

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

Introduction

Nottinghamshire County Council is the administering authority for the Local Government Pension Scheme (LGPS) within Nottinghamshire. The LGPS is a statutory scheme administered by individual pension funds. The benefits within the scheme are determined by regulation and are guaranteed by statute. The pension fund exists to help defray the cost of paying the pension benefits. Members make contributions to the Fund as specified in the regulations and employers make contributions as determined by the Fund's actuary as part of the triennial valuation of the Fund. All new employees are brought into the scheme automatically, unless a positive election not to participate is received from the employee.

The County Council administers the pension fund for over 100 participating employers and over 100,000 members. The employers include the County Council, the City Council, District Councils and organisations which used to be part of local government (such as Nottingham Trent University, Colleges and Police civilian staff). They also include organisations which satisfy the conditions to participate in the LGPS and have been admitted to the Fund by the County Council. In general, these organisations are non-profit making, or are undertaking a service which was, or could be, carried out by the local authority.

The operation of the Fund is set out in a number of published policy statements. Under the Governance Compliance Statement, the functions as administering authority of the Fund are delegated to the Pensions Committee supported by two advisory sub-committees.

The Funding Strategy Statement sets out the aims and purpose of the Fund and the responsibilities of the administering authority as regards funding the scheme.

The Statement of Investment Principles sets out more detailed responsibilities relating to the overall investment strategy of the Fund including the proposed asset allocation, restrictions on investment types, the type of investment management used and performance monitoring. It also states the Fund's approach to responsible investment and corporate governance issues.

The Risk Management Strategy and Risk Register identify and assess the key risks to the achievement of the Fund's aims and outline controls to mitigate those risks.

The Communications Strategy Statement details the overall strategy for involving stakeholders in the Fund. A key part of this strategy is a dedicated Fund website which is available at: www.nottspf.org.uk.

The accounts of the fund are set out over the following pages. A separate annual report for the Fund is also produced and this, along with previous years' reports, will be accessible via the pension fund website. The annual report includes the accounts and the published policies as well as information on the investment performance of the fund.

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

FUND ACCOUNT FOR YEAR ENDED 31 March 2012

	Notes	As restated 2010/11 £000	2011/12 £000
Contributions	4		
Employer contributions		(131,003)	(134,907)
Member contributions		(45,815)	(42,242)
		(176,818)	(177,149)
Transfers in from other pension funds		(16,570)	(10,197)
Benefits	5		
Pensions		103,597	117,060
Commutation of pensions and lump sum retirement benefits		36,601	37,467
Lump sum death benefits		3,328	3,588
		143,526	158,115
Payments to and on account of leavers		24,453	10,738
Administration Expenses	7	1,390	1,301
Net additions from dealings with members		(24,019)	(17,192)
Investment Income	8	(83,230)	(84,830)
Profits & losses on disposal of investments & changes in value		(173,887)	32,988
Taxes on income		690	674
Investment management expenses	9	4,465	3,871
Net Returns on Investments		(251,962)	(47,297)
Net (increase)/decrease in net assets available for benefits during the year		(275,981)	(64,489)
Opening net assets of the Fund		2,731,826	3,007,807
Net assets available to fund benefits		3,007,807	3,072,296

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

NET ASSETS STATEMENT FOR THE YEAR ENDED 31 March 2012

		As restated	
	Notes	31 March 2011	31 March 2012
		£000	£000
Investment Assets	10 & 11		
Fixed Interest Securities		266,901	288,011
Index Linked Securities		62,471	75,344
Equities		1,470,613	1,439,871
Pooled Investment Vehicles		785,844	854,489
Property		272,017	266,603
Cash deposits		132,186	137,382
Other Investment Balances	12	12,334	14,316
Investment liabilities	12	(3,383)	(3,232)
		2,998,983	3,072,784
Current assets	13	13,449	14,994
Current liabilities	13	(4,625)	(15,482)
		8,824	(488)
Net assets of the fund available to pay benefits at the year end		3,007,807	3,072,296

The actuarial present value of promised retirement benefits, as required by IAS 26, is shown at note 2.

