unrealised changes in market value.

6. Foreign Currencies

Where forward exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is recorded at the spot exchange rate at the date of the transaction. Expenditure arising from a transaction in a foreign currency has been translated into £ sterling at the exchange rate in operation on the day the transaction occurred.

Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

7. Contributions

Normal contributions, both from the members and from employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate issued by the Fund's actuary. Additional contributions from the employer are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received.

8. Benefits Payable

Under the rules of the Scheme, members receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for on the date of retirement. Where a member can choose whether to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis on the date the option is exercised.

Other benefits are accounted for on the date the member retires or on death.

9. Transfers to and from other schemes

Transfer values represent the capital sums either received in respect of members transferring from other pension schemes or paid to other pension schemes in respect of members who have left the Worcestershire Fund.

10. Expenses

Investment Managers' expenses are charged on a percentage basis of the market value of assets under management.

Other administrative expenses include employee costs that are charged to the Fund on a time basis.

11. Augmentation/Actuarial Strain Costs

The costs of early retirement are accounted for on a cash basis when employers opt to pay in the year of retirement or over three years.

Pension Fund Account For the year ended 31 March 2010

	Notes	Restated* 2008/09 £000	2009/10 £000
Contributions and Benefits			
Contributions	3	80,966	85,320
Transfers In	4	12,132	10,889
		93,098	96,209
Benefits	5	64,655	70,751
Leavers	6	7,871	9,492
Administrative expenses	7	902	935
		73,428	81,178
Net additions from dealings with Fund members		19,670	15,031
Returns on Investments			
Investment Income	8	29,572	25,494
Irrecoverable Withholding Tax	8	(1,940)	(1,746)
Change in Market Value of Investments	9	(318,376)	409,183
Investment management expenses	10	(2,766)	(3,152)
Net returns on investments		(293,510)	429,779
Net increase/decrease in the Fund during the year		(273,840)	444,810
Opening net assets of the Fund		1,194,698	920,858
Closing net assets of the Fund		920,858	1,365,668

* restated due to further analysis

Net Assets Statement as at 31 March 2010

	Notes	2008/09 £000	2009/10 £000
Investment Assets	9		
Fixed Interest Securities		95,476	50,850
Equities		500,959	794,227
Index Linked Securities		23,585	36,069
Pooled Investment Vehicles		265,465	465,617
Derivatives –Futures		91	86
Derivatives – Forward FX		309	398
Cash		25,984	10,412
Other Investment Balances		4,010	4,629
		915,879	1,362,288
Investment Liabilities			
Derivatives – Futures		(55)	(123)
Derivatives – Forward FX		(1,117)	(1,852)
		(1,172)	(1,975)
Current Assets	11	6,740	6,206
Current Liabilities	12	(589)	(851)
Net Assets of the Fund at 31st March		920,858	1,365,668

The Financial Statements do not take into account liabilities to pay pensions and other benefits after the period end. These liabilities are dealt with through the periodic actuarial valuations of the Fund and are reflected in the levels of employers contributions determined at these valuations.

Notes to the Pension Fund Accounts

1. Actuarial Valuation

An actuarial valuation of the fund undertaken as at 31 March 2007 indicated that the Fund's assets were £1,246.2m and covered 72.0% of the fund's liabilities. This compares with assets of £800.4m at the valuation as at 31 March 2004 which covered 67.0% of the Fund's liabilities.

The main actuarial assumptions for the 2007 valuation were as follows: -

	Past Service Per Annum	Future Service Per Annum
Investment Return		
pre-retirement	6.4%	6.5%
post retirement	5.15%	6.5%
Rate of Pensionable Pay inflation	4.6%	4.25%
Rate of price inflation	3.1%	2.75%

The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay.

The Fund is valued using the projected unit method which is consistent with the aim of achieving a 100% funding level over 22 years in accordance with the Funding Strategy Statement.

The changes in contribution rates resulting from the actuarial valuation as at 31 March 2007 were effective from 1 April 2008, including stepped increases each year up to 2010/11.

The next actuarial valuation is due as at 31 March 2010 and any change in contribution rates as a result of that review will take place with effect from 1 April 2011.

2. Pension Fund Investments 2009/10

The proportion of the market value of investment assets held by the external fund managers at the year end was:

External Fund Manager	31 March 2009 £000	%	31 March 2010 £000	%
JP Morgan Asset Management	118,716	13	88,332	7
UBS Global Asset Management (Active)	31,117	3	47,304	3
UBS Global Asset Management (Passive)	317,520	35	553,120	41
Capital International Ltd	82,864	9	118,347	9
GLG Partners (wef 1 April 2009)	205,389	23	314,790	23
Nomura Asset Management UK Ltd	155,091	17	233,791	17
	910,697	100	1,355,684	100

The Fund operates the practice of lending stock to a third party for a financial consideration.

Securities released to a third party under the stock lending agreement with the Fund's custodian, ABN AMRO Mellon Global Securities B.V., are included in the net assets statement to reflect the Fund's continuing economic interest of a proprietorial nature in those securities.

The total amount of stock lent at the year end was £24,371,929 (2009 £50,573,011). The total collateral, which consisted entirely of equities and sovereign debt, was £25,905,934 (2009 £54,073,338) representing 106% of stock lent.

An analysis of stock lent by asset class is shown below:

	2008/09 £000	2009/10 £000
Corporate Debt	743	0
Equity	48,557	24,791
Sovereign Debt	1,273	0
Total	50,573	24,791

Income received from stock lending activities was £224,657 for the year ending 31 March 2010 (2009 £206,126). This is included within the 'Investment Income' figure detailed on the Pension Fund Account.

3. Contributions Receivable

Contributions receivable are analysed below:

	2008/09 £000	2009/10 £000
Employers		
Normal	40,141	41,571
Deficit Funding	15,924	17,961
Augmentation	3,226	3,258
Members		
Normal	21,089	21,982
Additional contributions	586	548
	80,966	85,320

Augmentation contributions represent additional payments paid by employers to reimburse the Pension Fund for the cost of employees who are allowed to retire before their normal retirement age.

These contributions can be analysed by type of Member Body as follows:

	2008/09 £000	2009/10 £000
Worcestershire County Council	30,484	32,769
Scheduled Bodies	42,643	45,249
Admitted Bodies	7,839	7,302
	80,966	85,320

4. Transfers In

During the year individual transfers in from other schemes amounted to £10.889 million (£12.132 million in 2008/2009).

5. Benefits Payable

	Restated* 2008/09 £000	2009/10 £000
Pensions	48,316	52,787
Commutations and Lump Sum		
Retirement Benefits	15,130	15,882
Lump Sum Death Benefits	1,209	2,082
	64,655	70,751

These benefits can be analysed by type of Member Body as follows:

	Restated* £000	£000
Worcestershire County Council	27,030	27,982
Scheduled Bodies	32,916	38,052
Admitted Bodies	4,709	4,717
	64,655	70,751

* restated due to further analysis

6. Payments to and on account of leavers

	2008/09 £000	2009/10 £000
Individual transfers to other schemes	7,579	9,497
Refunds to members leaving service	292	(5)
	7,871	9,492

7. Administrative Expenses

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 permit costs incurred in connection with the administration of the Fund to be charged against the Fund.

