

# Financial Statements

## Fund Account for the year ended 30 September 2009

	Note	Defined Benefit Schemes £m	Defined Contribution Schemes £m	Expenses Reserve Account £m	Total 2009 £m	Total 2008 £m
<b>CONTRIBUTIONS AND BENEFITS</b>						
Contributions receivable	3	267.1	20.4	–	287.5	278.1
Transfers in	4	15.0	5.1	–	20.1	14.5
		282.1	25.5	–	307.6	292.6
Benefits payable	5	(127.9)	(0.1)	–	(128.0)	(117.5)
Payments to and on account of leavers	6	(21.6)	(1.4)	–	(23.0)	(23.9)
Administrative expenses	7	(12.3)	(0.2)	0.4	(12.1)	(12.6)
Pension Protection Fund Levy		(1.8)	–	–	(1.8)	(1.7)
		(163.6)	(1.7)	0.4	(164.9)	(155.7)
<b>Net additions from dealing with members</b>		<b>118.5</b>	<b>23.8</b>	<b>0.4</b>	<b>142.7</b>	<b>136.9</b>
<b>RETURN ON INVESTMENTS</b>						
Investment income	8	104.6	0.6	–	105.2	83.2
Change in market value of investments	9	111.2	4.8	–	116.0	(666.0)
Investment management expenses	10	(10.5)	(0.1)	(0.3)	(10.9)	(9.8)
<b>Net return on investments</b>		<b>205.3</b>	<b>5.3</b>	<b>(0.3)</b>	<b>210.3</b>	<b>(592.6)</b>
<b>NET ASSETS OF THE FUND</b>						
Net increase/(decrease) in the Fund during the year		323.8	29.1	0.1	353.0	(455.7)
Net assets at beginning of year		3,492.1	51.1	2.2	3,545.4	4,001.1
<b>Net assets at end of year</b>		<b>3,815.9</b>	<b>80.2</b>	<b>2.3</b>	<b>3,898.4</b>	<b>3,545.4</b>

The notes on pages 38 to 55 form part of these financial statements.

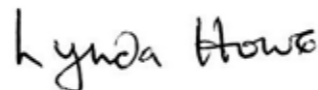
## Net Assets at 30 September 2009

	Note	Defined Benefit Schemes £m	Defined Contribution Schemes £m	Expenses Reserve Account £m	Total 2009 £m	Total 2008 £m
<b>INVESTMENT ASSETS</b>						
Equities		1,250.8	8.1	–	1,258.9	1,055.0
Pooled investment vehicles		1,381.1	62.3	–	1,443.4	1,285.6
UK properties		132.3	0.2	–	132.5	164.4
Fixed interest securities		441.0	5.3	–	446.3	552.1
Derivative assets		550.9	–	–	550.9	3.6
Annuity contracts		279.1	–	–	279.1	273.8
Cash deposits		310.9	0.7	–	311.6	177.2
Other investment assets		1,156.5	2.6	2.2	1,161.3	588.7
		<b>5,502.6</b>	<b>79.2</b>	<b>2.2</b>	<b>5,584.0</b>	<b>4,100.4</b>
<b>INVESTMENT LIABILITIES</b>						
Derivative liabilities		(545.5)	–	–	(545.5)	(11.0)
Other investment liabilities		(1,143.4)	–	–	(1,143.4)	(566.5)
		(1,688.9)	–	–	(1,688.9)	(577.5)
<b>Total net investments</b>	<b>9</b>	<b>3,813.7</b>	<b>79.2</b>	<b>2.2</b>	<b>3,895.1</b>	<b>3,522.9</b>
<b>NET ASSETS OF THE FUND</b>						
Fixed assets	11	6.5	–	–	6.5	8.5
Current assets	12	24.4	1.4	0.1	25.9	26.8
Current liabilities	13	(28.7)	(0.4)	–	(29.1)	(12.8)
<b>Net assets of the Fund</b>	<b>16</b>	<b>3,815.9</b>	<b>80.2</b>	<b>2.3</b>	<b>3,898.4</b>	<b>3,545.4</b>

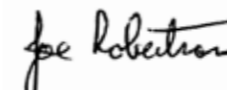
The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund's financial year. The actuarial position of the defined benefit schemes, which does take account of such obligations, is dealt with in the report by the Actuary on pages 60 and 61 of the Annual Report and these financial statements should be read in conjunction with that report.

The notes on pages 38 to 55 form part of these financial statements.

Signed for and on behalf of the Trustee on 19 January 2010.