EXPLANATION OF PRIOR PERIOD ADJUSTMENTS

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). On issues where there is no clear guidance in the Code, reference has been made under the hierarchy of standards to Financial Reports of Pension Schemes: a Statement of Recommended Practice 2007 (the Pensions SORP).

The market value of fixed interest and index linked investments was previously based on the 'dirty price', i.e. included income accrued at 31 March but not yet due for payment. To more fully comply with the accounting requirements specified above these are now reported on the basis of the 'clean price', i.e. excluding accrued income. This is a change from previous years to more fully comply with the accounting requirements specified above.

The above change has had the following impact on the comparative figures for 2010/11 compared with those published in the 2010/11 Statement of Accounts (only figures that have changed are included below in detail).

	Fund Account		Fund Account
	2010/11		2010/11
	Statement of Accounts	Change	Comparative
	£000	£000	£000
Investment Income	(79,051)	(4,179)	(83,230)
Profits & losses on disposal of investments & changes in value	(178,066)	4,179	(173,887)
	(257,117)	-	(257,117)

Impact on the Net Assets Statement:

	Net Assets 2010/11 Statement of Accounts £000	Change £000	Net Assets 2010/11 Comparative £000
Investment Assets			
Fixed Interest Securities	270,799	(3,898)	266,901
Index Linked Securities	62,752	(281)	62,471
Other Investment Balances	8,155	4,179	12,334
	341,706	-	341,706

NOTES TO THE ACCOUNTS**1. ACCOUNTING POLICIES****BASIS OF PREPARATION**

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). On issues where there is no clear guidance in the Code, reference has been made under the hierarchy of standards to Financial Reports of Pension Schemes: a Statement of Recommended Practice 2007 (the Pensions SORP). Disclosures in the Pension Fund accounts have been limited to those required by the Code.

DEBTORS AND CREDITORS

The accruals concept for debtors and creditors is applied to these accounts in compliance with the Code.

INVESTMENTS

Pension fund investments are carried at fair value in accordance with the Code. Fair value is defined as 'the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction'. Where an active market exists, the quoted market price is used. Where there is no active market, fair value is established by using valuation techniques. Specific details on the valuation methods for particular classes of assets are listed below.

a) Equities traded through a stock exchange are valued at the latest quoted price. Where more than one price is quoted the 'bid' price is used.

b) Unit Trusts and managed funds are valued at the closing single price or the bid price where applicable. These reflect the market value of the underlying investments.

c) Unquoted securities and pooled private equity investments are valued at fair value by the fund managers at the year end in accordance with industry accepted guidelines.

d) The market value of fixed interest investments is based on the 'clean price', i.e. excludes income accrued at 31 March but not yet due for payment. This is a change from previous years to more fully comply with the accounting requirements specified above. Comparative figures have been amended to reflect this change.

e) Property investments are stated at open market value based on a quarterly independent valuation at the Net Assets Statement date. The valuations are carried out by Members of the Royal Institution of Chartered Surveyors. The properties are valued individually using the Investment Method of Valuation. This is the standard approach for valuations for accounts purposes of property held as investment. This approach involves assessing the current and future cashflows and applying the appropriate yield. The valuations are supported by comparable market data.

Acquisition costs are included in the purchase cost of investments.

The change in fair 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.

Forward foreign exchange contracts are over the counter contracts under which two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange. These are used to manage the economic exposure to bond markets and hedge against foreign currency movements. These contracts are included at fair value by determining the gain or loss that would arise from closing out the contract at the Net Assets Statement date by entering into an equal and opposite contract at that date. The movements on these contracts during the year are shown in the reconciliation of opening and closing balances of investments at note 10.

