



NRA

SUPERANNUATION

Report and accounts

31 MARCH 1991

**The Occupational Pension Schemes
(Disclosure of Information) Regulations, 1986
(as amended)**

As public service pension schemes, the NRA Superannuation Fund (the Active Members' Fund) and the NRA New Main and New Second Funds (the Closed Funds) are statutorily exempt from the overriding provisions relating to the issue and content of a pension fund's annual report; nevertheless, every effort has been made to ensure that this Report meets the major requirements imposed on other funds, allowing for the differences between statutory schemes and those operating under trust.

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National Rivers Authority
Superannuation Fund repor
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**NATIONAL RIVERS AUTHORITY
SUPERANNUATION FUND**

**NATIONAL RIVERS AUTHORITY
NEW MAIN FUND AND NEW SECOND FUND**

administering authority

NATIONAL RIVERS AUTHORITY



**REPORT AND ACCOUNTS
for the year ended
31 March 1991**

Pensions Administration
Hartshead Pensions Management Limited
St Peter's House
Hartshead
SHEFFIELD
S1 1EU

Investment Management
Queen Anne's Gate
Asset Management Limited
1 Queen Anne's Gate
LONDON
SW1H 9BT



FOREWORD

I have pleasure in presenting the second Report and Accounts of the National Rivers Authority Superannuation Funds.

During the past year the apportionment of the Closed Funds to our own Active Members' Fund and to the Trust based Pension Schemes of the Water PLC's was completed. Last year I paid tribute to the hard work and efficiency of all those involved in the apportionment exercise and it is pleasing to note that the whole complex operation has been finalised to our total satisfaction.

There is one matter which I should mention. Among the investments inherited by the Closed Funds is a joint venture property development company. In the current depressed state of the property market, particularly property development, we considered it prudent to make a substantial provision against this investment. It is included in the total figure for investments in the accounts of the New Main Fund at its written down value. This and other investment and administration matters are dealt with in detail in the Report.

P.A. BRANDT
Chairman,
NRA Pensions Committee

Table of Contents

	Page No.
The Pensions Committee	4
The Pensions Advisory Committee	4
Introduction	5
Management	5
Membership	6
Actuarial valuation	7
Investment	7
Finance	9
Administration	9
National Rivers Authority Superannuation Fund	
Auditors' report and Actuary's statement	12
Accounts for the year ended 31 March 1991	
Income and expenditure account	13
Net assets	14
Accounting policies	15
Notes to the accounts	16
National Rivers Authority New Main Fund and New Second Fund	
Auditors' report and Actuary's statement	18
Accounts for the year ended 31 March 1991	
Income and expenditure account	19
Net assets	20
Accounting policies	21
Notes to the accounts	22
Scheme rules and benefits	26
Fund membership at 31 March 1991	27
New Main and New Second Funds' Financial Summary	28

The Pensions Committee

Chairman

Mr P A Brandt

Board Member, National Rivers Authority

Members

Dr J C Bowman CBE (from 17 May 1990)

Chief Executive, National Rivers Authority

Mr P J Humphreys

Personnel Director, National Rivers Authority

Mr P D Partridge (to 31 October 1990)

Finance Director, National Rivers Authority

Mr C Savory (from 1 November 1990)

Finance Director, National Rivers Authority

Mr R J F Taylor

Board Member, National Rivers Authority

Mr R A E Herbert

Chairman, Leopold Joseph & Sons Ltd

Sir Richard Baker Wilbraham, Bt

Advisor, Schroder Investment Management Ltd

Mr J C Richards MBE

Secretary to the Committees

The Pensions Advisory Committee

Chairman

Dr J C Bowman CBE (from 17 May 1990)

PC Members

Mr P A Brandt

Mr P J Humphreys

Mr P D Partridge (to 31 October 1990)

Mr C Savory (from 1 November 1990)

Mr R J F Taylor

Mr R A E Herbert (to 17 May 1990)

Sir Francis Pemberton CBE (to 17 May 1990)

Sir Richard Baker Wilbraham, Bt (to 17 May 1990)

Mr J C Richards MBE

Regional General Managers

Mr G H Bielby (to 17 May 1990)

Dr G Mance (to 17 May 1990)

Mr K W Newham

Mr D N Rainbow (to 17 May 1990)

Dr J H Stoner

Member Representatives

Mr M Duery

Mr A J Golding

Mr R M Watson

Mr D White

Mr M E Wragg

Auditors

Bankers

Consulting actuaries

Investment managers

Pension scheme administrator

Property valuers

Price Waterhouse

Bank of Scotland

National Westminster Bank plc

Wm M. Mercer Fraser Limited
(for the apportionment)

Queen Anne's Gate Asset
Management Limited

Hartshead Pensions Management Limited

Weatherall Green and Smith

Introduction

NATIONAL RIVERS AUTHORITY SUPERANNUATION FUND

The National Rivers Authority (NRA) is the legal administering authority of a Superannuation Fund for the Authority's employees. It is a statutory public service pension scheme under the Local Government Superannuation Regulations 1986 (as amended) (the Regulations) and is contracted-out of the State Earnings Related Pension Scheme (SERPS).

The NRA Superannuation Fund (the Active Members' Fund) is "exempt approved" for purposes of Chapter I of Part XIV of the Income and Corporation Taxes Act 1988. Consequently, income from investments is relieved of UK tax and the NRA and its employees enjoy tax relief on contributions paid to the Fund.

Past service liabilities of employees transferred from the former water authorities on 1 September 1989 have been funded by means of a statutory apportionment of assets from the NRA New Main Fund.

NEW MAIN AND NEW SECOND FUNDS

The NRA New Main Fund (the Main Fund of the former Water Authorities Superannuation Fund (WASF) up to 31 August 1989) provides benefits for current and deferred pensioners of the ten former statutory water authorities in England and Wales, and the NRA New Second Fund (the former WASF Second Fund) for pensioners of the Foundation for Water Research and WRC plc, Water Services Association of England and Wales, Water Training International and the former British Water International.

Like the Active Members' Fund, the New Funds (the "Closed Funds" as they are not open to contributing members) are statutory public service pension schemes under the Regulations and are "exempt approved" for purposes of Chapter I of Part XIV of the Income and Corporation Taxes Act 1988. Income from the investments of each Fund is therefore relieved from UK tax. Both Funds provide the minimum contracted-out pensions required by the State Earnings Related Pension Scheme (SERPS).