Lynda Howe  
Chair  
Verity Trustees Limited



Joe Robertson  
Chair  
Audit and Compliance Committee



Stephen P Nichols  
Chief Executive  
The Pensions Trust

# Notes forming part of the Financial Statements

## I. Basis of Preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) 1996 and with the guidelines set out in the Statement of Recommended Practice (revised May 2007), Financial Reports of Pension Schemes (the Revised SORP), (see 'Terms used in this Report' on page 67 to 69).

For details of schemes included as defined benefit or defined contribution, see note 16.

## 2. Accounting Policies

The principal accounting policies of the Fund are as follows:

### a. Investments

- i. Investments are included at market value.
- ii. The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.
- iii. Fixed interest securities are stated at their clean prices. Accrued income is accounted for within income.
- iv. Unquoted securities are included at fair value estimated by the Trustee based on advice from the investment managers.
- v. Pooled investment vehicles are stated at bid price with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

vi. Properties are included at open market value as at the Fund's year end determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein. The properties have been valued independently by Cluttons Chartered Surveyors.

vii. Annuities purchased for retired members in their own names fully discharge the Trust's liability to those members and are therefore not included in these financial statements.

viii. Annuity assets which provide benefits for members but which are in the name of the Trustee, principally the bulk annuity contract with Paternoster, are valued based on the expected future pensioner benefit payments covered by the contract, discounted back to the financial year end using assumptions agreed by the Trustee on advice from the Scheme Actuary. The assets are assumed to be equal to the actuarial liability at the valuation date. The financial strength of providers is monitored for credit risk, and adjustments are made to the valuation if appropriate.

ix. Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices. Over the Counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the year end date. Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by

entering into an equal and opposite contract at that date. All gains and losses arising on derivative contracts are reported within 'change in market value'.

#### **b. Investment Income**

- i. Dividends from quoted securities are accounted for when the security is declared ex-dividend.
- ii. Rents are earned in accordance with the terms of the lease.
- iii. Interest is accrued on a daily basis.
- iv. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income.
- v. Investment income arising from the underlying investments of pooled investment vehicles that is reinvested within the pooled vehicle is reported within 'change in market value.'
- vi. Investment income and changes in market value for funds of investments are allocated to each scheme within the Fund in proportion to the average invested funds of that scheme.
- vii. Income from annuities purchased on behalf of the Trustee is accounted for when received.

#### **c. Foreign Currencies**

- i. Balances denominated in foreign currencies are translated at the rate ruling at the Fund's financial year end date. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction.
- ii. Differences arising on translation are accounted for in the 'change in market value' of investments during the year.

#### **d. Contributions and Transfers In**

- i. Employee normal and additional contributions are accounted for when deducted from pay. Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as employee's contributions, otherwise they are accounted for in the period they are due under the Schedules of Contributions. Contributions by

employers towards operating costs of the Fund are included within normal contributions.

- ii. Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.
- iii. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid.
- iv. Employer debt on withdrawal contributions (section 75 debts) are accounted for when paid or determined, whichever is earlier.
- v. Individual and bulk transfers in are accounted for when received which is normally when member liability is accepted.

#### **e. Payments to Members**

- i. Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.
- ii. Individual transfers out are accounted for when paid which is normally when member liability is discharged.
- iii. Group transfers out are accounted for in accordance with the terms of the transfer agreement.

#### **f. Expenses**

- i. The Trust operates an Expenses Reserve Account to ensure that administrative expenses are allocated to individual schemes on a smoothed basis. All administrative and investment management expenses incurred by the Trust are charged against the Expenses Reserve Account prior to allocation against individual schemes.
- ii. Expenses which relate specifically to individual schemes are allocated to the appropriate scheme, on the accruals basis.

- iii. Investment management expenses and administrative expenses, other than those relating specifically to a particular scheme, are allocated on the basis of a resolution of the Trustee dated 11 December 2007.

#### g. Trust Employee Pension Costs

- i. All employees of the Trust can join the Growth Plan, Unitised Ethical Plan, the CARE Scheme and the Flexible Retirement Plan.
- ii. The Growth Plan and CARE Scheme are multi-employer schemes where it is not possible, in the normal course of events, to identify on a consistent and reasonable basis, the share of underlying assets and liabilities belonging to individual participating employers. Therefore, as required by FRS17 'Retirement Benefits,' the Trust accounts for these schemes as if they were defined contribution schemes.
- iii. As a result, the amount charged to the Fund account, within administrative expenses for all the schemes, represents the contributions payable to the schemes in respect of the accounting period.