A breakdown of these costs is set out below:

	Restated* 2008/09 £000	2009/10 £000
Employee Expenses	387	385
Support Services	275	281
Actuarial Services	45	57
Other Expenses	180	215
Printing / Publications	27	19
Recharges to other bodies	(12)	(22)
	902	935

Employee expenses have been charged to the Fund on a time basis. Office expenses and other overheads have also been charged.

*restated due to further analysis

8. Investment Income

	2008/09 £000	2009/10 £000
Fixed Interest Securities	4,326	2,486
Equities	23,583	20,995
Index Linked Securities	419	930
Cash Deposits	1,031	853
Securities Lending	206	225
Commission Recapture	7	5
	29,572	25,494
Irrecoverable Withholding Tax	(1,940)	(1,746)
	27,632	23,748

9. Investments

	Value at 01/04/2009 £000	Purchases at Cost and Derivative Payments £000	Sales Proceeds and Derivative Receipts £000	Change in Market Value £000	Value at 31/03/2010 £000
Fixed Interest Securities	95,476	112,299	(160,326)	3,401	50,850
Equities	500,959	274,175	(222,680)	241,773	794,227
Index Linked Securities	23,585	16,919	(6,522)	2,087	36,069
Pooled Investment Vehicles	265,465	52,826	(14,180)	161,506	465,617
Derivatives – Futures	36	1,113	(1,602)	416	(37)
	885,521	457,332	(405,310)	409,183	1,346,726
Derivatives – Forward FX	(808)				(1,454)
Cash	25,984				10,412
Other Investment Balances	4,010				4,629
	914,707				1,360,313

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.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred

during the year amounted to £1,060,352, (2008/09 £655,015). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investments vehicles. The amount of indirect costs is not separately provided to the scheme.

A further analysis of the market value of investments is given below:

	31 March 2009 £000	31 March 2010 £000
Fixed Interest Securities		
UK Public Sector Quoted	48,123	0
UK Quoted	19,505	5,583
Overseas Public Sector Quoted	19,012	257
Overseas Quoted	8,836	45,010
	95,476	50,850
Equities		
UK Quoted	169,201	290,066
Overseas Quoted	331,758	504,161
	500,959	794,227
Index Linked		
UK Public Sector	20,862	34,720
UK Other	2,723	0
Overseas Other	0	1,349
	23,585	36,069
Pooled Investment Vehicles		
UK Managed Funds - UK Equities	157,420	299,031
- Overseas Equities	100,614	153,478
Overseas Managed Funds - Overseas Equities	7,431	13,108
	265,465	465,617
Derivative Contracts		
Futures Contracts (Assets)	91	86
Futures Contracts (Liabilities)	(55)	(123)
	36	(37)

Type of Future Expiration	Economic Exposure Value £000	Market Value £000
UK gilt exchange traded Less than one year	(3,443)	(54)
Overseas exchanged traded Less than one year	3,242	(1)
Cash and cash equivalents exchange traded Less than one year	53	18
	(148)	(37)
Forward Foreign Exchange		
Forward Foreign Exchange (Assets)	309	398
Forward Foreign Exchange (Liabilities)	(1,117)	(1,852)
	(808)	(1,454)

Derivative receipts and payments represent the realised gains and losses on futures contracts. The active bond mandate and passive equity mandate provides discretion for the managers to enter into derivative contracts in order to enhance the return for the fund. The portfolio cannot be geared to and must have the liquidity needed to cover open positions.

	31 March 2009 £000	31 March 2010 £000
Cash		
Cash Deposits	4,379	2,254
Cash Instruments	32,004	15,890
Outstanding Trades	(10,399)	(7,732)
	25,984	10,412
Other Investment Balances Workings Outstanding dividend entitlements	3,570	4,029
Recoverable withholding tax	440	600
	4,010	4,629

10. Investment Management Expenses

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 permit costs incurred in connection with the investment of the Fund to be charged against the Fund. A breakdown of the costs is set out below:

	Restated 2008/09 £000	2009/10 £000
Administration, Management and Custody Fees	2,693	3,035
Performance Monitoring Service	23	23
Other Advisory Fees	16	12
Other Expenses	34	82
	2,766	3,152

Administration includes employee expenses that have been charged to the Fund on a time basis. Office expenses and other overheads have also been charged.

11. Current Assets

	2008/09 £000	2009/10 £000
Contributions due from: Employer	2,836	2,999
Members	1,111	1,140
Cash balances	2,626	1,887
Other Debtors	167	180
	6,740	6,206

12. Current Liabilities

	2008/09 £000	2009/10 £000
Investment Management Expenses	(576)	(813)
Other Expenses	(13)	(38)
	(589)	(851)

Contributions due to the Pension Fund were received in line with the schedule of contributions currently in force. The cash balances form part of the bank balances of Worcestershire County Council and at 31 March 2010 represent a short term loan to the Council that is disclosed in the Council's Balance Sheet.

13. Related Party Transactions

There are no related party transactions relating to the Pension Fund to disclose for 2009/10 other than referred to in note 12 above.

14. Contingent Liabilities

The Fund had no material contingent liabilities as at 31 March 2010.

15. Additional Voluntary Contributions

The Pension Fund scheme provides an Additional Voluntary Contributions (AVC) facility for scheme members. In 2009/10 some members of the pension scheme paid voluntary contributions and transfers to Scottish Widows and Equitable Life to buy extra pension benefits when they retire. Retirement benefits were also purchased during the year. The contributions are paid directly from scheme members to the AVC provider. The amounts administered under AVC arrangements during 2009/10 are as follows:

	2008/09 £000	2009/10 £000
Contributions received	237	190
Investments purchased	234	180
Change in market value	(73)	420
Retirement benefits paid or transferred	447	381

The combined value of the AVC funds at 31 March 2010 was £3.489 million, (2008/09 £3.260 million).

In accordance with Regulation 5(2)(c) of the Pension Scheme(Management and Investment of Funds) Regulations 1998 these amounts are not included in the Pension Fund Accounts.

Appendix 1

Local Government Pension Scheme (LGPS)

Pension Benefits – A Brief Summary

Benefits payable from the Fund are governed by the Superannuation Act 1972 and the Local Government Pension Scheme Regulations 2007/08 (as amended).

The Local Government Pension Scheme is a 'Final Salary Scheme' which means that the benefits are based on length of service and pay at the time of retirement.

Up to 31/03/2008 the Scheme provides for a pension based on 1/80th of pay for each year of service and a lump sum payment based on 3/80ths of pay for each year and from 01/04/2008 the scheme provides for a pension based on 1/60th of pay for each year of service with an option to commute to provide for a tax free lump sum. Provision is made for the payment of a pension to a wife, husband, child, civil partner and cohabiting partner in the event of the death of an employee both before and after retirement. In the event of the death of an employee in service a Death Gratuity is payable.