INVESTMENT INCOME

Investment income is accounted for on an accruals basis. The following apply to particular income:

- a) interest on cash deposits and fixed interest securities are accrued on a daily basis;
- b) dividends from equities are accrued when the stock is quoted ex-dividend;
- c) rents from property are accrued in accordance with the terms of the lease.

TAXES ON INCOME

UK equity dividends are quoted and accounted for at the net rate. The tax credit, which the Fund is unable to recover, is not recognised (in accordance with the Pensions SORP). Overseas equity dividends are accounted for gross of withholding tax, where this is deducted at source. Partial reclaims of withholding tax, where allowed, are adjusted at the year end by outstanding claims.

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 translated into sterling at the rate ruling on the date of the transaction. Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

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. Additional contributions from the employer are accounted for on an accruals basis.

BENEFITS PAYABLE

Under the rules of the Scheme, members can receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from 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 from the date the option is exercised. Other benefits are accounted for on the date the member leaves the Scheme or on death.

TRANSFERS TO AND FROM OTHER SCHEMES

Transfer values represent the capital sums either receivable (in respect of members from other pension schemes of previous employers) or payable (to the pension schemes of new employers for members who have left the Scheme). They take account of transfers where the trustees (or administering authority) of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year end, and where the amount of the transfer can be determined with reasonable certainty.

OTHER EXPENSES

Administration and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT. Nottinghamshire County Council charges the Fund with the costs it incurs in administering the scheme and the Fund.

2. OPERATION OF THE FUND

(a) Contributions and Solvency

With effect from 1 April 2008 The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 were introduced in conjunction with the Local Government Pension Scheme Regulations 1997. The principal changes from the 1997 regulations were: the replacement, for future service, of the existing benefits structure (based on a pension of 1/80th of pensionable pay for each year of pensionable service plus an automatic lump sum of three times this amount)

by one based on 1/60th of pensionable pay for each year of pensionable service and no automatic lump sum. Additional scheme changes are currently being consulted on with the intention to implement from 1 April 2014.

Employees are required by the current combined Regulations to make percentage contributions by deduction from earnings at a rate between 5.5% and 7.5% depending on salary. Employers are required to make such balancing contributions, determined by the Actuary, as will maintain the fund in a state of solvency, having regard to existing and prospective liabilities.

(b) Actuarial Valuations

As required by the Regulations an Actuarial Valuation of the Fund was carried out as at 31 March 2010. The market value of the Fund's assets at the valuation date was £2,732 million. The Actuary has estimated that the value of the Fund was sufficient to meet 84% of its expected future liabilities in respect of service completed to 31 March 2010. The certified contribution rates are expected to improve this to 100% within a period of 20 years.

The Actuarial Valuation was carried out using the projected unit method and the assumptions used within the valuation were as follows:

	March 2010	
	% pa	Real % pa
Investment return:		
Equities/absolute return funds	7.5%	4.0%
Gilts	4.5%	1.0%
Bonds & Property	5.6%	2.1%
Discount Rate	6.9%	3.4%
Risk Adjusted Discount Rate	6.8%	3.3%
Pay Increases	5.0%	1.5%
Price Inflation	3.5%	-
Pension Increases	3.0%	-0.5%

The full actuarial valuation report is available on the Fund's website at: www.nottspf.org.uk.

The employers' contribution rates paid in 2010/11 were set by the valuation carried out as at 31 March 2007. The rates to be paid in years 2011/12 to 2013/14 were set by the latest valuation carried out as at 31 March 2010. At that valuation, the Actuaries certified a common rate of contribution of 18.0% of pensionable payroll with individual adjustments for certain employers. The following list shows the rates payable by the main employers:

Percentages of Pensionable Pay	2010/11	2011/12 to 2013/14
	%	%
Nottinghamshire County Council	17.4	18.3
Nottingham City Council	17.4	18.0
Ashfield District Council	22.4	22.4
Bassetlaw District Council	21.1	22.1
Plus	£670,000	
Broxtowe Borough Council	17.7	18.7
Gedling Borough Council	17.6	18.2
Mansfield District Council	20.3	20.5
Newark and Sherwood District Council	21.9	21.9
Rushcliffe Borough Council	19.2	19.5
Plus	£163,600	

The cash figures quoted for some employers are specific amounts for deficit recovery certified by the actuaries in addition to the normal contribution rate.