#### h. Depreciation

- i. Tangible fixed assets are depreciated from when expenditure is invoiced. This is undertaken over their expected useful economic lives on a straight line basis. The rates used are:

Computers and software	25%
Office equipment	25%
Furniture and fittings	10%
Freehold buildings	3%
Freehold land	0%

- ii. The Trust's freehold office has been valued independently by Cluttons Chartered Surveyors on an open market existing use basis. Changes in valuation from the preceding year are included in the financial statements.

	Defined Benefit Schemes £m	Defined Contribution Schemes £m	Total 2009 £m	Total 2008 £m
<b>3. Contributions Receivable</b>				
From participating employers				
Normal	121.4	12.6	134.0	129.3
Augmentation	1.5	0.1	1.6	1.1
Debt on employer withdrawal	3.2	–	3.2	4.4
Deficit funding	56.3	–	56.3	53.4
	<b>182.4</b>	<b>12.7</b>	<b>195.1</b>	<b>188.2</b>
From members				
Normal	81.1	6.6	87.7	84.9
Additional Voluntary Contributions (AVCs)	3.6	1.1	4.7	5.0
	84.7	7.7	92.4	89.9
	<b>267.1</b>	<b>20.4</b>	<b>287.5</b>	<b>278.1</b>

Deficit funding: an actuarial valuation of each Scheme is carried out every three years. Deficit funding represents payments by Schemes to eliminate past service deficits in accordance with the Schedule of Contributions prepared by the Actuary.

#### 4. Transfers In

Group transfers received	10.2	–	10.2	3.6
Life assurance receipts	0.5	–	0.5	1.1
Individual transfers	9.1	0.3	9.4	9.8
Internal transfers between schemes	(4.8)	4.8	–	–
	<b>15.0</b>	<b>5.1</b>	<b>20.1</b>	<b>14.5</b>

#### 5. Benefits Payable

Pensions	84.5	–	84.5	77.2
Commutations and lump sum retirement benefits	37.9	–	37.9	33.6
Lump sum death benefits and life assurance payments	5.5	0.1	5.6	6.7
	<b>127.9</b>	<b>0.1</b>	<b>128.0</b>	<b>117.5</b>

	Defined Benefit Schemes £m	Defined Contribution Schemes £m	Total 2009 £m	Total 2008 £m
Individual transfers to other schemes	16.7	1.0	17.7	17.6
Group transfers to other schemes	3.7	–	3.7	4.8
Refunds to members leaving service	0.8	0.4	1.2	1.0
Payments for members joining state scheme	0.3	–	0.3	0.3
Contribution credit for employers	0.1	–	0.1	0.2
	<b>21.6</b>	<b>1.4</b>	<b>23.0</b>	<b>23.9</b>

## 7a. Administrative Expenses

	2009 £m	2008 £m
Gross salaries	4.6	4.6
Other employment costs	1.5	1.5
Computer systems and development	0.7	1.1
Publicity and design	0.3	0.4
Office miscellaneous and depreciation	2.2	2.6
Professional fees	1.3	0.9
	10.6	11.1
Scheme specific expenses	1.5	1.5
	<b>12.1</b>	<b>12.6</b>

The Fund bears all the costs of administration. Specific costs are allocated to the scheme to which they relate. General costs are allocated between schemes based on an allocation methodology agreed by the Trustee in September 2008.

Included in professional fees are the audit fee of £104,000 (2008: £104,000) and actuarial fees of £705,000 (2008: £622,000).

## 7b. Employee Statistics

	2009	2008
Average number of employees	153	152

The number of employees whose total pay and benefits, including pension contributions and other benefits in kind, exceeded £90,000 fall into the following bands.

£90,001 – £100,000	3	4
£100,001 – £110,000	2	1
£180,001 – £190,000	–	1
£200,001 – £210,000	1	–

## 7c. Trustee Administrative Expenses

Included in administrative expenses are:	2009 £'000	2008 £'000
Directors' fees (see note 14)	49	47
Directors' expenses incurred and reimbursed	52	58
Fees and expenses paid to co-opted members of the Investment Committee	24	24

## 8. Investment Income

	Defined Benefit Schemes £m	Defined Contribution Schemes £m	Total 2009 £m	Total 2008 £m
Dividends from UK Equities	7.8	0.1	7.9	3.5
Dividends from Overseas Equities	27.2	0.1	27.3	19.3
Income from Pooled Investment Vehicles	0.4	–	0.4	1.5
Stock Lending Income	–	–	–	0.1
Net Rents from UK Properties	10.2	0.1	10.3	13.6
Interest from Fixed Interest Securities	25.9	0.2	26.1	39.3
Income from Short-term Investments (incl. cash deposits)	8.9	0.1	9.0	4.9
Income from Annuities	24.2	–	24.2	1.0
	<b>104.6</b>	<b>0.6</b>	<b>105.2</b>	<b>83.2</b>