Normal retirement age is 65, but benefits can be paid at age 60.

Provision is made for the payment of immediate benefits with enhancement if retirement at any age is due to permanent ill health.

If after attaining age 55 an employee is made redundant, or retires with the agreement of the employer, immediate payment of pension benefits is allowed.

An employee leaving the service of an Authority before becoming entitled to receive pension benefits can apply for a refund of pension contributions paid if pensionable service is less than 3 months. Employees with more than 3 months service have the option of preserving accrued benefits in the fund until retirement age, or transferring benefits to another occupational scheme or personal pension.

Various discretionary options, for the employing bodies and the Fund Administrator, introduced in the 1997 regulations have been issued in policy statements.

A comprehensive statement of benefits is available in an explanatory booklet from the Pension Section.

Telephone 01905 766525 or email pensions@worcestershire.gov.uk

Appendix 2

Participating Employers of the Fund at 31 March 2010

Scheduled Bodies

Worcestershire County Council	Evesham Town Council
County of Herefordshire District Council	Ledbury Town Council
The Valuation Tribunal	Malvern Town Council
Bromsgrove District Council	Pershore Town Council
Malvern Hills District Council	Ross-on-Wye Town Council
Redditch Borough Council	Stourport-on-Severn Town Council
Worcester City Council	Upton-on-Severn Town Council
Wychavon District Council	Belbroughton Parish Council
Wyre Forest District Council	Bredon Parish Council
West Mercia Police Authority	Broadway Parish Council
West Mercia Probation Trust	Brockhampton Parish Council
Hereford and Worcester Fire and Rescue Authority	Hallow Parish Council
West Mercia Magistrates Courts Service	Kempsey Parish Council
University College Worcester	Hereford City Parish Council
South Worcestershire College	Lea Parish Council
Kidderminster College of Further Education	Linton Parish Council
Hereford College of Technology	Malvern Wells Parish Council
Hereford College of Arts	Powick Parish Council
North East Worcestershire College	Rock Parish Council
Worcester College of Technology	Wythall Parish Council
Hereford Sixth Form College	Building Control
Worcester Sixth Form College	Revenue and Benefits
Bewdley Town Council (Ceased May 2009)	Hereford Steiner Academy
Bromyard & Wilmslow Town Council	Worcestershire Hub
Droitwich Town Council	Malvern Hills Conservators

Admitted Bodies

Brook House	The Courtyard Trust
FOCSA Services (UK) Limited	Ringway Limited
Malvern Festival Theatre Trust	Wyre Forest Community Housing Limited
Amey Wye Valley Limited	Herefordshire Community Leisure Trust
Rooftop Housing Association	Festival Housing Group
The Marches Housing Association	Community First in Herefordshire and Worcestershire
Herefordshire Housing Limited	Wychavon Leisure Community Association Limited
Bromsgrove District Housing Trust	Connexions – Hereford and Worcester Limited
Shaw Healthcare Limited	Worcester Community Housing Limited
Bromsgrove PFI	Edgar Street Grid (Hereford) Ltd
Whitecross PFI	Midland Heart

Appendix 3

Funding Strategy Statement (FSS)

This Statement has been prepared by Worcestershire County Council (the Administering Authority) to set out the funding strategy for the Worcestershire County Council Pension Fund (the Scheme), in accordance with Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 and the guidance paper issued in July 2009 by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel.

1. Introduction

The Local Government Pension Scheme (England and Wales) (Amendment) Regulations 2004 provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement. The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Scheme the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to :
 - the guidance issued by CIPFA for this purpose; and
 - the Statement of Investment Principles (SIP) for the Scheme published under Regulation 9A of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.

Benefits payable under the Scheme are guaranteed by statute and thereby the pensions promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time, facilitating scrutiny and accountability through improved transparency and disclosure.

The Scheme is a defined benefit final salary scheme under which the benefits are specified in the governing legislation (the Local Government Pension Scheme Regulations 2007/08 (as amended), “the Regulations”). The required levels of employee contributions are also specified in the Regulations.

Employer contributions are determined in accordance with the Regulations (principally Regulation 39 of the Local Government Pension Scheme (Administration) Regulations 2008) which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate. Contributions to the Scheme should be set so as to “secure its solvency”, whilst the actuary must also have regard to the desirability of maintaining as nearly constant a rate of contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

2. Purpose of the FSS in policy terms

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The purpose of this Funding Strategy Statement is:

- to establish a clear and transparent fund-specific strategy which will identify how employers’ pension liabilities are best met going forward;
- to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible;
- to take a prudent longer-term view of funding those liabilities.

The intention is for this strategy to be both cohesive and comprehensive for the Scheme as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3. Aims and purpose of the Scheme

The aims of the Scheme are to:

- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies
- manage employers' liabilities effectively
- ensure that sufficient resources are available to meet all liabilities as they fall due, and
- maximise the returns from investments within reasonable risk parameters.

The purpose of the Scheme is to:

- receive monies in respect of contributions, transfer values and investment income, and
 - pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses,
- as defined in the Local Government Pension Scheme Regulations 2007/08 (as amended) and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended).

4. Responsibilities of the key parties

The Administering Authority should:

- collect employer and employee contributions
- invest surplus monies in accordance with the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- manage the valuation process in consultation with the actuary
- prepare and maintain an FSS and a SIP, both after due consultation with interested parties, and
- monitor all aspects of the Scheme's performance and funding and amend FSS/SIP.

The Individual Employer should:

- deduct contributions from employees' pay correctly
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- exercise discretions within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, and
- notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding.

The Scheme actuary should:

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters, and
- advise on funding strategy, the preparation of the FSS, and the inter-relationship between the FSS and the SIP.

5. Solvency issues and target funding levels

To meet the requirements of the Regulations the Administering Authority's long-term funding objective is to achieve and then maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis including allowance for projected final pay.

The current actuarial valuation of the Scheme is effective as at 31 March 2007. The results of the valuation indicated that overall the assets of the Scheme represented 72% of projected accrued liabilities at the valuation date.

The key financial assumptions making up the funding strategy and as adopted for the 31 March 2007 actuarial valuation are:

	In respect of past service liabilities	In respect of future service liabilities
Fixed interest gilts yield:	4.4%	n/a
Index linked gilts real yield:	1.3%	n/a
Asset Out-performance Assumption Pre Retirement	2.0%	n/a
Asset Out-performance Assumption Post Retirement	0.75%	n/a
Real Earnings Inflation	1.5%	1.5%
Discount rate (pre retirement)	6.4%	6.5%
Discount rate (post retirement)	5.15%	6.5%
Price Inflation	3.1%	2.75%
Earnings Inflation	4.6%	4.25%
Pension Increases	3.1%	2.75%

Underlying these assumptions are the following two tenets:

- that the Scheme is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer-term.