During the year, the final stage of the bulk movement of assets from the Closed New Main Fund to the privatised water industry's alternative non-statutory pension schemes was completed for those employees who had elected to transfer their accrued WASF pension rights to their respective new schemes. Those employees who did not transfer their pension rights have been awarded preserved benefits in the Closed Funds. Similarly, assets have been transferred from the Closed Main Fund to the Active Members' Fund in respect of the liabilities for NRA employees' former WASF pensionable service to 31 August 1989.

Management

GENERAL

As the designated administering authority of the Active Members' and the Closed Funds, the NRA has two specific areas of responsibility:

- Scheme administration (maintaining membership and pensioners' records, collecting contributions and paying benefits);
- Management of the investments of each of the Funds.

At its meeting on 17 May 1990, the NRA Board reviewed the roles and membership of the Pensions Committee (PC) and the Pensions Advisory Committee (PAC). The outcome of the review resulted in the establishment of a new PC and the restructuring of the former PAC. With a membership of nominated NRA Board members, senior officers and external managers, the PC now has the total responsibility for NRA pensions matters and is a direct sub-committee of the NRA Board. As such it is charged with the making of appointments of managers and agents required for the effective management of the NRA's pensions duties outlined above. In addition to reporting to the NRA Board it also provides information to the PAC which, since 17 May 1990, comprises the PC membership excluding the external advisors, 2 managerial representatives from the NRA's regions, and 5 member representatives. Having this local representation, the PAC is responsible for overseeing the central communications link with employees in the regions.

NRA has contractual arrangements with Hartshead Pensions Management Limited to undertake the day to day administration of the schemes and Queen Anne's Gate Asset Management Limited to manage the Funds' investments. Both companies are subsidiaries of WPF Holdings Limited.

REMUNERATION BASIS FOR THE YEAR TO 31 MARCH 1991

Pension Scheme Administration

Active Members' Fund	–	£110,069
Closed Funds	–	£683,156

The above amounts which include a management fee and activity fees based on an agreed scale of charges have been met from the respective Funds.

Investment Management Services

Active Members' Fund	–	£415,810
Closed Funds	–	£1,967,683

These amounts which have also been met from the appropriate Fund are calculated by means of an agreed scale of charges applied to the market value of quoted securities using an independent end-month valuation and to the historic book cost of unquoted investments. For the direct property portfolio the fee is based on the time and materials involved.

Membership

NRA SUPERANNUATION FUND

Membership of the Active Members' Fund is available to employees who transferred on 1 September 1989 from the former statutory water authorities and who contributed to the Water Authorities Superannuation Fund or to a Water Pension Scheme prior to that date, and to all subsequent employees. The former group are still a high proportion of the total contributing membership of the Active Members' Fund.

Although the Regulations have still to be amended, the Department of Environment (DoE) have announced that as from 1 April 1990 whole-time eligible employees appointed on or after that date become members automatically with the right to opt out. However, before that date all new eligible employees were required to make written application to contribute to the Fund, and consequently, there are a number of NRA employees who are not members. Every effort is being made to encourage them to join.

CONTRIBUTORS AT 31 MARCH 1991			
AGE BRACKET			
Under 50	Male	3,806	4,895
	Female	1,089	
		<hr/>	
50 - 59	Male	1,044	1,149
	Female	105	
		<hr/>	
60 and over	Male	206	214
	Female	8	
		<hr/>	
Total number			<hr/> 6,258 <hr/>

Although the Fund has only been in existence since 7 July 1989, it already has 159 current pensioners (including 20 spouses' and children's pensions) and 192 deferred pensioners.

NEW MAIN AND NEW SECOND FUNDS

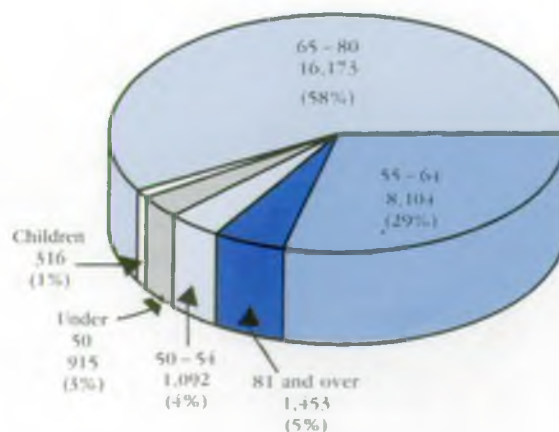
As Closed Funds, there are no contributing members. The Funds exist to pay pensioners as at 31 August 1989 and their dependants, and in due course, deferred pensioners.

During the year since 1 April 1990 the number of deferred pensioners has fallen by 7% from 10,542 to 9,792, and pensions in payment by 2% from 28,501 to 28,053. With no active members in the Funds, this will be the likely pattern for the future, although deferred pensions coming into payment will serve to buoy up the numbers for some years to come.

Movement in No. of Pensioners

	Current	Deferred
At 1 April 1990	28,501	10,542
Add:		
Deferred pensions into payment	117	-
New spouses' pensions	496	-
	613	
	29,114	10,542
Less:		
Deaths/No longer eligible	1,061	7
Transfers to other schemes	-	626
Deferred pensions into payment	-	117
	1,061	750
At 31 March 1991	28,053	9,792

AGE PROFILE OF CURRENT PENSIONERS



Actuarial Valuation

The Regulations require actuarial valuations of Local Government Superannuation Funds every three years with effect from 31 March 1989. Normally, the Consulting Actuary would use the result of a valuation to determine the level of employers' contributions required to ensure the future solvency of the Fund.

Whilst the Active Members' Fund will ultimately fall into the triennial valuation cycle, the Local Government Superannuation (Water) Regulations 1989 require a Consulting Actuary to review and certify the continuing level of employer's contributions every 31 March from 1990 until 1993. Having regard to the introduction from 1 April 1990 of advance funding of existing and future pensions increase liabilities, the 75% solvency requirement of all "active" Local Government Superannuation Funds, and as an interim measure pending a detailed assessment of the Fund's assets and liabilities, the NRA has accepted the recommendation of the Actuary of the former WASF responsible for apportioning the Closed Funds' assets and has paid an employer's contribution rate of 200% from that date. The Actuary has provided a statement to this effect reproduced on page 12. The Active Members' Fund will conform in all respects to the normal actuarial processes provided for in the Regulations with the NRA meeting the balance of cost as certified by the Actuary.