(c) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits has been calculated by the Fund's actuaries in accordance with IAS 19. To do this, the actuaries rolled forward the value of the Employers' liabilities calculated for the Triennial valuation as at 31 March 2010 allowing for the different financial assumptions required under IAS19. The assumptions used for the purposes of the IAS 19 calculations are as follows:

	31 March 2010		31 March 2011		31 March 2012	
	% pa	Real % pa	% pa	Real % pa	% pa	Real % pa
RPI Increases	3.9%	-	3.5%	-	3.3%	-
CPI increases	n/a		2.7%	-0.8%	2.5%	-0.8%
Salary Increases	5.4%	1.5%	5.0%	1.5%	4.7%	1.4%
Pension Increases	3.9%	-	2.7%	-0.8%	2.5%	-0.8%
Discount Rate	5.5%	1.5%	5.5%	1.9%	4.6%	1.3%

The net liability under IAS 19 is shown below.

	31/3/10	31/3/11	31/3/12
	£000	£000	£000
Present value of funded obligation	4,615,283	4,057,629	4,966,881
Fair value of scheme assets	2,731,826	2,957,085	3,061,212
Net Liability	1,883,457	1,100,544	1,905,669

The present value of funded obligation consists of £3,968,456,000 in respect of Vested Obligation and £998,425,000 in respect of Non-Vested Obligation. These figures are presented only for the purposes of IAS 19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

(d) Investment Strategy

The Pensions Committee, advised by the Pensions Investment Sub-Committee, is responsible for determining the investment strategy of the Fund and the type of investment management to be used.

The investment strategy of the Fund is designed to maximise growth within acceptable risk parameters to help meet the future liabilities. The powers of investment are governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Strategic decisions on investment policy are made by the Pensions Committee, advised by a Pensions Investment Sub-Committee. The policy is set out in the Fund's Statement of Investment Principles, a copy of which is available on the pension fund website (www.nottspf.org.uk).

The Sub-Committee consists of nine elected County Councillors, three representatives of Nottingham City Council, two representatives of the District Councils, two representatives of the trade unions and a representative elected by the other scheduled and admitted bodies. Meetings are also attended by an independent adviser and representatives of the Service Director (Finance & Procurement).

The investments are managed by officers of the County Council or by organisations specialising in the management of pension fund assets. The Sub-Committee meets on a quarterly basis to review the investments of the Fund.

(e) External Audit

A separate fee is payable to the Audit Commission for audit of the pension fund. All fees have been included in the accounts for the period to which they relate. The fee for 2011/12 is £44,460 (2010/11 £49,500).

3. CONTRIBUTORS AND PENSIONERS

	Members at 31/3/2012				Total
	County Council	City Council	District Councils	Other	
Contributors	16,587	8,681	3,569	9,546	38,383
Deferred Beneficiaries	15,863	7,719	3,307	6,949	33,838
Pensioners	13,720	5,601	4,307	4,847	28,475
					100,696

	Members at 31/3/2011				Total
	County Council	City Council	District Councils	Other	
Contributors	18,099	8,981	3,795	9,039	39,914
Deferred Beneficiaries	14,899	7,622	3,161	6,418	32,100
Pensioners	12,879	5,265	4,160	4,418	26,722
					98,736

4. ANALYSIS OF CONTRIBUTIONS

	Employers		Members		Total	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
County Council	50,200	51,062	17,315	15,352	67,515	66,414
Scheduled Bodies	76,352	78,216	26,928	25,469	103,280	103,685
Admitted Bodies	4,451	5,629	1,572	1,421	6,023	7,050
	131,003	134,907	45,815	42,242	176,818	177,149

