

Cumbria Local Government Pension Scheme Members' Report 2005-2006



November 2006

Summary Annual Report and Accounts

Cumbria County Council is the statutory Administering Authority for the Cumbria Local Government Pension Scheme. The scheme provides benefits to employees of the local authorities and other ancillary bodies in the County including:

Cumbria County Council
Allerdale Borough Council
Barrow Borough Council
Carlisle City Council
Copeland Borough Council
Eden District Council
South Lakeland District Council
Cumbria Police Authority (civilians)

The fund does not cover teachers, police officers and firefighters for whom separate statutory pension arrangements exist.

Communities and local government

The 'Department for Communities and Local Government' has replaced the 'Office of the Deputy Prime Minister' as the government body responsible for the LGPS. For the very latest updates on your pension scheme, visit the website: communities.gov.uk/lgps

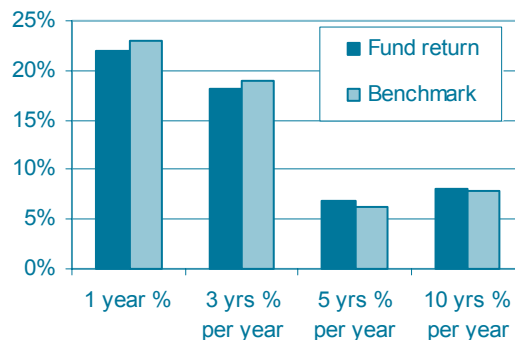
Contact details

Questions regarding your own pension and benefits should be directed to:
The Pensions Section,
Capita Business Services,
The Capita Building,
Kingmoor Business Park, Carlisle
CA6 4SJ
01228 673696

Pension fund invests more than one billion pounds

Investment performance

This year has been one of strong growth, with the fund breaking the one billion pound mark in December 2005 and reaching £1,093 million at 31st March 2006. The investment return achieved by the fund of 22.0% was double the previous year's return of 11.0%, although slightly below the scheme-specific benchmark of 23.0%. The Cumbria Fund has performed well over the longer term and ranks 35th out of 100 in the local authority league table for the 10 year investment return.



Cumbria investment returns to 31 March 2006 compared to the fund's benchmark.

Local government pensions

The Local Government Pension Scheme provides valuable benefits for staff. It is a final salary pension scheme where the pension is based on the final years pensionable pay and actual scheme membership. Employees contribute 6% of their pensionable pay and also receive tax relief on their contributions. The scheme employer pays the balance of the cost of providing the scheme's benefits after taking into account investment returns.

The main benefits include*:

- A tax-free lump sum when an employee retires.
- A guaranteed pension based on final years pensionable pay.
- Voluntary retirement from age 60 (possibly a reduced pension).

- Retirement from age 50 with the employer's consent.
 - An ill health pension from any age.
 - A death in service lump sum of two times final year's pensionable salary.
 - A widows or widower's pension.
 - Children's pension.
 - Index linking of benefits from age 55 (except ill-health cases) to keep pace with inflation.
- * The above is a summary only, intended to give an outline of the current scheme. An 'Employees Guide to the LGPS' is available from the Finance Directorate or Capita.

Specific queries on pension benefits should be referred to the Pensions Section, Capita.

New look LGPS for 2008

The Local Government Pension Scheme is undergoing a major review of benefit and funding options to ensure Local Government can provide an attractive pension scheme at a level which is sustainable and affordable going into the future. In June 2006, the Government issued a consultation paper setting out possible options for a new look LGPS in England and Wales. Following a formal consultation exercise

with local authorities, unions and employer representatives the new scheme will come into force in April 2008. It will remain a final salary scheme. Contributions paid from 1st April 2008 will be towards the new scheme which is likely to include a Normal Pension Age of 65, an accrual rate of 1/60th, tiered employee contribution rates, and a revised ill-health package.