The first formal valuation of the Closed Funds is required at 31 March 1992 when an Actuary must certify the amount by which, in his opinion, the assets of each Fund exceed or fall short of the amount required to meet their existing and prospective liabilities. These Funds are exempt from the 75% funding requirement and responsibility for ensuring that they can always meet their future liabilities rests with the Secretary of State for the Environment; however, the method by which this will be achieved has still to be announced. Payments to pensioners and other outgoings are substantially more than income from investments and realisation of assets is necessary to meet the cash deficit. An actuarial statement on the Closed Funds is reproduced on page 18.

Investment

REVIEW OF THE YEAR

As the review period began stockmarkets were about to recover from a period of uncertainty and declining prices. The trigger for the UK market was the belief that the Government was keen for sterling to join the European Exchange Rate Mechanism (ERM). A sharp appreciation in the Pound's international value was soon underway and the boost this gave to investor confidence spilled over to the equity market. By mid-year prices generally had recovered to near their historic highs.

International events were about to take a severe turn for the worse and when Iraq invaded Kuwait in early August 1990 equity markets fell sharply. In October the UK Government joined the ERM and cut base rates to 14% and allowed pent up optimism to take share prices swiftly higher. This move set the trend for the direction of prices as the markets approached the year end. With some short term variations this behaviour of markets continued to the end of the review period (March 1991) with a major rally developing as the inevitable defeat of Iraq by Allied Forces became a reality.

During the year Queen Anne's Gate was somewhat constrained in its activity both by the continuing apportionment process, culminating in the final allocation of assets to the Active Members' Fund in December 1990, and the need to restructure the portfolio to meet the very high funding requirements of the Closed Funds.

NRA SUPERANNUATION FUND

Distribution of Investments at 31 March 1991

	\$M	%
UK equities	155.5	58.5
Fixed interest	46.3	17.4
Overseas		
N America	15.1	5.7
Europe	14.5	5.5
Pacific Basin	24.5	9.2
Short term loans and deposits	7.9	3.0
Net assets	1.9	0.7
TOTAL FUND	265.7	100.0

Largest UK Equity Holdings

	Market Value \$M	UK Equity Portfolio %
Bishopsgate International	15,630	10.1
Smithkline Beecham	9,078	5.8
Glaxo	8,911	5.7
Shell Transport & Trading	5,667	3.6
Argyll Group	5,184	3.3
ICI	5,039	3.2
BP	5,010	3.2

Geographical Distribution of Overseas Investments

	Market Value \$M	%
North America	15.1	27.9
Europe	14.5	26.8
Japan	8.9	16.5
Other Far East	15.6	28.8
TOTAL	54.1	100.0

NEW MAIN AND NEW SECOND FUNDS

Distribution of Investments at 31 March 1991

Main Fund	£M	%
UK equities	441.3	56.4
Overseas investments	37.0	4.7
Fixed interest	81.8	10.4
Property	85.9	11.0
Unquoted investments	39.8	5.1
Short term loans and deposits	92.9	11.9
Net assets	3.9	0.5
TOTAL FUND	782.6	100.0

Second Fund	£M	%
Fixed interest	16.2	39.3
UK equities	14.3	34.7
Short term loans and deposits	12.1	29.4
Net assets	(1.4)	(3.4)
TOTAL FUND	41.2	100.0

Analysis of Main Fund Investments by Market Value at 31 March 1991

UK Equities Sector

	Market Value £M	UK Equity %
Property	70.4	16.0
Oil and Gas	44.1	10.0
Water	36.6	8.3
Investment Trusts	32.3	7.3
Insurance	20.2	4.6
Banks	19.4	4.4
Transport	12.5	2.8
Stores	11.5	2.6
Conglomerates	10.3	2.3
Other	184.0	41.7
TOTAL	441.3	100.0

Largest UK Equity Holdings

	Market Value £M	UK Equity Portfolio %
Great Portland Estates	70.9	15.9
Water Holding Package	26.3	5.9
F & C Pacific Investment Trust	21.1	4.7
Fiske London & Southern Hemisphere Trust	11.4	2.6
Clyde Petroleum	10.4	2.3
British Aerospace 7.75% Convertible	10.0	2.2

Geographical Distribution of Overseas Investments

	Market Value £M	%
North America	28.3	76.5
Europe	2.9	7.8
Japan	2.7	7.3
Other Far East	3.1	8.4
TOTAL	37.0	100.0

Property and Unquoted Investments

The Secretary of State for the Environment advised that both the property and unquoted investments of the former WASF need not be included in the apportionment of assets to the water industry pension schemes or the Active Members' Fund. Consequently, they continue to be managed as a single entity within the New Main Fund which leaves it with a somewhat unbalanced portfolio and impacts on the overall fund performance.

Throughout the year property markets continued to weaken with very little activity even of a distressed sale nature. Valuations reflect this weakness and yields in the property sector are now at record levels although there is a general shortage of stock for sale. However, before the market disappeared the Fund realised a portfolio of seven supermarkets and a block of offices at good prices. Purchases have been restricted to two short leasehold properties with sound covenants.

The portfolio, consisting of 31 properties at a value of £85.9 million at 31 March 1991, is being held under active management pending a return to normal market conditions.

Market value of sectors of the property portfolio at 31 March 1991

	£M	%
High Tech	44.5	51.8
Retail Shops	15.5	18.0
Industrial	8.9	10.4
Short leasehold	7.9	9.2
Offices	4.8	5.6
Developments	3.2	3.7
Retail warehouses	1.1	1.3
TOTAL	85.9	100.0

In the weakening economy some sales of unquoted investments have taken place but from the remaining portfolio it has become necessary to write down the book cost by £22.8 million. The bulk of this provision is in respect of two large holdings.

PERFORMANCE MEASUREMENT

1990 was the first year since 1974 that markets have provided a negative overall return. In fact, most major areas of investment failed to achieve the positive returns that investors had come to expect during the 1980's. Cash actually provided the best returns during the year and was the only major sector to achieve a return in excess of price inflation (9.3%) and earnings inflation (9.75%).

Insofar as the Closed Funds are concerned, the former Pensions and Investment Committee had agreed to defer formal performance measurement until the completion of the apportionment and the final allocation of assets to the the Active Members' Fund. Combined Actuarial Performance Services (CAPS) were, in the event, appointed to measure the Funds under management for the record for 1990 – notwithstanding the anomalies caused by apportionment.

The detailed analysis revealed close to median returns for the New Main Fund; total assets returned –11.2% compared to the CAPS median of –10.5% whilst, excluding property, the Fund returned –10.6% which was exactly in line with the CAPS median return. The New Second Fund had no apportionment or funding constraints and its results were in direct contrast to the general trend; the Fund achieved a positive return of 3.5% compared to the CAPS median of –10.6% mainly due to the relatively high level of liquidity held throughout the year and the lack of exposure overseas.