- Investment income arising from the underlying investments of pooled investment vehicles that is reinvested within the pooled vehicle (and hence reflected in the unit price) is reported within 'change in market value' and is not shown in this note. The estimated additional investment income from these funds is £33.7m (2008: £53.1m).
- While every effort is made to keep benefit errors to a minimum, regrettably, mistakes do happen. In some cases a financial liability arises as a result of correcting the mistake. Unless the Trustee exercises its discretion to allocate the cost of meeting liabilities arising from errors to a specific scheme within the Trust, the cost is met by a deduction from investment income before it is distributed between the Trust's component schemes. The cost is therefore borne by all of the schemes, proportionate to their assets. The cost in the year ended 30 September 2009 borne by all schemes was £31,931 (2008: £4,111). In the year ended 30 September 2009 a specific cost of £44,500 (2008: £Nil) was allocated to the Growth Plan.

## 9. Investments

### 9a. Reconciliation of Investments

Asset Class	Value 2008 £m	Purchases at cost and derivative payments £m	Sale proceeds and derivative receipts £m	Change in market value £m	Value 2009 £m
Equities	1,055.0	776.8	(684.5)	111.6	1,258.9
Pooled Investment Vehicles	1,285.6	927.1	(881.9)	112.6	1,443.4
Properties	164.4	–	–	(31.9)	132.5
Fixed Interest Securities	552.1	397.6	(523.2)	19.8	446.3
Net Derivatives	(7.4)	11,094.0	(10,993.7)	(87.5)	5.4
Annuity Contracts	273.8	15.1	–	(9.8)	279.1
Cash and Money Market Instruments	177.2	863.1	(731.8)	3.1	311.6
	3,500.7	14,073.7	(13,815.1)	117.9	3,877.2
Net Outstanding Settlements	(12.0)			–	(17.8)
Cash Awaiting Investment	18.5			–	23.1
Investment and Rental Income Receivable	18.5			–	15.5
Prepaid Rent from UK properties	(2.8)			–	(2.9)
Fixed Asset Revaluation (see note 11)	–			(1.9)	–
<b>Total Net Investments</b>	<b>3,522.9</b>			<b>116.0</b>	<b>3,895.1</b>

**Transaction costs:** Included within the above purchases and sales figures are transaction costs of £2.3m (2008: £1.7m), excluding spreads payable on investment in and disinvestments from pooled investment vehicles.

**Change in market value:** The change in the 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.

**Stock lending:** Securities which were on loan at the year end are included in the net assets statement and refer to the Trust's ongoing economic interest in such securities. At 30 September 2009 securities to the value of £1.7m (2008: £7.0m) were on loan through the stock lending programme managed by the Custodian, The Northern Trust Company. In exchange the Custodian held collateral worth £1.8m (2008: £7.2m).

**Concentration:** No single investment exceeded 5% of the Trust's investment assets in either year.

**Property commitment:** The Trust has entered into an agreement with CB Richard Ellis Investors Ltd to invest in a European Property Fund. The total value of this commitment is £50.0m. As at 30 September 2009, the Trust had invested £45.0m in this fund (2008: £35.0m). The balance of the commitment can be drawn down by the manager when required to fund purchases.

## Note 9b. Details of Investments held at Year End

	2009 £m	2008 £m
<b>Investment Assets</b>		
<b>Equities</b>		
UK	290.4	239.9
Overseas	968.5	815.1
	<b>1,258.9</b>	<b>1,055.0</b>
<b>Pooled Investment Vehicles</b>		
UK Equities	514.3	526.1
Overseas Equities	483.6	300.9
UK Bonds	236.5	246.9
Overseas Bonds	5.1	9.4
UK Property	41.5	46.6
Overseas Property	36.4	35.9
Fund of Hedge Funds	126.0	119.8
	<b>1,443.4</b>	<b>1,285.6</b>
<b>UK Properties</b>	<b>132.5</b>	<b>164.4</b>
<b>Fixed Interest Securities</b>		
UK Government	63.8	64.0
UK Corporate	178.8	256.1
Overseas Government	45.7	1.1
Overseas Corporate	158.0	230.9
	<b>446.3</b>	<b>552.1</b>
<b>Derivative Assets</b>		
Futures Contracts	–	1.7
Forward Currency Contracts	550.7	1.9
Swaps	0.2	–
	<b>550.9</b>	<b>3.6</b>
<b>Annuity Contracts</b>	<b>279.1</b>	<b>273.8</b>
<b>Cash Deposits</b>		
Sterling	305.9	167.2
Overseas	5.7	10.0
	<b>311.6</b>	<b>177.2</b>
<b>Other investment assets</b>		
Cash awaiting investment	23.1	18.5
Investment and rental income receivable	15.5	18.5
Pending Settlements – forward foreign exchange contracts	1,085.4	542.9
Pending Settlements – other	37.3	8.8
	<b>1,161.3</b>	<b>588.7</b>
<b>Total investment assets</b>	<b>5,584.0</b>	<b>4,100.4</b>