The asset out-performance assumptions represent the allowance made, in calculating the funding target, for the long term additional investment performance on the assets of the Fund relative to the yields available on long dated gilt stocks as at the valuation date. The allowance for this out-performance is based on the liability profile of the Scheme, with a higher assumption in respect of the “pre-retirement” (i.e. active and deferred pensioner) liabilities than for the “post-retirement” (i.e. pensioner) liabilities. This approach thereby allows for a gradual shift in the overall equity/bond weighting of the Fund as the liability profile of the membership matures over time.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (i.e. return in excess of price inflation) of 3.75% per annum, with a long term average assumption for price inflation of 2.75% per annum.

These two assumptions give rise to an overall discount rate of 6.5% p.a. Adopting this approach the future service rate is not subject to variation solely due to different market conditions applying at each successive valuation, which reflects the requirement in the Regulations for stability in the “Common Rate” of contributions. In market conditions at the effective date of the 2007 valuation this approach gives rise to a somewhat more optimistic stance in relation to the cost of accrual of future benefits compared to the market related basis used for the assessment of the funding target. At each valuation the cost of the benefits accrued since the previous valuation will become a past service liability. At that time any mismatch against gilt yields and the asset out-performance assumptions used for the funding target is fully taken into account in assessing the funding position.

Full details of the assumptions adopted for the 2007 valuation will be set out in the actuary’s formal report, which is made available to all employers in the Scheme.

As part of each valuation separate employer contribution rates are assessed by the actuary for each participating

employer or group of employers. In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates with effect from 1st April 2008:

- The total employer contribution rate will be made up of an element in respect of the ongoing accrual of benefits for current members, plus an addition in respect of deficit recovery (or if applicable an offset in respect of surplus).
- For funding purposes, including valuation calculations, some smaller employers in the Scheme will be grouped. These groupings comprise Town and Parish Councils and two other groups comprising certain small bodies (split into those entering the Fund before and after 1992).
- A maximum deficit recovery period of 22 years will apply. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted.
- Where increases in employer contribution rates are required from 1 April 2008, following completion of the 2007 actuarial valuation, the increase from the rates of contribution payable in the year 2008/09 may be implemented in steps, over a maximum period of 6 years, where this is considered appropriate by the Administering Authority.
- On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer.

In determining the above objectives the Administering Authority has had regard to:

- the responses made to the consultation with employers on the FSS principles,
- the supplementary guidance on the funding strategy issued by the CIPFA Pensions Panel in November 2004,
- the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose,
- the Government's aims as regards increases in local authority pension costs, as set out in the letter from the Office of the Deputy Prime Minister dated 10 September 2004, and
- The Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

6. Link to investment policy set out in the Statement of Investment Principles

The results of the 2007 valuation show the liabilities to be 72% covered by the current assets, with the funding deficit of 28% being covered by future deficit contributions due from the participating employers.

In assessing the value of the Scheme's liabilities in the valuation, allowance has been made for asset out-performance as described in Section 5, taking into account the investment strategy adopted by the Scheme, as set out in the SIP.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which closely matches the liabilities and represents the least risk investment position. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts.

Investment of the Scheme's assets in line with the least risk portfolio would minimise fluctuations in the Scheme's ongoing funding level between successive actuarial valuations.

If, at the valuation date, the Scheme had been invested in this portfolio, then in carrying out the valuation it would not be appropriate to make any allowance for out performance of the investments. On this basis of

assessment, the assessed value of the Scheme's liabilities at the 2007 valuation would have been significantly higher, by approximately 28% and the declared funding level would be correspondingly reduced to approximately 56%.

Departure from a least risk investment strategy, in particular to include equity investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current benchmark investment strategy, as set out in the SIP, is:

UK equities	45.0%
Overseas equities	45.0%
Bonds	10.0%

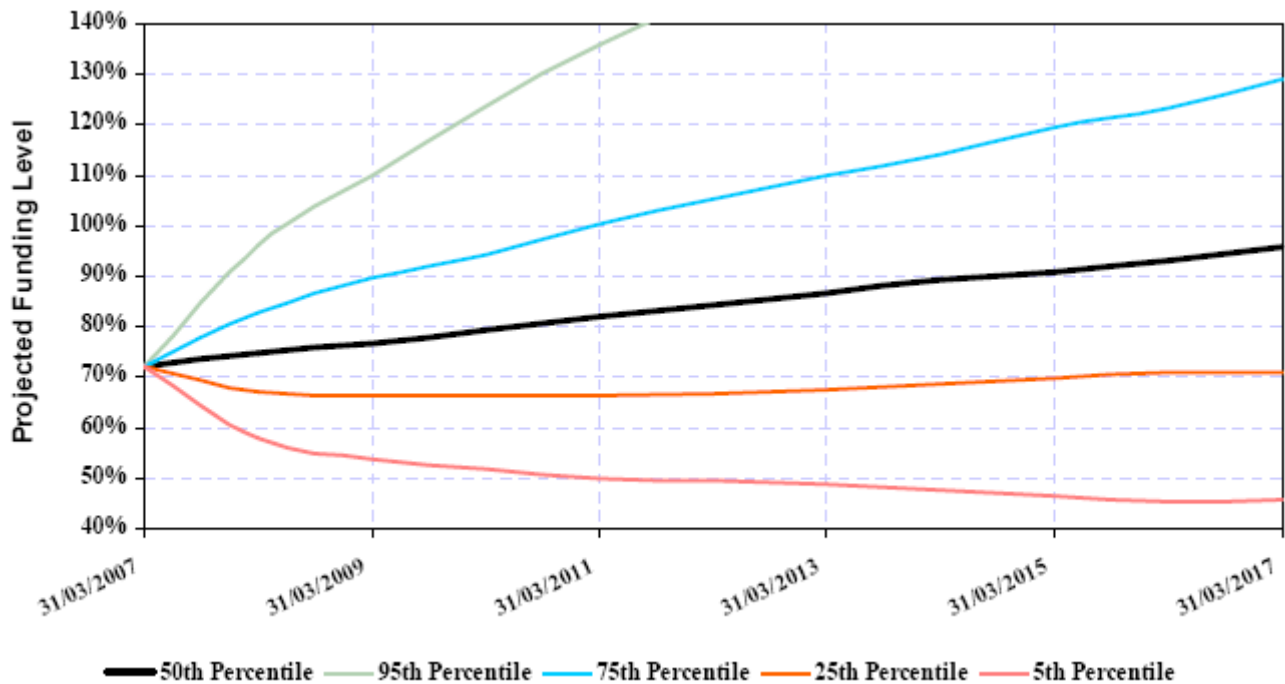
The funding strategy adopted for the 2007 valuation is based on an assumed asset out-performance of 2% in respect of liabilities pre-retirement, and 0.75% in respect of post-retirement liabilities. Based on the liability profile of the Scheme at the valuation, this equates to an overall asset out-performance allowance to keep pace with the liabilities of 1.25% p.a. The Administering Authority believes that this is a reasonable and prudent allowance for asset out-performance, based on the current investment strategy adopted as set out in the SIP.