Figures at a glance

Investment Assets as at

31st March 2006	£'000
Equities	433,844
Managed Funds	363,608
Fixed Interest	110,488
Property	81,975
Index-Linked	50,750
Unit Trusts	25,528
Cash	19,802
Total Investments	1,085,995

Other Net Assets :

External Manager Net Assets	2,361
Administering Authority Net Assets	2,426
Cash held by Admin Authority	2,099
Total Assets as at 31/03/06	1,092,881

Fund Account Year 2005-06

Income :	£'000
Employers contributions	36,004
Employees contributions	14,072
Transfers In	13,215
Actuarial strain and capitalisation	4,786
Total Income	68,077
Expenditure :	
Net Pensions Paid	34,901
Net Lump Sums Paid	5,194
Transfers and Refunds	6,225
Administration	850
Total Expenditure	47,170
Surplus on dealing with members	20,907
Return on Investments :	
Investment Income	24,272
Change in Market Value of Investments	170,384
Less Investment Management Expenses	-2,437
Net Return on Investments	192,219
Opening Net Assets of the Scheme	879,755
Additions from Dealing with Members	20,907
Total at 31/03/06	1,092,881

A full copy of the Annual Report and Accounts and a large print version of this leaflet are available from Cumbria County Council, Finance, The Courts, Carlisle, CA3 8NA. 01228 606566

Investment news

Investment manager performance

The performance of the investment managers for the year to 31st March 2006 was mixed, with the UK equity managers and property manager underperforming the benchmark, whereas the bond manager and new overseas equity manager outperformed. Last year the Pension Committee selected a new manager for the overseas equity mandate, GMO, and the portfolio has been managed by GMO since 22nd April 2005. Legal and General manage 38% of the fund assets on a passive basis, the target being to match various indices.

Investment strategy

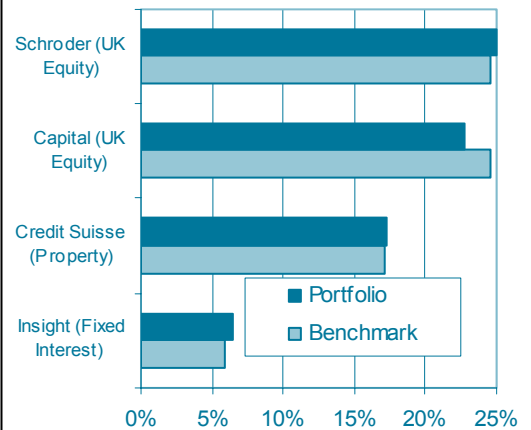
There is a statutory requirement for administering authorities to prepare, maintain and publish a Statement of Investment Principles, detailing the investment policy including the objectives of the fund, the management of risk, corporate governance and the compliance with the Myrers' Report.

The Strategic Investment Review completed in September 2005 recommended changes to the Scheme structure to reduce some risks and invest the fund in some higher return assets. The selection of new managers will take place

during early 2007.

The full Statement of Investment Principles in place at the 31st March 2006 has been issued to all employers of the fund and is also published in the Annual Report 2005-2006. A copy is available on the Council's website, cumbriacc.gov.uk or can be obtained from the Finance Directorate.

Three Year Manager Performance % per year



The annualised performance over the three year period to 31 March 2006 against the individual benchmarks. GMO not shown (from April 05)

Actuarial valuation

Every three years an independent actuary calculates how much employers need to contribute to the scheme. The valuation assesses the accrued liability of the Fund for future benefits to scheme members, the adequacy of the Fund, and future contribution levels to meet these promised benefits when due.

The valuation at 31 March 2004 showed a decline in the overall funding level, from 94% in 2001 to 76%, 11th highest of the 35 Society of County Treasurers survey members.

An interim review at 31 March 2006 shows an improvement in the funding level to 82%.

At the March 2004 valuation the Cumbria Local Government Pension Scheme had over 16,000 active members, close to 10,000 pensioners and dependants receiving benefits,

and over 8,000 preserved pensions. Current employee membership has increased to 17,500.

Plans are in place to restore the funding level to 100% over the long term. Contribution rates have been certified for the three years commencing 1 April 2005 for employers participating in the Fund. The rate of employers' contribution varies from 7.4% to 30.4%, with the County Council paying 16.4%.

There is a statutory requirement for administering authorities to prepare and publish a Funding Strategy Statement (FSS) by 31 March 2005. The Funding Strategy Statement as approved by the Cumbria Pensions Committee has been issued to all employers of the fund and is also published in the Annual Report 2005-2006.