	2009 £m	2008 £m
<b>Investment Liabilities</b>		
<b>Derivative Liabilities</b>		
Forward foreign exchange contracts	(545.5)	(8.8)
Interest rate swaps	–	(0.2)
Futures	–	(2.0)
	(545.5)	(11.0)
<b>Other Investment Liabilities</b>		
Pending Settlements – forward foreign exchange contracts	(1,111.1)	(545.7)
Pending Settlements – other	(29.4)	(18.0)
Prepaid rent	(2.9)	(2.8)
	(1,143.4)	(566.5)
<b>Total Investment Liabilities</b>	<b>(1,688.9)</b>	<b>(577.5)</b>
<b>Total Net Investments</b>	<b>3,895.1</b>	<b>3,522.9</b>

The total net investment figures as at 30 September can be summarised as follows:

Defined benefit schemes	3,813.7	3,470.5
Defined contribution schemes	79.2	50.8
Expenses Reserve Account	2.2	1.6
	<b>3,895.1</b>	<b>3,522.9</b>

**Pooled investment vehicles:** The Trust invests in pooled investment vehicles that are registered overseas. The value of these investments at 30 September 2009 was £126.9m (2008: £119.8m). All other pooled investment vehicles in which the Trust participates are operated by companies registered in the UK.

**Derivatives:** The Trust allows the use of derivatives by its investment managers for the control of investment risk and to enable the efficient management of portfolios.

**Forward foreign exchange contracts:** A currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of overseas investments to the targeted level. The currency gains and losses resulting from this programme are included in the 'change in market value' figure for derivatives in the table in note 9a.

**Forward foreign exchange contracts:** The Trust had open foreign exchange contracts at the year end that were settled on 2 November 2009. The contract values were:

Type of Contract	Currency bought	Currency sold	Asset value at year end £m	Liability value at year end £m
Forward	GBP	Euro	–	208.9
Forward	GBP	Yen	–	124.6
Forward	GBP	US Dollar	–	212.0
Forward	Euro	GBP	211.0	–
Forward	Yen	GBP	125.9	–
Forward	US Dollar	GBP	213.8	–
			<b>550.7</b>	<b>545.5</b>

**Interest rate swaps:** The Trust had open interest rate swaps at the year end relating to its fixed interest investment portfolio as follows:

Type of contract	Expiration	Nature of swap	Notional principal £m	Asset £m
Interest rate swap	21 January 2010	German interest rate swap without interest deferral	4.0	0.1
Interest rate swap	1 September 2010	German interest rate swap without interest deferral	3.0	0.1
			<b>7.0</b>	<b>0.2</b>

**Pending settlements – forward foreign exchange contracts:** The pending settlements at 30 September 2009 in relation to forward foreign exchange contracts were settled on 1 October 2009.

## 10. Investment Management Expenses

	2009 £m	2008 £m
Management, administration and custody	10.7	9.0
Performance measurement services	0.1	0.1
Investment consultancy	0.1	0.7
	<b>10.9</b>	<b>9.8</b>

## 11. Fixed Assets

	Freehold Offices £m	Computers and Software £m	Furniture and Fittings £m	Total £m
<b>Cost</b>				
At beginning of year	8.0	0.8	1.7	10.5
Revaluation deficit	(1.9)	–	–	(1.9)
Additions	–	0.1	–	0.1
<b>At end of year</b>	<b>6.1</b>	<b>0.9</b>	<b>1.7</b>	<b>8.7</b>
<b>Accumulated depreciation</b>				
At beginning of year	–	(0.6)	(1.4)	(2.0)
Charge for year	–	(0.1)	(0.1)	(0.2)
<b>At end of year</b>	<b>0.0</b>	<b>(0.7)</b>	<b>(1.5)</b>	<b>(2.2)</b>
<b>Net book value</b>				
<b>At end of year</b>	<b>6.1</b>	<b>0.2</b>	<b>0.2</b>	<b>6.5</b>
<b>At beginning of year</b>	<b>8.0</b>	<b>0.2</b>	<b>0.3</b>	<b>8.5</b>

### Freehold Offices

The freehold office in Leeds is substantially occupied by the Trust. It has been revalued at 30 September 2009 by an independent valuer, Cluttons Chartered Surveyors, who are a member of the Royal Institution of Chartered Surveyors, on the basis of its open market value for existing use.