The WM Company were appointed as independent measurers of the performance of the Active Members' Fund and the Fund was measured for the six month period from 1 July 1990. Over this period the Fund achieved a return of –12.3% underperforming the WM average of –9.9% by 2.7%. These returns were severely impacted by the final apportionment of £140.5 million (over 60% of the total portfolio) which took place in December 1990.

INVESTMENT POLICY

Pending the final transfer of assets from the Closed Funds to the water company funds and the Active Members' Fund, the Pensions Committee has agreed that so far as possible the liability to pay pensions should be met from the running yield on the portfolio. This maximisation of income strategy is likely to continue for the Closed Funds. However, the Committee has commissioned an actuarial report on the Funds, to enable it to determine more precisely the investment policy to be followed.

Now that the Active Members' Fund has secured its full inheritance of assets it will follow a more balanced investment strategy aimed at capital growth as well as yield.

Finance

NATIONAL RIVERS AUTHORITY SUPERANNUATION FUND

The accounts have been prepared on a market value basis, where the market valuation is taken as the lower of cost or estimated market value. The net assets of the Fund at 31 March 1991 amount to over £265 million, having risen substantially since 1 April 1990 mainly due to the transfer of assets from the New Main Fund in respect of employees' transferred past service rights.

NEW MAIN FUND AND NEW SECOND FUND

As in the previous accounting period, the accounts for both Funds have been prepared on a market value basis. However, on unquoted investments the market valuation is taken as the lower of cost or estimated market value. After making the final apportionment transfers to water pension schemes and the Active Members' Fund (and after allowing for realised gains and adverse changes in portfolio valuations), the value of the New Main Fund fell to under £783 million. However, as a consequence of investment income still exceeding benefits payable and because all apportioned assets were transferred from the New Main Fund, the value of the New Second Fund has risen to over £41 million.

Since 1 April 1990, the New Main Fund has been liable for the pensions increase costs arising in respect of local authority pensioners formerly employed on water or sewerage functions and previously recovered from water plc's and the predecessor water authorities. The total liability for 1990/91 is estimated to be in excess of £6 million.

With the exception of late payments in respect of the period to 31 August 1989, contribution income ceased upon the transfer of members into the new water plc pension schemes. Responsibility for ensuring that the Funds can meet all future liabilities rests with the Secretary of State for the Environment.

Administration

PRIVATISATION

The National Rivers Authority was formed on 7 July 1989 under the Water Act 1989. With the privatisation of the ten statutory water authorities on 1 September 1989 the Regulations were amended to:

- Transfer the administering authority responsibility for the former WASF Main and Second Funds with their assets and liabilities to the NRA;
- Place with the NRA the functions of former employing authority for pensioners and deferred pensioners in the Closed Funds;

- Establish the Active Members' Fund as from 7 July 1989 for the Authority's own employees.

A Government undertaking has been given that transferees from a Water Pension Scheme (WPS) to the Active Members' Fund on 1 September 1989 who were previously WASF members will be able to count service as though they had never left WASF provided they continued to pay the same rate of contributions. Those who have paid a lower rate during their WPS membership will be allowed to make up the difference, or alternatively have a reduction in their service for that period. The Regulations are to be amended shortly to recognise this commitment.

CHANGES TO THE LOCAL GOVERNMENT SUPERANNUATION SCHEME

In the 12 months covered by this Report there have been two sets of amendments to the Regulations which impact directly on the NRA – the Local Government Superannuation (Amendment) Regulations 1990, and the Local Government Superannuation (Investments) Regulations 1990. DoE have also issued draft amendment regulations for consultation purposes which will shortly give statutory effect to proposed changes to the membership arrangements described in the Report at 31 March 1990 and to some new provisions intended to either improve spouse's and childrens pensions or remove areas of discrimination in their provision.

The Local Government Superannuation (Amendment) Regulations 1990

Effective from 17 September 1990, these amendment regulations give effect to an undertaking by DoE that previous part-time service of LGSS current and former members can count in the calculation of their scheme benefits on payment of an appropriate sum. Subject to certain time constraints and other conditions being satisfied, applicants can elect to convert all or part of their part-time employment between 1 April 1974 and 31 March 1986 to pensionable service.

Neither the Active Members' nor the Closed Funds have many current or former employees with previous part-time service. Those eligible have been invited to request personal quotations if they are interested in the option available to them.

The Local Government Superannuation (Investments) Regulations 1990

These regulations were made following the announcement by DoE in July 1990 that local authorities could not delegate decisions to investment managers under the Local Government Act 1985. By amendments to the Regulations, such delegation is now permitted but within a defined statutory framework.

Although the NRA fell outside the earlier constraints on investment decision making, with the amendments to the Regulations it has to comply with the

newly introduced requirements for the Active Members' Fund. These prescribe formal reporting and delegation procedures aimed at protecting fund assets and maximising investment performance through diversification.

DRAFT REGULATIONS ISSUED FOR CONSULTATION

The Local Government Superannuation (Amendment) Regulations 1991

Circulated for comment in December 1990, and expected to be effective shortly, these regulations will introduce a number of miscellaneous changes, some of which were mentioned in last year's Report.

Membership arrangements

The regulations will give effect to the revised membership requirements which DoE announced in 1989 that could be anticipated in advance of the statutory amendments being made:

With effect from 1 October 1989

- Manual employees no longer have to work 12 months before being allowed membership of the pension scheme.
- Minimum age of entry reduced from 18 to 16.

With effect from 1 April 1990

- Automatic entry to the scheme for all new whole-time employees with the right to opt out. As the regulations are presently drafted this arrangement will extend to eligible part-time employees appointed after the regulations are made.

Widowers' pensions

Service from 6 April 1988 onwards (including any transferred from another pension scheme) will reckon automatically towards a half-rate widower's pension for any married female members who retire or die in service after that date. An option will also be introduced to allow earlier service to count with a corresponding reduction in the lump sum payable on retirement or death.

Short-term spouses' pensions

For deaths since 6 April 1988, widow's and widower's short-term pensions will be paid for six months instead of three when there is also a child eligible to receive a children's pension. This improvement will extend to children's short-term pensions (provided when no spouse's pension is payable) but, under the current proposals, only for deaths occurring after the Regulations are amended.

Judicial separation

Separation orders made after 5 April 1988 will no longer debar the payment of a spouse's pension.