5. ANALYSIS OF BENEFITS

	2010/11 £000	2011/12 £000
Pensions	103,597	117,060
Commutation and lump sum	36,601	37,467
Lump sum death benefits	3,328	3,588
	143,526	158,115
Comprising of:		
County Council	62,501	64,797
Scheduled Bodies	77,386	88,686
Admitted Bodies	3,639	4,632
	143,526	158,115

6. RELATED PARTY TRANSACTIONS

During the financial year 2011/12 County Councillor Mr D Taylor was a member of the Nottinghamshire County Council Pensions Committee and in receipt of a pension from this fund. In addition, Mr J Pearson was a part-time employee of Nottinghamshire County Council dealing with Pension Fund investment matters and in receipt of a pension from this fund.

Nottinghamshire County Council is the administering authority for the LGPS within Nottinghamshire and charges the Fund with the costs it incurs in administering the scheme and the Fund.

7. ADMINISTRATION EXPENSES

	2010/11	2011/12
	£000	£000
Printing & stationery	40	41
Subscriptions and membership fees	3	3
Actuarial fees	37	9
Other external fees	66	112
Administering Authority Costs	1,244	1,136
	<u>1,390</u>	<u>1,301</u>

8. INVESTMENT INCOME

Analysis by type of investment	2010/11	2011/12
	£000	£000
Interest from fixed interest securities	(16,498)	(11,598)
Income from index-linked securities	(1,300)	(1,487)
Dividends from equities	(40,960)	(49,585)
Income from pooled investment vehicles	(4,492)	(6,118)
Income from property pooled vehicles	(3,326)	(445)
Net rents from property	(15,905)	(13,838)
Interest on cash deposits	(722)	(818)
Other	(27)	(941)
	<u>(83,230)</u>	<u>(84,830)</u>
Directly held property		
Rental income	(17,790)	(16,789)
Less operating expenses	1,885	2,951
Net rents from property	<u>(15,905)</u>	<u>(13,838)</u>

9. INVESTMENT MANAGEMENT EXPENSES

	2010/11	2011/12
	£000	£000
Training & conferences	15	7
Printing & stationery	16	10
Subscriptions and membership fees	20	23
Actuarial fees	2	2
Audit fee	50	44
Custody fees	234	240
Investment management fees	2,820	3,001
Other external fees	1,042	238
Administering Authority Costs	266	306
	<u>4,465</u>	<u>3,871</u>

10. INVESTMENTS

(a) Investment Analysis	31 March 2011	31 March 2012
	£000	£000
Fixed Interest Securities		
UK Public Sector	115,215	123,086
UK Other	95,284	110,864
Overseas Public Sector	48,302	43,629
Overseas Other	8,100	10,432
Index Linked Securities		
Public Sector	37,906	48,164
Other	24,565	27,180
Equities		
UK	969,648	962,695
Overseas	499,190	475,032
Unlisted	1,775	2,145
Pooled Investment Vehicles		
Unit Trusts	225,942	338,670
Other Managed Funds	437,165	394,426
Pooled Vehicles Invested in Property		
Property Unit Trusts	29,321	31,365
Other Managed Funds	93,416	90,028
Property	272,017	266,603
Cash and Currency	132,186	137,382
 Total Investments	 <u><u>2,990,032</u></u>	 <u><u>3,061,701</u></u>

The total investments analysed above are the net assets of the fund less other investment balances and liabilities and current assets and liabilities. These other balances are analysed in notes 12 and 13.

The original values of investments are based on purchase cost plus expenses. If any investments have been held since 1 April 1974 (when the County Council was given the responsibility for the Fund) these are included at the market value as at that date.

	31/03/2011	31/03/2012
	£000	£000
Market Value	2,990,032	3,061,701
Original Value	2,451,032	2,575,895
Excess/(Deficit) of Market Value over Original Value	<u><u>539,000</u></u>	<u><u>485,806</u></u>

At 31 March 2012 the fund held no investment representing over 5% of the value of the fund (2010/11 also nil).