If the freehold offices had not been revalued, they would have been carried in the balance sheet at 30 September as:

	2009 £m	2008 £m
Cost	8.1	8.1
Accumulated depreciation	(1.8)	(1.6)
<b>Net book value</b>	<b>6.3</b>	<b>6.5</b>

## 12. Current Assets

	2009 £m	2008 £m
Contributions due from members	7.2	6.9
Contributions due from employers	13.6	13.4
Cash and prepayments	5.1	6.5
	<b>25.9</b>	<b>26.8</b>

All contributions due at the year end were received in accordance with the schedules of contributions or payment schedules, except for minor breaches.

## 13. Current Liabilities

	2009 £m	2008 £m
Benefits payable	1.6	1.1
Taxation payable	3.4	3.2
Expense accruals	7.4	5.5
Annuity cost payable*	15.0	–
Other creditors	1.7	3.0
	<b>29.1</b>	<b>12.8</b>

\*Final payment in respect of bulk annuity contract with Paternoster.

## 14. Related Party Transactions

### • Employer Related

The Trust invests in various housing bonds, whose underlying borrowers are drawn from a pool of registered social landlords. The names of the actual borrowers are not disclosed and can vary over time. Given the number of registered social landlords that participate in the Trust's pension schemes it is likely that these are technically employer related investments. The value of the Trust's holdings in these Bonds at 30 September 2009 was £5.7m (2008: £4.6m).

The Trust has a holding in a pooled investment vehicle that invests in UK properties. One of the properties within this pooled investment vehicle is leased to the sponsoring employer of one of the Trust's defined benefit schemes. The value of the Trust's holding in this pooled investment vehicle at 30 September 2009 was £38.7m (2008: £42.6m).

### • Staff Related

The Trust occupies part of Verity House, Leeds. The Trust owns the freehold of this office building. The full value of these buildings is included in fixed assets at a revalued amount of £6.1m being 0.2% of the net assets of the Fund. Most of the Trust's staff participate in the Trust's pension schemes and, for this reason only, the office is regarded as employer-related investments. Not more than 5% of the current market value of the Fund may at any time be employer-related investments as defined in Section 40 of the Pensions Act 1995. Pension contributions in respect of the Trust's employees are included in notes 3 and 7a.

### • Trustee Related

All Directors are elected either by participating employers or by Fund members, with the exception of Mike Boag who has been co-opted by the elected Directors. The Trust has received contributions and paid benefits in respect of some Directors and ex-Directors of Verity Trustees Limited who are members of the Fund; such amounts are calculated in accordance with the normal rules of the Fund.

The Chair, Chair of the Investment Committee and the co-opted Director receive a fee. The previous Chair, Deputy Chair and Chair of the Investment Committee received a fee up until their term of office ended on 28 February 2009.

## 15. Contingent Assets

As at 30 September 2009 the Trust held contingent assets in relation to 11 employers (2008: 15 employers) that participate in, or used to participate in, the various schemes administered by the Trust. These contingent assets comprise charges on property, company guarantees, bank guarantees and escrow accounts. The contingent assets relate to the admission and continued participation of certain employers in the Trust's schemes and to the apportionment of withdrawing employers' share of the deficit to other participating employers within the same scheme. The circumstances in which these assets will become the property of the Trust are set out in agreements with the relevant employers.

As at 30 September 2009, 30 employers (2008: 52 employers) had withdrawn from the Fund and triggered a possible debt to the Trust under the Employer Debt on Withdrawal Regulations. When an employer withdraws from the Fund the debt on withdrawal is calculated by the Fund Actuary and the Trust takes appropriate steps to recover the debt. Due to uncertainty regarding the amounts that will be ultimately recovered, no value has been recorded in these financial statements in respect of these debts.