7. Investment risks

The funding of defined benefits is by its nature uncertain. Funding of the Fund is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The greatest risk to the Fund's funding is the investment risk inherent in the predominantly equity-based strategy, so that actual asset out-performance between successive valuations could diverge significantly from the investment return assumptions made as set out in Appendix D.

The chart below shows a "funnel of doubt" funding level graph, which illustrates the range and uncertainty in the future progression of the funding level, relative to the funding target adopted at the valuation. Using a simplified model, the chart shows the probability of exceeding a certain funding level over a 10 year period from the valuation date. For example, the top line shows the 95th percentile level (i.e. there is a 5% chance of the funding level at each point in time being better than the funding level shown, and a 95% chance of the funding level being lower). The graph adopts the 2007 actuarial valuation results as a starting point, and allows for the planned contributions into the Fund based on the valuation and funding strategy. The chart assumes median investment return in line with "best estimate" market expectations, and variability of those returns broadly in line with



historic experience.

The above chart assumes that the Fund's current investment strategy, which involves investing a significant proportion of its assets in equities, will continue.

As mentioned in Section 6, alternative investment strategies could be followed that would minimise the risk of deterioration in the funding position assessed relative to the funding target, for example by raising the proportion of bond investment. Such a strategy would reduce the risk that changing economic conditions would cause deterioration in the Fund's funding position. It would also tend to produce a more stable contribution rate but at a higher overall level than indicated in Section 4.

Risks associated with the policy for meeting the funding target

The Fund's policy for meeting the funding target carries a number of risks. The following paragraphs comment on the following potentially material risks:

- some of the employers may not be able to continue to pay contributions or make good deficits in the future;
- the future investment return on assets may be insufficient to meet the funding objective;
- falls in asset values may occur that are not matched by similar falls in the values of liabilities;
- unanticipated future changes in mortality may occur, increasing the cost of the benefits;
- members may exercise options against the Fund, for example, a lower take-up for retirement cash than that assumed in the valuation;
- additional pay growth from that assumed in the valuation, including as a result of job evaluation exercises or equal pay claims.

If an employer becomes unable to pay contributions, or is unable to make good deficits in the future, the Fund's assets will be lower than expected and the funding position will be worse than expected. Any shortfall could then become the responsibility of other employers within the Fund.

If the future investment return on assets falls short of the rates assumed in the calculation of the funding target and the recovery plan, the funding position would be worse than expected. It is likely that an increase in future employer contributions would be required. The analysis shown earlier in this section illustrates the potential volatility of contribution rates and funding levels to future investment returns.

If market levels and/or gilt yields changed such that the liability values increase by more than the assets, or decrease by less than the assets, the funding position would be worse than expected. An increase in employer contributions

would be expected as a result. The same comments would apply if general population mortality studies and analysis of the Fund show that pensioners are living longer. The analysis shown earlier in this section illustrates the quantitative impact of such changes.

If members made decisions around their options such that those decisions increased the Fund's liabilities (e.g. by not commuting pensions for cash to the extent assumed), the funding position would be worse than expected. As a result, future employer contributions might then need to be increased.

8. Monitoring and Review

The Administering Authority has taken advice from the actuary in preparing this Statement, and has also consulted with the participating employers in the Scheme.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example:

- if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- if there have been significant changes to the Scheme membership, or LGPS benefits
- if there have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- if there have been any significant special contributions paid into the Scheme.

Appendix 4

Statement of Investment Principles

Objective

1. The investment objective for the Fund is to:
 - (a) ensure that sufficient assets are available to meet liabilities as they fall due;
 - (b) maximise the return at an acceptable level of risk.
2. Risk management is mostly concerned with:
 - (a) avoiding the possibility of loss, or
 - (b) limiting a deficiency in the underlying Fund, or
 - (c) avoiding a contribution rate increase in the future.

Policy

The current long-term investment policy judged most likely to meet these objectives is as follows:

Active Equity Mandates	%	Expected Performance
UK	30.0	FTSE All Share Index + 1.5%
Americas	7.5	FTSE All World All Americas Index + 1.5%
European ex – UK	7.5	FTSE All World Europe ex UK Index – Developed Series + 1.5%
Far East	15.0	FTSE All World Asia Pacific Index + 1.5%
Passive Equity Mandates		
UK Equities	15.0	FTSE All Share Index
USA Equities	7.5	FTSE All World North America Index
Europe ex UK Equities	7.5	FTSE All World Europe ex UK Index – Developed Series
Bonds	10.0	+ 1% of a basket of indices which includes:
		- ML Global Broad Market Corporate Index – hedged in GBP
		- FTSE Actuaries Index Linked All Stocks
	100.00	

Following changes to the tax treaties between the United States and the United Kingdom, in accordance with Statutory Instrument 2003 No. 2719, 100% of the index tracking mandate (which is lower than the prescribed maximum of 35%) may be invested in any single UBS insurance contract. This decision will be reviewed as part of the annual review of the SIP.

Performance Monitoring

The Actual Return will be measured quarterly and be monitored relative to objectives set over rolling three-year periods. A detailed review will be carried out annually.

Statistics for measuring the Fund Manager's performance against the Benchmark are provided by the WM Company. Measurement is set against the return achieved by the relative index applying to the asset class, as above.

Realisation of Assets

The Fund is invested generally in assets which are quoted on world stock markets and are therefore readily realisable. It is managed to ensure that adequate liquidity is maintained to allow the payment of pensions without the need to realise assets under unfavourable conditions.

Risk and Diversification of Investments

The Fund controls risk through its strategic asset allocation policy, which ensures diversification of the fund. Further diversification is provided through the appointment of five specialist external Fund Managers, with a mix of Bonds and Passive and Active equity mandates and the assets are held by a global custodian.

Managers are monitored on a quarterly basis and investment performance is kept under constant review. The terms of appointment of managers contain guidelines aimed at limiting the way the portfolio is invested in order to control the level of risk to which the Fund is exposed.

Socially Responsible Investment

In all circumstances the investments should be managed in the best long-term financial interests of the Fund. Where this primary consideration is not prejudiced, Investment Managers are expected to take account of social and environmental issues.

The Investment Managers are instructed to exercise, on behalf of the Pension Fund, all rights (including voting), attaching to the investments having regard to the best long term financial interests of the Fund. Where this primary consideration is not prejudiced, Investment Managers are expected to take account of social and environmental issues.

Stock Lending

The Pension Fund allows stock held within its segregated portfolios to be lent to approved borrowers. The Fund's Global Custodian acts as the lending agent for the Securities Lending Program. Collateral is provided by borrowers to protect the Fund's assets and the Fund receives income from the Program.

Review

The Statement of Investment Principles is reviewed annually.

Investment Principles

The Fund complies with the "CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the UK".

Appendix 5

Policy Statement on Communication Strategy

1. Introduction

1.1 The Worcestershire County Council Pension Fund administers the Local Government Pension Scheme for its own employees and employees of 71 other Scheme Employers in the administrative area of Herefordshire and Worcestershire.