Children's pensions

- Children's pensions will be provided automatically in respect of all female members who retire or die in service after 5 April 1988.
- The present rule which stops a pension being paid for a female child who marries or co-habits is to be removed after the amendment regulations become effective.
- When the Regulations are amended, a child's pension is only to be provided by LGSS (and other public service pension schemes) for as long as child benefit is payable.

The Local Government Superannuation (Interchange) Regulations 1991

These long outstanding regulations will give effect to revised transfer arrangements introduced by the Social Security Act 1985, including transfers to and from personal pensions, and consequential new rules prescribed by HM Treasury for the Public Sector Transfer Club. NRA (like other administering authorities) has followed advice from DoE and anticipated the proposed changes as far as possible to prevent a back-log of cases for leavers from the Active Members' Fund and for deferred pensioners transferring their pension rights from the Closed Funds.

The Local Government Superannuation (Reserve Forces) Regulations 1991

Under these regulations LGSS members who were called up or volunteered for reservist duties in the Gulf Crisis continue to accrue pensionable service; appropriate benefits are also payable in the event of retirement or death during their absence.

OTHER ISSUES

Social Security Act 1990

With the exception of the Pensions Register and Pensions Ombudsman, the occupational pension scheme provisions introduced by the 1990 Social Security Act do not impact on the NRA or LGSS.

● **The Pensions Register**

Under the Act a Pensions Register intended, for example, to allow current or former pension scheme members to trace "lost" pension rights is being established. Each administering authority including the NRA is to provide appropriate details of their Superannuation Funds, including the number of active members at 31 March, by not later than 31 July 1991 and every three years thereafter. Non-statutory pension schemes will also have to pay a levy dependent on their number of active members; for public service schemes like LGSS this will be met from Government sources.

● **The Pensions Ombudsman**

From 2 April 1991 the newly appointed Pensions Ombudsman is responsible for examining complaints of maladministration and disputes of fact

or law against employer's pension schemes. Unless it is considered that there is a point of law at issue which should be referred to the High Court, his decision is final.

For LGSS and other statutory public service pension schemes (except the National Health Service Scheme) with their already well established formal appeals' arrangements, the Ombudsman's remit is limited to complaints of maladministration against administering and employing authorities.

Sex equality

In May 1990, the European Court of Justice decided in the case of Barber v Guardian Royal Exchange Insurance Group that employers' pension scheme benefits are "pay" and must therefore be provided on equal terms. Acknowledging the importance of this ruling the Court advised that it need not be applied retrospectively - currently interpreted as meaning that equal benefits have only to be provided for service from May 1990 onwards. DoE have still to announce the consequences of the ruling for LGSS.

Pensions increase

Pensions payable from the Active Members' and Closed Funds are subject to annual review under the Pensions (Increase) Act 1971. The Pensions Increase (Review) Order for 1991 requires an increase of 10.9% (reduced proportionally for pensions in payment for less than 12 months) to be awarded from 8 April 1991.

Communications

Members, pensioners and deferred pensioners of the Active Members' Fund have received Fundfare 90 which summarised the Funds' Report and Accounts as at 31 March 1990 and provided information on other pensions related matters. A newsletter, also entitled Fundfare 90, which concentrated instead on the Closed Funds' Accounts has been issued to the deferred and current pensioners of those Funds. Similar newsletters will be produced for the year ended 31 March 1991.

A new Member's Guide to the NRA Pension Scheme has been produced and made available for employees already paying into the Scheme, and, in conjunction with a campaign to encourage them to join, those eligible for scheme membership. It will also be issued to new employees to comply with the statutory disclosure rules.

Auditors' Report

We have audited the financial statements on pages 13 to 17 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the disposition of the Fund at 31 March 1991 and of the transactions for the year then ended.

Without qualifying our opinion above, we draw attention to Note 4 to the accounts on page 17 which states that the transfer of 5,614 members to the National Rivers Authority Superannuation Fund has been reflected in a matching distribution of assets to the Fund. We also draw attention in this connection to the statement by the Actuary set out on this page.

In our opinion, the contributions payable to the Fund during the year ended 31 March 1991 have been paid in accordance with the Local Government Superannuation Regulations 1986 (as amended) and the advice of the Consulting Actuary.

PRICE WATERHOUSE
Chartered Accountants
Birmingham
12 July 1991

Statement by the Consulting Actuary

The National Rivers Authority Superannuation Fund was established on 7 July 1989 and during the year ended 31 March 1991, received transfer payments as a result of the apportionment of the NRA New Main Fund. As an actuarial valuation of the National Rivers Authority Superannuation Fund has not been carried out since the completion of that apportionment, it is not possible to certify formally the rate of employer's contribution payable by the National Rivers Authority.

Acting on my advice, the National Rivers Authority is paying contributions on an interim basis. These have been at the rate of 137½ % of employees' contributions to 31 March 1990, increased to 200% for the year ended 31 March 1991. I consider that this is a prudent basis, having regard to the new statutory requirements effective from 1 April 1990 to fund in advance for pensions increases and to maintain a 75% funding target.

M.B. REID
Fellow of the Institute of Actuaries
19 June 1991

Accounts for the year ended 31 March 1991

7 July 1989 to
31 March 1990
£000

		Notes	1991 £000	£000
INCOME AND EXPENDITURE				
Contribution and other receipts				
	Normal			
2,490	Pensionable employees	1	4,954	
3,423	National Rivers Authority		9,867	
5,913			14,821	
54	Additional Pensionable employees		100	
5,967				14,921
1,010	Transfer values received			2,242
6,977				17,163
Less:				
	Benefits and other payments	6		
(50)	Retirement and dependants' pensions		(379)	
(399)	Lump sum retiring allowances		(1,062)	
(56)	Death grants		(125)	
(505)			(1,566)	
(116)	Transfer values paid		(657)	
(4)	Refunds of contributions	7	(34)	
(625)				(2,257)
6,352	Contributions less benefits			14,906
Investment income				
-	Fixed interest securities		1,624	
-	Dividends from equities		1,447	
195	Interest on cash deposits		1,094	
195			4,165	
(68)	Less investment and administration expenses		(549)	
127				3,616
6,479	Amounts available for investment			18,522

NATIONAL RIVERS AUTHORITY SUPERANNUATION FUND

Accounts for the year ended 31 March 1991

7 July 1989 to
31 March 1990
£000

Notes

£000

NET ASSET MOVEMENTS

3

-	Opening Funds		6,044
-	Apportionment of funds	4	220,709
6,479	Amounts available for investment		18,522
(435)	Changes in investment market values		20,420
<u>6,044</u>	Closing Funds at 31 March		<u>265,695</u>

NET ASSETS

£000

£000

	Investments at Market Value	2	
3,162	Fixed and variable interest stocks		255,930
1,563	Short-term deposits		7,873
<u>4,725</u>			<u>263,803</u>
1,319	Net current assets	5	1,892
<u>6,044</u>	Net Assets at 31 March		<u>265,695</u>

P.A. BRANDT
Chairman, NRA Pensions Committee

J. WHEATLEY
Acting Chief Executive, National Rivers Authority

12 July 1991

Accounting Policies

Statement of Recommended Practice (SORP)

These accounts have been prepared in accordance with the recommendations of SORP No.1 – Pension scheme accounts – in respect of all material items.