## 16. Scheme Balances

	2009 £m	2008 £m
<b>Defined Benefit Multi-Employer Schemes – non associated employers</b>		
The CARE Scheme	16.5	12.1
The Independent Schools' Pension Scheme	95.1	77.4
Northern Ireland Charities Pension Scheme	11.4	10.4
Scottish Voluntary Sector Pension Scheme	54.7	45.1
Scottish Federation of Housing Associations Pension Scheme	294.6	264.8
Social Housing Pension Scheme	1,723.4	1,527.4
The Growth Plan Series 1, 2 and 3 <sup>Ø</sup>	767.1	758.2
<b>Defined Benefit Multi-Employer Schemes – associated employers</b>		
Help the Aged Final Salary Pension Scheme*	36.4	34.3
Methodist Homes for the Aged Final Salary Pension Scheme	26.2	23.4
The Oxfam Pension Scheme*	69.7	62.5
The Royal College of Nursing Pension Scheme	113.6	95.8
Sanctuary Housing Association Final Salary Pension Scheme*	50.3	45.0
The United Reformed Church Final Salary Scheme	10.4	9.6
William Sutton Trust Housing Association Pension Scheme*	50.9	50.7
Workers' Educational Association Pension Scheme	15.4	13.6
<b>Defined Benefit – single employer schemes</b>		
Action for Blind People Final Salary Pension Scheme*	9.1	8.5
The Anchor Trust Final Salary Scheme*	100.4	96.0
The Arthritis Care Pension Scheme	5.4	4.9
Bedford Charity Pension Scheme for Non-Teaching Staff*	16.2	15.3
The Children's Society Pension Scheme*	80.8	79.9
The Christian Aid Final Salary Scheme (1988) <sup>#</sup>	25.5	22.2
Council for World Mission Final Salary Scheme	2.3	2.2
Edward James Foundation Pension Scheme*	8.8	8.3
The Save the Children Defined Benefit Scheme*	77.6	74.3
IndependentAge Final Salary Scheme*	11.2	11.0
Leonard Cheshire Disability Group Pension Scheme*	36.3	34.4
The Livability Final Salary Scheme <sup>#</sup>	14.4	13.6
MIND (The National Association for Mental Health) Final Salary Scheme <sup>#</sup>	5.4	5.2
National Council for Voluntary Organisations Final Salary Pension Scheme*	12.8	12.5
The Royal National College for the Blind Final Salary Scheme	7.5	7.0
seeABILITY Pension Scheme*	9.3	8.8
St Elizabeth's Centre Final Salary Pension Scheme	5.0	4.5
Stonham Final Salary Pension Scheme*	27.3	25.8
Taunton School Final Salary Scheme (withdrawn)	–	4.1
Together Trust Final Salary Scheme <sup>#</sup>	4.5	4.4
Winchester College Support Staff Pension Scheme*	10.3	9.6
Youth Hostels Association Pension Scheme*	10.1	9.3

	2009 £m	2008 £m
<b>Defined Contribution – multi-employer schemes</b>		
Unitised Ethical Plan <sup>†</sup>	49.7	40.8
Flexible Retirement Plan <sup>†</sup>	20.0	10.3
Growth Plan Series 4 <sup>Ø†</sup>	10.5	–
<b>Expenses Reserve Account</b>	2.3	2.2
	<b>3,898.4</b>	<b>3,545.4</b>

### The Scheme assets at 30 September can be summarised further as follows:

Defined Benefit Schemes	3,815.9	3,492.1
Defined Contribution Schemes	80.2	51.1
Expenses Reserve Account	2.3	2.2
	<b>3,898.4</b>	<b>3,545.4</b>

\* Closed to new entrants

# Closed to future benefit accrual

† Investments are allocated to individual members

Ø The Growth Plan is one scheme within the Fund, but it includes both defined benefit and defined contribution. Series 1, 2 & 3 are defined benefit and Series 4 is defined contribution.

### Expenses Reserve Account

The Trust operates an Expenses Reserve Account to ensure that administrative and investment expenses are allocated to individual schemes on a smoothed basis. All administrative and investment management expenses incurred by the Trust are charged to this account prior to allocation to individual schemes.

	2009 £m	2008 £m
Administrative expenses incurred during the year	(11.8)	(12.6)
Administrative expenses allocated during the year	12.2	12.2
Investment management expenses incurred during the year	(10.9)	(9.8)
Investment management expenses allocated during the year	10.6	9.9
Net transfer from the Expenses Reserve Account during the year	0.1	(0.3)
Balance brought forward	2.2	2.5
<b>Balance carried forward</b>	<b>2.3</b>	<b>2.2</b>

## 17. Staff Pension Obligations

All employees of the Trust can join the Growth Plan, Unitised Ethical Plan, CARE Scheme and Flexible Retirement Plan.