(b) Reconciliation of Opening and Closing Values of Investments 2011/12

	Value at 1st April 2011 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31st March 2012 £000
Fixed Interest Securities	266,901	227,091	(226,015)	20,034	288,011
Index Linked Securities	62,471	21,205	(15,861)	7,529	75,344
Equities	1,470,613	162,035	(135,803)	(56,973)	1,439,872
Pooled Investment Vehicles	663,107	84,521	(23,074)	8,542	733,096
Property Pooled Vehicles	122,737	8,801	(401)	(9,744)	121,393
Property	272,017	28,500	(32,003)	(1,911)	266,603
	<u>2,857,846</u>	<u>532,153</u>	<u>(433,157)</u>	<u>(32,523)</u>	<u>2,924,319</u>
Forward Foreign Exchange	-	27,113	(26,648)	(465)	-
	<u>2,857,846</u>	<u>559,266</u>	<u>(459,805)</u>	<u>(32,988)</u>	<u>2,924,319</u>
	-				
Cash deposits	132,186				137,382
	<u>2,990,032</u>				<u>3,061,701</u>

Reconciliation of Opening and Closing Values of Investments 2010/11

	Value at 1st April 2010 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31st March 2011 £000
Fixed Interest Securities	249,165	197,523	(172,789)	(6,998)	266,901
Index Linked Securities	48,534	14,415	(3,269)	2,791	62,471
Equities	1,362,035	175,422	(159,016)	92,172	1,470,613
Pooled Investment Vehicles	587,286	52,267	(44,599)	68,153	663,107
Property Pooled Vehicles	134,716	-	(21,549)	9,570	122,737
Property	248,085	34,681	(19,539)	8,790	272,017
	<u>2,629,821</u>	<u>474,308</u>	<u>(420,761)</u>	<u>174,478</u>	<u>2,857,846</u>
Forward Foreign Exchange	-	65,888	(65,297)	(591)	-
	<u>2,629,821</u>	<u>540,196</u>	<u>(486,058)</u>	<u>173,887</u>	<u>2,857,846</u>
Cash deposits	89,360				132,186
	<u>2,719,181</u>				<u>2,990,032</u>

For Forward Foreign Exchange contracts, the purchase cost and sale proceeds represent the sterling value of the currency purchases and sales at the settlement dates specified in the contracts.

Transaction costs are included in the cost of purchases and sale proceeds. The costs charged directly to the fund, such as fees, commissions and stamp duty, amounted to £1,601,583 in 2011/12 (£2,683,254 in 2010/11). In addition, indirect costs are incurred through the bid-offer spread on investments. This amount is not separately provided.

(c) Management Arrangements

An analysis of the investment management arrangements as at the Net Assets Statement date is shown below:

	31/3/11		31/3/12	
	£000	%	£000	%
In-house	1,145,956	38.3	1,118,010	36.5
Schroder Investment Management	794,450	26.6	785,415	25.7
Kames Capital	329,372	11.0	420,908	13.7
Aberdeen Property Investors	308,185	10.3	302,748	9.9
Legal & General	189,926	6.4	213,230	7.0
Hermes Asset Management	109,983	3.7	116,522	3.8
Standard Life	57,248	1.9	52,828	1.7
Keills	25,319	0.8	25,222	0.8
Governance 4 Owners	14,652	0.5	12,305	0.4
Martin Currie	14,941	0.5	14,513	0.5
Total	2,990,032	100.0	3,061,701	100.0

(note Kames Capital was formerly Aegon Asset Management)

(d) Asset Allocation

The asset allocation of the Fund as at the Net Assets Statement date is shown below:

	31/3/11		31/3/12	
	£000	%	£000	%
UK Fixed Interest	210,499	7.0	233,950	7.6
Overseas Fixed Interest	56,402	1.9	54,061	1.7
Index Linked Securities	62,471	2.1	75,344	2.5
UK Equities	1,045,567	35.0	1,048,940	34.3
Overseas Equities:				
US	350,198	11.7	358,487	11.7
Japan	88,939	3.0	97,805	3.2
Europe	319,506	10.7	272,702	8.9
Pacific Basin	133,554	4.5	125,443	4.1
Emerging Markets	117,525	3.9	130,544	4.2
Global	14,941	0.5	14,513	0.5
UK Property	302,627	10.1	299,023	9.8
Overseas Property	92,128	3.1	88,974	2.9
Private Equity	63,489	2.1	66,979	2.2
Multi-Asset	-	0.0	57,554	1.9
Cash	132,186	4.4	137,382	4.5
Total	2,990,032	100.0	3,061,701	100.0

(e) Property

Direct property is shown at open market value (as defined by the International Valuation Standards Committee) as determined by Savills Commercial Limited. The analysis of property is:

	31/3/11	31/3/12
	£000	£000
Freehold	264,417	259,653
Leasehold more than 50 years	7,600	6,950
	272,017	266,603
Original Value	280,467	279,458

(f) Analysis of Pooled Investment Vehicles

The underlying economic exposure of pooled investment vehicles is shown below:

	31/3/11	31/3/12
	£000	£000
UK Equities	103,029	110,453
Overseas Equities:		
US	139,421	138,762
Japan	60,993	62,074
Europe	59,039	53,127
Pacific Basin	133,554	125,443
Emerging Markets	90,416	106,336
Global	14,941	14,513
UK Property	30,609	32,420
Overseas Property	92,128	88,974
Private Equity	61,714	64,834
Multi-Asset	-	57,553
Total	785,844	854,489

(g) Private Equity Funds

The Fund has made commitments to a number of private equity funds. The original commitment amounts are shown below in the fund currencies.

Funds	Currency	Commitment
		millions
Wilton Private Equity Fund LLC	USD	14
Pantheon Europe Fund III	EUR	10
East Midlands Regional Venture Capital Fund	GBP	5
Coller International Partners IV	USD	10
Schroders Private Equity Fund of Funds III	EUR	22
DCM Private Equity Fund II	USD	18
Pantheon Europe Fund V	EUR	15
Coller International Partners V	USD	18
Catapult Growth Fund LP	GBP	4
Altius Associates Private Equity Fund	USD	10
Partners Group Secondary 2008	EUR	13

These commitments are drawn by the funds over time as investments are made in underlying companies. The undrawn commitment as at 31 March 2012 was £21.3 million (£28.5 million at 31 March 2011).

11. FINANCIAL INSTRUMENTS

The various financial instruments held by the Fund are valued at fair value. The following tables analyse the fair value of financial assets and liabilities by asset class.

	2011/12			Totals
	Designated at Fair Value through profit and loss	Loans and Receivables	Financial liabilities at amortised cost	
	£000	£000	£000	
Financial Assets				
Fixed Interest Securities	288,011	-	-	288,011
Index Linked Securities	75,344	-	-	75,344
Equities	1,439,872	-	-	1,439,872
Pooled Investment Vehicles	733,095	-	-	733,095
Property Pooled Vehicles	121,393	-	-	121,393
Cash deposits	-	137,382	-	137,382
Other investment balances	-	14,316	-	14,316
Current Assets	-	14,994	-	14,994
	2,657,715	166,692	-	2,824,407
Financial Liabilities				
Investment Liabilities	-	-	(3,232)	(3,232)
Current Liabilities	-	-	(15,482)	(15,482)
	-	-	(18,714)	(18,714)
	2,657,715	166,692	(18,714)	2,805,693