Investments

The accounts for the year have been prepared on the basis of stating investments at their market values, which in the case of listed securities are determined by reference to the middle market price at the year end.

Contributions

Contributions represent the total amounts receivable from the National Rivers Authority in respect of their own contributions and those of their pensionable employees. The employer's contributions are made at a rate determined by the Fund's Actuary necessary to ensure that the Fund is able to meet 75% of its existing and prospective liabilities including indexation.

Benefits, refunds of contributions and transfer values

Benefits, refunds of contributions and transfer values paid and received are brought into the accounts on a cash basis.

Exchange rates

Current assets and liabilities arising from investments in overseas securities purchased in foreign currency have been translated at the mid-market closing rates of exchange ruling at the year end.

Investment income

Investment income is accounted for on the following bases:

The effective date used to bring interest into the accounts is the due date of payment for securities, excluding government securities and short-term loans. For government securities, the ex-dividend date is the effective date used. Short-term loan income is accrued.

Administration expenses

Net administration expenses, including investment management, are charged to the Fund.

Taxation

(i) UK income tax

The Fund is fully approved by the Inland Revenue under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 and therefore is not liable to UK income tax on interest, dividends and property income, or to capital gains tax.

(ii) Value added tax

By virtue of NRA being the administering authority, VAT input tax is recoverable on all Fund activities including expenditure on investment and property expenses.

(iii) US withholding tax

The income earned from investments in stocks and securities in the United States was exempt from US tax pursuant to Section 892 of the Income Tax Code and was not subject to withholding of any tax under Section 1441. This exemption has continued to be applied thus far under the US Tax Reform Act of 1986.

Notes to the Accounts

1. The National Rivers Authority Superannuation Fund (the Active Members' Fund) relates to employees and pensioners of the National Rivers Authority only.

From 1 April 1990 current and future pensions increase costs other than those arising on discretionary awards, were met from the Fund and were not recovered directly from the National Rivers Authority. As a consequence, and in recognition of the new 75% funding requirement, the employer's provisional contribution rate increased from 137.5% to 200% of employees' contributions.

The actuarial position is dealt with in the statement by the Actuary on page 12 preceding these accounts.

2. Analysis of investments

Market Value 31 March 1990		Market Value 31 March 1991	
£000		£000	£000
	Fixed interest		
	United Kingdom Government		46,351
	Equities and convertibles		
1,484	United Kingdom - listed	155,479	
1,678	Overseas - listed	54,100	
3,162			209,579
	Short-term loans and deposits		
1,563	United Kingdom		7,873
4,725			263,803
1,319	Net current assets		1,892
6,044			265,695

3. Details of net asset movements

7 July 1989 to 31 March 1990 £000		£000
	Opening Balances	
	At cost	6,462
	Unrealised depreciation	(418)
		6,044
	Movements in the period	
	Apportionment of funds	220,709
6,479	Amounts available for investment	18,522
(17)	Realised losses	(910)
(418)	Changes in valuations	21,330
6,044		259,651
	Balances at 31 March	
6,462	At cost	244,783
(418)	Unrealised appreciation (depreciation)	20,912
6,044		265,695

Total purchases of investments in the year to 31 March 1991 amounted to £262.3 million (period to 31 March 1990: £3.6 million). Total sales amounted to £30.6 million (period to 31 March 1990: £NIL). Realised losses in the period to 31 March 1990 related to foreign exchange rate movements.

Notes to the Accounts – continued

4. Apportionment of funds

The transfer of 5,614 members from the former Water Authorities Superannuation Fund to the National Rivers Authority Superannuation Fund has now been reflected in the accounts by a matching distribution of assets. An interim allocation of assets totalling £80 million was received on 1 July 1990 on account of this apportionment, with a final allocation in December 1990.

5. Net current assets

31 March 1990 £000		31 March 1991 £000	£000
	Current assets		
	Debtors		
	Amounts due from		
10	National Rivers Authority	1,188	
187	Due from NRA New Main Fund	—	
—	Income Tax recoverable	141	
31	Accrued investment income and		
1,105	other debtors	30	
	Cash	1,478	
1,333			2,837
	Current liabilities		
	Creditors		
—	Due to other funds	(540)	
(11)	Due to brokers	(215)	
(3)	Other	(190)	
(14)			(945)
1,319	Net current assets		1,892

At 31 March 1991 future liabilities amounted to: Calls and underwriting £1,876,664 (1990: £260).

6. Benefits paid

Benefits paid exclude the following amounts, being discretionary increases and allowances, which were paid initially by the Fund and subsequently recharged to the National Rivers Authority.

7 July 1989 to 31 March 1990 £000		1991 £000
1	Retirement and	
2	dependants' pensions	19
—	Lump sum retiring allowances	56
—	Death grants	—
3		75

7. Refunds of contributions

7 July 1989 to 31 March 1990 £000		1991 £000
1	Net refunds to employees	11
1	Tax paid	3
—	Contributions equivalent premiums	—
1	Employees' share	5
1	Employer's share	15
4		34

Auditors' Report

We have audited the financial statements on pages 19 to 25 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the disposition of the Funds at 31 March 1991 and of the transactions for the year then ended.

Without qualifying our opinion above, we draw attention to the Accounting Policies Note on Page 21 and Note 4 to the Accounts on page 23 which state:

- The Secretary of State for the Environment has a duty under S.173(3) of the Water Act 1989 to ensure that the Funds can always meet their liabilities including future indexation awards. However, the method by which this will be achieved has still to be announced.
- The transfer of 22,059 members of the former Water Authorities Superannuation Fund to non-statutory pension arrangements sponsored by water employers has been fully reflected in a matching distribution of assets to the new schemes.

We also draw attention in this connection to the statement by the Actuary set out on this page.