1.2 On 14 December 2005, the ODPM introduced amending regulations which now require the County Council, as Administering Authority for the Fund and after consultation with such persons as it considers appropriate, to prepare, maintain and publish a written statement setting out its policy on communications with

- members;
- representatives of members;
- prospective members; and
- employing authorities.

1.3 In particular, the statement must set out the Fund's policy on

- i. the provision of information and publicity about the Scheme to members, representatives of members and employing authorities (including non-Scheme Employers);
- ii. the format, frequency and method of distributing such information or publicity; and
- iii. the promotion of the Scheme to prospective members and their employing authorities.

1.4 The County Council welcomes these regulatory developments as they support one of the Fund's key business objectives of developing clearer communications and providing a seamless service to individual members.

1.5 This document is the first Communication Policy for the Worcestershire County Council Pension Fund. We see this as a starting point and our aim is to significantly develop our communications strategy over time. Comments on the document are very welcome and can be sent to the Pensions Section at the address below or by email to pensions@worcestershire.gov.uk

1.6 In this Communication Policy Statement, we have set out how we will meet the needs of our customers in relation to communications. In doing so we will use the most appropriate and effective communications vehicle to provide information.

2. Communications Strategy

2.1 We strive to communicate effectively with all our internal and external stakeholders.

2.2 We will use clear and concise forms of communication appropriate to the enquiry received and which communicate technical issues without the use of technical jargon. We aim to provide a response to all requests in a timescale, which is appropriate to the enquirer and meets their information objectives.

2.3 To achieve successful and robust communications we have established clear aims for our communications strategy as shown below.

Communications Aims
Organisation & Culture
We have clear roles, responsibilities and accountability and an environment where staff are motivated, trained and confident to express themselves.
Staff Competency Development
Competency development plan linked to job needs and staff training needs.
Staff encouraged and supported to study for appropriate professional qualifications.
Achieved Investors in People and ensure continued compliance.
Procedures
Advance planning and implementation for known legislative/Scheme changes.
All procedures documented and meeting all disclosure and best practice standards within the industry.
Clear consistent documentation and letters in recognised plain English style.
Service standards
Document and publish a clearly defined Statement of Service standards that is aligned to the legal requirements and best practice standards.

2.4 We have grouped our key stakeholders together as shown below and this document goes on to discuss our approach to meeting each group's communication needs

- Fund Employers
- Fund Members (Current Employees, Pensioners and Deferred Members)
- Fund Administration
- External Advisers

3. Communications with Fund Employers

3.1 The Fund comprises of 72 employers whose employees are able to participate in the Local Government Pension Scheme including all the local authorities, the police and fire authorities (for non uniformed staff), FE colleges, Parish Councils a range of voluntary sector bodies and a number of private sector contractors who provide services to local authorities under Best Value arrangements. A full list of participating employers is shown in Appendix 2

3.2 The Fund's aim is to work with employers to define their information needs and expectations and to work with employers to meet those needs, recognising mutual dependencies where appropriate.

3.3 The Fund provides a range of employer communications shown below and our aim is to use the most appropriate communication medium for the employer receiving the information.

Description	Service
Website	The Fund website was launched in 2004. The address is http://worcestershire.whub.org.uk/home/wcc-finance-pensions-homepage.htm It provides Scheme details, publications, contacts, and links to other organisations e. g. Employers Organisation.
Employer Updates	Employers are informed in writing or electronically of all changes in legislation etc and we aim to develop a website to provide employers with legislation, operational items and technical updates and support
Employer Reports	Membership and Benefits administration reports. Provided on request.
'Welcome Pack'	Employer "Welcome pack" setting out details of the process for joining the Fund
New Employer Training	Provision of Pensions Training for new employers. Ad hoc Meetings - to review operational issues
Employer Meeting	An annual forum to discuss, manage and communicate major strategic issues, legislation changes and funding matters
Scheme literature	A range of publications for use by employers and scheme members including the scheme booklet, additional information leaflets (e.g. added years) etc
Administration Forms	Standard forms with guidance notes to notify Pension Section of key events affecting pension benefits.

3.4 We aim to continually develop all of the above communications in the light of employer requests and changes in legislation.

4. Communications with Fund Members

4.1 The Fund provides a broad range of information for scheme members (employees, Deferred Members and Pensioners) and will provide a quality, professional and efficient pension administration service as required within the Regulations.

4.2 Our aim is to provide a quality, professional and efficient pensions administration service, which delivers accurate and timely information to members either in response to their specific enquiries or through the Fund's published information.

4.3 The following table summarises the main forms of communication we currently provide

Description	Current Service
Requests for information.	Provision of accurate, timely and informative details of the Local Government Pension Scheme and individual information to scheme members
Website	The Fund website was launched in November 2004. The address is http://worcestershire.whub.org.uk/home/wcc-finance-pensions-homepage.htm It provides Scheme details, publications, contacts, and links to other organisations e. g. AVC providers.
Scheme Booklet	A guide to the Local Government Pension Scheme describing scheme benefits with explanatory notes is provided to all new members. Booklet is re-written to reflect legislation changes and is available on the website
Benefit Statements	Annual Benefit Statements are sent direct to members
Annual Reports and Accounts	A copy of the Funds Annual Report and Accounts is available to all Scheme members on request and is available on the website.
Pensions Presentations	The Fund attends and presents at employer sponsored pension seminars at employer's request
Member Newsletter	The Fund provides an update on developments within the Scheme.

4.4 We aim to continually develop all of the above communications in the light of employer and member requests and changes in legislation

5. Communications within Fund Administration

5.1 The Pension Section, which is part of the Financial Services Directorate and reports to the Director of Financial Services, administers the Fund on a day-to-day basis.

5.2 An important part of the Fund's communication strategy is ensuring effective communications within the Pension Section. This is achieved in a number of ways:

Description	Current Service
Induction	All new members of staff attend Pension and County Council induction courses .
Training	Staff have individual Personal Development Plans and regular appraisals They receive internal and where appropriate external training
Pensions Qualifications	All staff are encouraged and supported to obtain appropriate professional qualifications
Service Plan	The Pensions Section has an Operational Plan, which is actively managed and discussed in regular Team Meetings. The plan includes key performance indicators and progress against the plan is reviewed monthly
Pensions Management Team	Regular meetings to discuss strategic plans and operational issues
Section and Team Meetings	All members of staff attend regular Section and Team Meetings
Intranet	All Pensions staff have access to the intranet providing information on corporate issues.
Internet	Staff have access to the internet.
Email	All members of the Team have an individual email account allowing us to communicate efficiently and effectively
Networking	Staff meet regularly with neighbouring Local Authority Pension Funds to discuss current issues etc.

6. Communications with Professional Advisers

6.1 The Fund employs professional advisers who provide, actuarial and investment management services

6.2 We work in partnership with these advisers to ensure the Scheme remains compliant and that advice sought is implemented in the interest of all Fund stakeholders.

7. Communications with External Bodies

7.1 The Fund communicates with a range of other organisations such as the Department for Communities and Local Government (DCLG), Regional and National Pensions Managers Forums, trades unions etc as shown below.