	2010/11			Totals
	Designated at Fair Value through profit and loss	Loans and Receivables	Financial liabilities at amortised cost	
	£000	£000	£000	
Financial Assets				
Fixed Interest Securities	266,901	-	-	266,901
Index Linked Securities	62,471	-	-	62,471
Equities	1,470,613	-	-	1,470,613
Pooled Investment Vehicles	663,107	-	-	663,107
Property Pooled Vehicles	122,737	-	-	122,737
Cash deposits	-	132,186	-	132,186
Other investment balances	-	12,334	-	12,334
Current Assets	-	13,449	-	13,449
	2,585,829	157,969	-	2,743,798
Financial Liabilities				
Investment Liabilities	-	-	(3,383)	(3,383)
Current Liabilities	-	-	(4,625)	(4,625)
	-	-	(8,008)	(8,008)
	2,585,829	157,969	(8,008)	2,735,790

No financial assets were reclassified during the accounting period.

Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values.

- Level 1 Fair values derived from quoted market price.
- this includes all quoted equity, fixed interest and index linked instruments.
- Level 2 Fair values derived from valuation techniques based significantly on observable inputs.
- this includes all pooled property investments.
- Level 3 Fair values derived from valuation techniques where at least one significant input is not based on observable market data.
- this includes unlisted shares and investments in private equity funds.

As at 31 March 2012	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit and loss	2,469,342	121,394	66,979	2,657,715
Loans and receivables	166,692	-	-	166,692
Total	2,636,034	121,394	66,979	2,824,407
Financial Liabilities				
Fair value through profit and loss	-	-	-	-
Financial liabilities	(18,714)	-	-	(18,714)
Total	(18,714)	-	-	(18,714)
Net	2,617,320	121,394	66,979	2,805,693

As at 31 March 2011	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit and loss	2,399,603	122,737	63,489	2,585,829
Loans and receivables	157,969	-	-	157,969
Total	2,557,572	122,737	63,489	2,743,798
Financial Liabilities				
Fair value through profit and loss	-	-	-	-
Financial liabilities	(8,008)	-	-	(8,008)
Total	(8,008)	-	-	(8,008)
Net	2,549,564	122,737	63,489	2,735,790

Nature and extent of risks arising from financial instruments

The aims of the Fund are to:

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

The key risks to the achievement of these aims, as well as measures to mitigate those risks, are set out in the various Fund policies (available at www.nottspf.org.uk) including:

- Risk Management Strategy and Risk Register
- Governance Compliance Statement
- Statement of Investment Principles
- Funding Strategy Statement

12. OTHER INVESTMENT BALANCES AND LIABILITIES

	31 March 2011	31 March 2012
	£000	£000
Other investment balances		
Outstanding investment transactions	349	42
Investment income	11,985	14,274
	<u>12,334</u>	<u>14,316</u>
Investment Liabilities		
Outstanding investment transactions	-	(310)
Investment income	(3,383)	(2,922)
	<u>(3,383)</u>	<u>(3,232)</u>

13. CURRENT ASSETS AND LIABILITIES

	31 March 2011	31 March 2012
	£000	£000
Current assets		
Contributions due from employers	9,260	11,814
Other	4,189	3,180
	<u>13,449</u>	<u>14,994</u>
Current Liabilities		
Payments in advance	-	(4,651)
Sundry creditors	(4,625)	(926)
Other	-	(9,905)
	<u>(4,625)</u>	<u>(15,482)</u>

14. CONTINGENT LIABILITIES

The fund has 10 private equity funds which have undrawn commitments as at 31 March 2012 of £21.3m (£28.5m at 31 March 2011). These commitments may be drawn over a number of years but timing and amount are irregular and uncertain.

15. MEMBERS ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Nottinghamshire Funds provide an additional voluntary contribution (AVC) scheme to enable members to purchase additional benefits. Contributions are paid over to, and invested separately by, the two scheme providers, Prudential and Scottish Widows. The contributions are not included in the Funds' accounts in accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The value of the separately invested AVCs is shown below:

	31 March 2011	31 March 2012
	£000	£000
Prudential	29,698	27,289
Scottish Widows	3,735	3,058
	<u>33,433</u>	<u>30,347</u>