PRICE WATERHOUSE
Chartered Accountants
Birmingham
12 July 1991

Statement by the Consulting Actuary

The New Main and New Second Funds are administered by the National Rivers Authority and are maintained for the primary purpose of paying benefits to current pensioners, widows, widowers, dependants and deferred pensioners. Pensionable employees of the former Water Authorities Superannuation Funds ceased to contribute no later than 31 August 1989, with many of these employees choosing to transfer their accrued benefits to alternative pension schemes.

Bulk transfer payments in respect of the transfer of pension liabilities to water industry schemes and to the National Rivers Authority Superannuation Fund, were completed in the year ended 31 March 1991.

Whilst the apportionment process has been completed, no actuarial valuation of the remaining assets and liabilities has yet been carried out. I am therefore unable to comment on the relationship between the Funds' assets and liabilities. However, I understand that the future solvency of the Funds with regard to their liabilities has been guaranteed by the Government.

M.B. REID
Fellow of the Institute of Actuaries
19 June 1991

Accounts for the year ended 31 March 1991

7 Months to 31 March 1990				1991			
Main Fund £000	Second Fund £000		Notes	Main Fund £000	Second Fund £000		
INCOME AND EXPENDITURE							
Contribution and other receipts							
Normal (adjustments)							
(9)	-	Pensionable employees	1	4	-		
(12)	-	Employers		2	-		
(21)	-			6	-		
42	-	Additional Pensionable employees		-	-		
21	-				6		-
171	-	Transfer values received			32		-
192	-				38		-
Less:							
Benefits and other payments							
(45,901)	(367)	Retirement and dependants' pensions	8	(82,964)	(669)		
(1,127)	(27)	Lump sum retiring allowances		(973)	(7)		
(238)	-	Death grants		(112)	-		
(47,266)	(394)			(84,049)	(676)		
(5,380)	(220)	Transfer values paid		(7,486)	(158)		
(71)	(2)	Refunds of contributions	9	(63)	3		
-	-	Pre-1 April 1974 Local authority pensions increase recharges	10	(7,197)	-		
(52,717)	(616)				(98,795)		(831)
(52,525)	(616)				(98,757)		(831)
Excess of benefits over contributions							
Investment income							
14,785	-	Fixed interest securities		6,872	959		
28,973	361	Dividends from equities		37,263	653		
15,303	1,884	Interest on cash deposits		16,142	2,487		
4,848	-	Rents	7	7,251	-		
63,909	2,245			67,528	4,099		
(1,527)	(40)	Less investment and administration expenses		(2,781)	(63)		
62,382	2,205				64,747		4,036
9,857	1,589	Amounts available for investment			(34,010)		3,205

Accounts for the year ended 31 March 1991

7 Months to 31 March 1990				1991	
Main Fund £000	Second Fund £000		Notes	Main Fund £000	Second Fund £000
NET ASSET MOVEMENTS					
			3		
2,304,798	38,077	Opening Funds		1,548,612	36,734
(631,199)	—	Apportionment of funds (net)	4	(670,872)	—
9,857	1,589	Amounts available for investment		(34,010)	3,205
(134,844)	(2,932)	Changes in investment market values	11	(61,146)	1,248
1,548,612	36,734	Closing Funds at 31 March		782,584	41,187
NET ASSETS					
£000	£000			£000	£000
		Investments at Market Value	2		
247,044	—	Fixed and variable interest stocks		81,826	16,257
1,064,853	14,279	Equities and convertibles		518,044	14,270
1,311,897	14,279			599,870	30,527
111,963	—	Freehold and leasehold properties	5	85,920	—
104,915	23,309	Short-term deposits		92,896	12,097
1,528,775	37,588			778,686	42,624
74	—	Other assets		82	—
19,763	(854)	Other net current assets (liabilities)	6	3,816	(1,437)
1,548,612	36,734	Net Assets at 31 March		782,584	41,187

P.A. BRANDT
Chairman, NRA Pensions Committee

J. WHEATLEY
Acting Chief Executive, National Rivers Authority

12 July 1991

Accounting Policies

The New Main and New Second Funds are "closed"; there are no contributing members. Unlike other statutory Local Government Superannuation Funds, they are being maintained solely to pay current and deferred benefits (or transfer values to other pension schemes) awarded to or in respect of employees of former water authorities and associated bodies prior to 1 September 1989.

The Secretary of State for the Environment has a duty under section 173(3) of the Water Act 1989 to ensure that the Funds can always meet their liabilities including future indexation awards. However, the method by which this will be achieved has still to be announced.

Statement of Recommended Practice (SORP)

These accounts have been prepared in accordance with the recommendations of SORP No.1 - Pension scheme accounts - in respect of all material items.

Investments

The accounts for the year have been prepared on the basis of stating investments at their market values which are determined as follows:

- (i) In the case of listed securities and securities on the unlisted securities market, by reference to the middle market price at the year end.
- (ii) In the case of other unquoted investments, the valuation at 31 March 1991 is taken as the lower of cost or estimated market value.
- (iii) In the case of the UK urban properties portfolio, the open market valuation as at 31 March 1991 by independent valuers, Weatherall Green and Smith, Chartered Surveyors, of such properties with vacant possession of the accommodation in hand but subject to all existing leases and tenancies.

Contributions

Contributions represent an adjustment for the period to 31 August 1989 for amounts underpaid by an employer in respect of employer and employee contributions.

Benefits, refunds of contributions and transfer values

Benefits, refunds of contributions and transfer values paid and received are brought into the accounts on a cash basis.

Exchange rates

Current assets and liabilities arising from investments in overseas securities purchased in foreign currency have been translated at the mid-market closing rates of exchange ruling at the year end.

Investment income

Investment income is accounted for on the following bases:

The effective date used to bring interest into the accounts is the due date of payment for securities, excluding Government securities and short-term loans. For Government securities, the ex-dividend date is the effective date used. Short-term loan income and investment income from rents on properties is brought into the accounts on the accrual basis.

Administration expenses

Net administration expenses, including investment administration, are charged to the Funds.

Taxation

(i) UK income tax

The Funds are fully approved by the Inland Revenue under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 and therefore are not liable to UK income tax on interest, dividends and property income, or to capital gains tax.

(ii) Value added tax

By virtue of NRA being the administering authority, VAT input tax is recoverable on all Fund activities including expenditure on investment and property expenses.

(iii) US withholding tax

The income earned by the New Main Fund from investments in stocks and securities in the United States was exempt from US tax pursuant to Section 892 of the Income Tax Code and was not subject to withholding of any tax under Section 1441. This exemption has continued to be applied thus far under the US Tax Reform Act of 1986.