Description	Current Service
DCLG	Responding to consultation proposals for change to the scheme as required by the DCLG Providing information required under disclosure regulations
National Association of Pension Funds (NAPF)	Attending NAPF local authority forum meetings and topical seminars
Society of County Treasurers	A forum of Treasurers and Directors of Finance of all Shire County Councils sharing information and best practice on all financial issues, including matters relating to pension fund management
Pensions Officer Group	A local forum for exchanging information and best practice in benefits administration with other Administering Authorities in the North West and Midlands region

8. Published Documents

8.1 The County Council produces a number of documents shown below which support this communication policy statement.

Document	Purpose	Frequency
Statement of Accounts	The fund's statutory audited accounts	Produced annually
Annual Reports	Report reviewing performance and summarising major events in each financial year	Produced annually
Funding Strategy Statement	Describes the approach to funding liabilities within the scheme	Reviewed annually
Triennial Valuation Report	Describes the results of the triennial valuation and employer contribution rates	Produced after each triennial valuation (last published in spring 2008)
Pension Scheme Booklet	Describes the benefits available within the scheme	Reviewed at least annually and to reflect regulatory changes Available on website
Annual benefits Statement	Statement of the present and future value of member's benefits	Sent to all employed and deferred members annually
Employee newsletters	Provides briefing on topical developments	Despatched annually or more frequently as required

All published documents are available on the Worcestershire County Council Pension Fund website at <http://worcestershire.whub.org.uk/home/wcc-finance-pensions-homepage.htm>

9. Contacts and further information

The Director of Resources is responsible for the day-to-day management of the affairs of the Worcestershire County Council Pension Fund including Fund investments, accounting and benefits administration.

For further information contact the Pension Section, telephone (01905) 766511 or email pensions@worcestershire.gov.uk

Appendix 6

Policy Statement on Governance Strategy

1. Introduction

1.1 The Worcestershire County Council Pension Fund administers the Local Government Pension Scheme for its own employees and employees of 71 other Scheme Employers in the administrative area of Herefordshire and Worcestershire.

This Statement should be read in conjunction with the Fund's Statement of Investment Principles and the Funding Strategy Statement which are included in the Pension Fund Annual Report and Accounts available on the Council's website at www.worcestershire.gov.uk.

2. Fund Governance

Governance relating to Fund Investments

2.1 The County Council has delegated responsibility for the management of the fund to the Director of Financial Services. The Director of Financial Services reports to the Chief Executive and the Cabinet Member with Responsibility for Resources.

2.2 In matters relating to the management of the Funds assets the Director of Financial Services is advised by an Investment Monitoring Group, which is made up mainly of councillors from Worcestershire County Council (which is the body legally charged with the responsibility for managing the Fund). The composition of the group is intended to reflect the abilities and knowledge of the individuals in matters relating to the investment of the Fund rather than political representation.

2.3 The Investment Monitoring Group advise the Director of Financial Services on specific matters relating to:

- the overall strategy for the Pension Fund investments
- monitoring of the overall performance of the Pension Fund and that of the Fund managers
- the appointment of the Fund managers

2.4 The Director of Financial Services and the Investment Monitoring Group are advised by an independent financial adviser who attends all Group meetings.

2.5 The Cabinet Member with Responsibility for Resources is the Chairman of the Investment Monitoring Group, which meets at least quarterly to review the investment performance of Fund Managers in the presence of the independent financial adviser. Further monitoring meetings with Fund Managers are undertaken by officers of the Authority and the outcomes reported to the Group. In addition an annual meeting takes place to consider the full year's performance of the Fund and to review the overall strategy for the Pension Fund Investments.

2.6 The Fund's Statement of Investment Principles (SIP) sets out the arrangements in place for the management of the investments of the Worcestershire County Council Pension Fund.

2.7 The day to day management of the Fund's investments is divided between five external investment managers operating in accordance with mandates set out in the Statement of Investment Principles.

Governance relating to Benefits Administration

2.8 The Pensions Scheme regulations allow for several administering and employing authority discretions. The County Council as administering authority has the discretion to determine its own policy. The Fund will consult with all participating employers on any proposals to change its policy on administering authority discretions.

2.9 Employer meetings are held to which all Fund employers are invited to attend. The meetings provide an opportunity for employers to question and challenge officers on matters of interest to their authority/organisation. The Actuary also attends the employer meetings to discuss the outcomes of the triennial/interim valuations and respond to any issues raised by employers.

2.10 The Fund always considers the views expressed by employer organisations and staff representatives.

2.11 Other meetings are held as required with employers to discuss important issues such as discretionary policies and regulatory changes.

2.12 We also communicate with our membership by newsletters, roadshows and presentations.

2.13 The Fund's Communication Strategy Statement explains in more detail engagement with all stakeholders.

3. Contacts and further information

3.1 The Director of Resources is responsible for the day to day management of the affairs of the Worcestershire County Council Pension Fund including Fund investments, accounting and benefits administration. For further information contact:

- The Accountancy Section, Tel. (01905) 766513 - Investments and Accounts
- The Pensions Section, Tel. (01905) 766511 - Benefits Administration

3.2 Additional information on the activities of the Pension Fund can be found in the Annual Report and Accounts which is available on the Council's website at www.worcestershire.gov.uk.

Appendix 7

Statement by the Fund's Actuary

Introduction

The Actuarial Valuation Report sets out the results of the actuarial valuation of the Worcestershire County Council Pension Fund (the Fund) as at 31 March 2007.

The primary aims of the valuation are to review the financial position of the Fund and to determine appropriate employer contributions to the Fund for the future.

In particular, the valuation aims:

- to assess the Fund's funding position relative to its funding objective;
- taking the above into account, to determine the appropriate future level of employer contributions.

The valuation has been carried out in accordance with Regulation 77 of the Local Government Pension Scheme Regulations 1997 (as amended).

Funding Level

In the latest Actuarial Valuation Report published March 2008, Mercer the Fund Actuary, reported a funding level of 72% relative to the Fund's funding target, as at 31 March 2007.

Appendix 8

Governance Compliance Statement

This statement shows how Worcestershire County Council as the administering authority of the Worcestershire County Council Pension Fund complies with guidance on the governance of the Local Government Pension Scheme (LGPS) issued by the Secretary of State for Communities and Local Government in accordance with the Local Government Pension Scheme (Amendment) Regulations 2008.