Contributions paid into the Unitised Ethical Plan are invested in personal funds which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

Contributions paid into the Flexible Retirement Plan are invested in personal funds which are converted to a pension on retirement by the purchase of an annuity.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity. The rules of the Growth Plan allow the Trustee to impose additional contributions on participating employers in the event that the Plan has insufficient assets to meet the projected liabilities.

Contributions paid into the CARE Scheme are invested in line with the investment strategy of the Scheme and are not designated to individual members. The core benefit provided by the CARE Scheme is either a pension of one-eightieth or one-one hundredth of the member's career average revalued earnings for each year (and months proportionately) of pensionable service depending on which section of the CARE Scheme the member is in. In addition to this, each member has a money purchase account (which is also administered by The Pensions Trust) into which monies can be transferred as a result of bonus declarations by the Trustee.

The Growth Plan and CARE Scheme are funded multi-employer schemes. It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of these schemes, the accounting charge for the period under FRS17 represents the employer contributions payable.

The Trust continues to offer membership of all four schemes to its employees. The number of active members of each scheme and details of the contributions rates payable by members and the employer are detailed in the table below:

	Flexible Retirement Plan	Ethical Plan	Growth Plan	CARE
<b>Active members at 30 September 2009</b>	<b>10</b>	<b>6</b>	<b>21</b>	<b>104</b>
Employee contribution rate (%)	2.5 – 6.0	2.5 – 6.0	2.5 – 6.0	1.0 – 5.3
Employer contribution rate (%)	5.0 – 12.0	5.0 – 12.0	5.0 – 12.0	8.5 – 10.0
Employer contributions payable for the year ended 30 September 2009 (£'000)	33	31	78	284
<b>Active members at 30 September 2008</b>	<b>5</b>	<b>7</b>	<b>21</b>	<b>96</b>
Employee contribution rate (%)	2.5 – 6.0	2.5 – 6.0	2.5 – 6.0	1.0 – 5.3
Employer contribution rate (%)	5.0 – 12.0	5.0 – 12.0	5.0 – 12.0	8.5 – 10.0
Employer contributions payable for the year ended 30 September 2008 (£'000)	22	40	102	258

## Actuarial valuations – Growth Plan and CARE Schemes

The Trustee commissions an actuarial valuation of the Growth Plan and CARE Scheme every three years.

The actuarial valuation assesses whether the scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The last formal valuations of the Growth Plan and CARE Scheme were made as at 30 September 2008 and 30 September 2007 respectively by the Fund Actuary.

### The results of these actuarial valuations were as follows:

	Growth Plan (2008) £m	CARE Scheme (2007) £m
Market value of assets	742	10.9
Assessed value of liabilities	(771)	(9.4)
(Deficit)/surplus	(29)	1.5
Funding level (%)	96	116

### The financial assumptions underlying these valuations were as follows:

	Growth Plan (2008) £m	CARE Scheme (2007) £m
Investment rate of return pre-retirement	7.6	6.1
Investment rate of return post-retirement	5.1	5.3
Rate of revaluation on accrued pensions	5.6	2.9

### Rate of pension increases

Pension accrued before April 1997	0.0	N/A
Pension accrued after March 1997	3.0	2.9
Pension accrued after April 2005	3.0	2.25
Rate of price inflation	3.2	2.9

The next actuarial valuations of the Growth Plan and the CARE Scheme will be carried out as at 30 September 2011 and 30 September 2010 respectively.

## Contingent liability – potential debt on the Trustee as a participating employer

Following a change in legislation in September 2005 there is a potential debt on employers that participate in multi-employer pension schemes such as the Growth Plan and the CARE Scheme that could be levied by the Trustee.

The debt is due in the event of the employer ceasing to participate in the scheme or the scheme winding up. Neither of these events is considered probable and therefore these potential debts are disclosed as contingent liabilities.

The actual quantum of the debt depends on many factors including scheme liabilities, investment performance and the financial conditions at the time of the cessation event and the insurance buy-out market. The quantum of debt can therefore be volatile over time.

The estimated employer debt in respect of the participation of The Pensions Trust's employees on withdrawal from the Growth Plan as at 30 September 2008, based on the financial position of that scheme as at that date, was approximately £3.3 million.

The estimated employer debt in respect of the participation of The Pensions Trust's employees on withdrawal from the CARE Scheme as at 30 September 2007, based on the financial position of that scheme as at that date, was approximately £0.9 million.