Ref.	Principles	Compliance and comments
A	Structure	
a.	That the management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	In accordance with legislation, the County Council has delegated responsibility for the management of the Pension Fund to the Director of Financial Services (DFS) and in matters relating to the management of the Fund's assets the DFS is advised by an Investment Monitoring Group in respect of Fund management.
b.	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Delegation is to the DFS. The Council has not appointed either a main or secondary committee to administer the Fund or the benefits.
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Delegation is to the DFS. The Council has not appointed a secondary committee.
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Delegation is to the DFS. The Council has not appointed a secondary committee.
B	Representation	
a.	That all key stakeholders have the opportunity to be represented within the main or secondary committee structure. These include: employing authorities (including non-scheme employers, e.g., admitted bodies) scheme members (including deferred and pensioner scheme members) where appropriate, independent professional observers, and expert advisers (on an ad-hoc basis).	Delegation is to the DFS. The Council has not appointed a main or secondary committee.
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings, and training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Delegation is to the DFS. The Council has not appointed a main or secondary committee. All members of the Investment Monitoring Group are treated equally.
C	Selection and role of lay members	
a.	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Delegation is to the DFS. The Council has not appointed a main or secondary committee. The role of members of the Investment Monitoring Group is clearly explained.
b.	That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Delegation is to the DFS. The Council has not appointed a main or secondary committee.

D	Voting	
a.	That the individual administering authorities on voting rights are clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Delegation is to the DFS. The Council has not appointed a main or secondary committee.
E	Training / facility time / expenses	
a.	That in relation to the way in which the administering authority takes statutory and related decisions, there is a clear policy on training, facility time and reimbursement of expenses for members involved in the decision-making process.	Delegation is to the DFS. The Council has not appointed a main or secondary committee. Training and expenses for the Investment Monitoring Group are available as required.
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Delegation is to the DFS. The Council has not appointed a main or secondary committee. The policy applies to all members of the Investment Monitoring Group.
c.	That the administering authority considers adopting annual training plans for committee members and maintains a log of all such training undertaken.	Delegation is to the DFS. The Council has not appointed a main or secondary committee. Training for the Investment Monitoring Group is provided as required.
F	Meetings (frequency / quorum)	
a.	That an administering authority's main committee or committees meet at least quarterly.	Delegation is to the DFS. The Council has not appointed a main or secondary committee. The Investment Monitoring Group meets quarterly.
b.	That an administering authority's secondary committee or panel meets at least twice a year and is synchronised with the dates when the main committee sits.	Delegation is to the DFS. The Council has not appointed a main or secondary committee.
c.	That an administering authority that does not include lay members in its formal governance arrangements, must provide a forum outside of those arrangements to represent the interests of key stakeholders.	Opportunity is provided for all admitted and scheduled bodies to meet annually. The Fund's actuary will attend to present the actuarial valuation.
G	Access	
a.	That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that are due to be considered at meetings of the main committee.	Delegation is to the DFS. The Council has not appointed a main or secondary committee.
H	Scope	
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Employer meeting is held as required to discuss scheme issues and Communication Strategy Statement details engagement with all stakeholders including Fund members.
I	Publicity	
a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in how the scheme is governed can say they want to be part of those arrangements.	Details of governance arrangements are included in the Pension Fund Annual Report and Accounts available on the Council's website.

Appendix 9

Independent Auditor's Report to the Members of Worcestershire 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 Worcestershire 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 Financial Services and auditor

The Director of Financial Services 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 Financial Services 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. That information comprises the Pension Fund Account, Net Assets Statements and the related notes.

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.

Elizabeth Cave
Officer of the Audit Commission
Blackpole Business Centre
Blackpole Road
Worcester
WR3 8SQ
22 July 2010

Appendix 10

Glossary of Terms

Accounting Policies

The policies and concepts used in the preparation of the accounts.

Accruals

Sums included in the accounts to cover income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

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.

Augmentation

Additional employer contributions relating to the cost of employees who are allowed to retire before their normal retirement age.

Custodian

The organisation that holds and safeguards the Pension Fund assets.

Deferred Pension benefit

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

Derivatives

A financial instrument whose characteristics and value depend upon the characteristics and value of an underlier, typically a commodity, bond, equity or currency. Examples of derivatives include futures and options.

Equities

Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business.

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.

Forward Foreign Exchange

An agreement to purchase or sell an amount of foreign currency at a future date and predetermined price.

Index Linked

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

Pooled Investment Vehicles

A fund in which multiple investors contribute assets and hold them as a group, for example a unit trust.

Scheduled Bodies

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

Statement of Recommended Practice (SORP)

This relates to the Code of Practice on Local Authority accounting which is published by the Chartered Institute of Public Finance and Accountancy.

Stock Lending

The temporary transfer of stock (shares/securities) to a third party for a fixed or open period of time. In return the owner of the stock receives an agreed consideration secured by collateral of equal or greater value than the loaned securities.

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.

You can contact us in the following ways:

For further information in issues relating to Fund Investments and Accounts please contact:

Mark Forrester

By telephone: 01905 766513

By fax: 01905 766578

By email: mforrester@worcestershires.gov.uk

If you have any queries on the benefits or costs of membership of the Pension Fund please contact:

Linda Probin

By telephone: 01905 766511

By fax: 01905 766569

By email: lprobin@worcestershires.gov.uk

Or you can write to:

Patrick Birch

Director of Resources

Worcestershire County Council,

County Hall,

Worcester

WR5 2NP

Copies of this Annual Report and further information can also be found on the Worcestershire County Council website:
www.worcestershire.gov.uk

This document can be made available in other formats (large print, audio tape, computer disk and Braille) on request from the Finance Team on telephone number 01905 766501 or by emailing financequeries@worcestershires.gov.uk

If you can not understand the contents of this document and do not have access to anyone who can translate it for you, please contact 01905 765765 for help.

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Türkçe. Bu dokümanın içeriğini anlayamazsanız veya dokümanı sizin için tercüme edebilecek birisine ulaşamıyorsanız, lütfen yardım için 01905 765765 numaralı telefonu arayınız. (Turkish)

اردو۔ اگر آپ اس دستاویز کی مشمولات کو سمجھنے سے قاصر ہیں اور کسی ایسے شخص تک آپ کی رسائی نہیں ہے جو آپ کے لئے اس کا ترجمہ کرسکے تو، براہ کرم مدد کے لئے 01905 765765 پر رابطہ کریں۔ (Urdu)

کردی سۆرانی. ننگەر ناتوانی تێبگهی له ناوهێژی ئهم بڵاگهی و دهستت به ههچ کێس ناگت که و مێگهێرێتوه بۆت، تکایه تلهفون بکه بۆ ژمارهی 01905 765765 و داوای رینۆینی بکه. (Kurdish)

ਪੰਜਾਬੀ। ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਮਜ਼ਮੂਨ ਸਮਝ ਨਹੀਂ ਸਕਦੇ ਅਤੇ ਕਿਸੇ ਅਜਿਹੇ ਵਿਅਕਤੀ ਤੱਕ ਪਹੁੰਚ ਨਹੀਂ ਹੋ, ਜੋ ਇਸਦਾ ਤੁਹਾਡੇ ਲਈ ਅਨੁਵਾਦ ਕਰ ਸਕੇ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਮਦਦ ਲਈ 01905 765765 'ਤੇ ਫ਼ੋਨ ਕਰੋ। (Punjabi)

For further copies of this document or questions about it please contact us using the details above.

Electronic copies of this document are available at:

<http://worcestershires.gov.uk/home/wcc-finance-statement-of-accounts-0708.pdf>

To the best of our knowledge all information was correct at the time of printing: October 2010