Notes to the Accounts

- The National Rivers Authority New Main Fund relates to former employees and pensioners prior to 1 September 1989 of the ten former regional water authorities in England and Wales. The National Rivers Authority New Second Fund relates to former employees and pensioners, prior to 1 September 1989, of the Foundation for Water Research, WRc plc, Water Services Association of England and Wales, Water Training International, the International Association on Water Pollution, Research and Control, the International Water Supply Association and their predecessor bodies.

These accounts do not reflect liabilities to pay pensions and other benefits in the future which are now the responsibility of the Secretary of State for the Environment. The actuarial position is dealt with in the statement by the Actuary on page 18 preceding these accounts and covers such liabilities.

Transactions in 1989/90 related to a 7 month period from 1 September 1989.

2. Analysis of investments

Market Value 31 March 1990			Market Value 31 March 1991 Main Fund		Market Value 31 March 1991 Second Fund	
Main Fund £000	Second Fund £000		£000	£000	£000	£000
		Fixed interest				
73,831	—	United Kingdom Government	21,698		16,257	
138,226	—	Overseas Government	39,014		—	
14,174	—	Other fixed interest – UK	14,702		—	
226,231	—			75,414		16,257
20,813	—	Index linked gilts		6,412		—
		Equities and convertibles				
848,900	13,793	United Kingdom – listed	437,955		14,082	
140,931	—	Overseas – listed	36,962		—	
4,361	486	United Kingdom – unlisted	3,336		188	
994,192	14,279			478,253		14,270
		Unquoted investments				
45,908	—	United Kingdom	25,908		—	
24,753	—	Overseas	13,883		—	
70,661	—			39,791		—
		Short-term loans and deposits				
104,915	23,309	United Kingdom		92,896		12,097
		Property – UK				
108,365	—	Freehold and long leasehold	75,045			
200	—	Property under development	3,000			
3,398	—	Property short leasehold	7,875			
111,963	—			85,920		—
1,528,775	37,588			778,686		42,624
74	—	Other assets		82		—
19,763	(854)	Net current assets		3,816		(1,437)
1,548,612	36,734			782,584		41,187

Notes to the Accounts – continued

3. Details of net asset movements

Balances at 1 April 1990

	Securities etc. £000	Property £000	Total £000	Second Fund Total £000
At cost	1,228,218	81,598	1,309,816	30,677
Unrealised appreciation	208,431	30,365	238,796	6,057
	<u>1,436,649</u>	<u>111,963</u>	<u>1,548,612</u>	<u>36,734</u>

Movements in the year

Apportionment of funds (net payment)	(670,872)	-	(670,872)	-
Amounts available for investment	(26,206)	(7,804)	(34,010)	3,205
Realised gains	152,413	1,197	153,610	471
Changes in valuations	(195,320)	(19,436)	(214,756)	777
	<u>(739,985)</u>	<u>(26,043)</u>	<u>(766,028)</u>	<u>4,453</u>

Balances at 31 March 1991

At cost	684,453	75,034	759,487	34,353
Unrealised appreciation	12,211	10,886	23,097	6,834
	<u>696,664</u>	<u>85,920</u>	<u>782,584</u>	<u>41,187</u>

Total purchases of investments in the year amounted to £38.5 million (period to 31 March 1990: £953 million) and sales were £23.8 million (period to 31 March 1990: £1,231 million).

4. Apportionment of funds

Period	Former GLC £000	Former WASF £000	Total £000
April 1988 to March 1989	3,530	(31,000)	(27,470)
April 1989 to August 1989	-	(90,200)	(90,200)
September 1989 to March 1990	1,977	(633,176)	(631,199)
April 1990 to March 1991	42	(670,914)	(670,872)
	<u>5,549</u>	<u>(1,425,290)</u>	<u>(1,419,741)</u>

The London Residuary Body and its successor the London Pension Fund Authority have made payments totalling £5,549,000 in respect of employees transferred to Thames Water following the abolition of the former Greater London Council.

Following the amendment to the Local Government Superannuation Regulations which provided for an apportionment of the former WASF on actuarial assumptions specified by the Secretary of State for the Environment, a total of 22,059 members elected to transfer their past service pension rights to the non-statutory arrangements sponsored by the water employers. A matching transfer of assets totalling £1,425.3 million has been made since 1989 bringing the apportionment to a successful conclusion.

To simplify the process, all apportionable assets have been released from the New Main Fund. In due course, assets of approximately £22 million will be transferable from the Second to the Main Fund unless the two Funds are merged.

Notes to the Accounts – continued

5. New Main Fund – Property

Commitments under contract for property investments amounted to £3,253,593 (1990: £5,500). Sales negotiated were £18,500,000 (1990: £NIL).

6. Net current assets

31 March 1990			31 March 1991			
Main Fund £000	Second Fund £000		Main Fund £000 £000		Second Fund £000 £000	
Current assets						
Debtors						
24	–	Amounts due from employers	5		–	
6,298	100	Due from brokers	3,835		–	
83	–	Due from other funds	1,100		–	
1,451	21	Income tax recoverable	1,668		193	
		Accrued investment income				
5,296	75	and other debtors	3,329		2	
14,772	3	Cash	2,622		547	
<hr/>	<hr/>		<hr/>		<hr/>	
27,924	199			12,559		742
<hr/>	<hr/>					
Current liabilities						
Creditors						
–	(1,050)	Due to other funds	–		(2,179)	
(5,414)	–	Due to brokers	(2,317)		–	
(2,228)	–	Rents	(2,142)		–	
(519)	(3)	Other	(4,284)		–	
<hr/>	<hr/>		<hr/>		<hr/>	
(8,161)	(1,053)			(8,743)		(2,179)
<hr/>	<hr/>			<hr/>		<hr/>
19,763	(854)	Net current assets		3,816		(1,437)
<hr/>	<hr/>					

At 31 March 1991 future liabilities in respect of the Main Fund amounted to: Quoted Portfolio – calls and underwriting £9,180,000 (1990: £7,000), commitments on unquoted investments were £834,634 (1990: £3,186,140). Commitments on the Second Fund were £68,800 (1990: £NIL).

7. Rents

Net income representing rents receivable from property is made up as follows:

7 months to 31 March 1990		1991
Main Fund £000		Main Fund £000
5,576	Gross rents and insurance	8,848
(51)	commissions receivable	(567)
(677)	Rents paid	(1,030)
<u>4,848</u>	Property expenses	<u>7,251</u>
	Total - Rents	

Notes to the Accounts – continued

8. Benefits paid

When the former Water Authorities Superannuation Fund was transferred to the National Rivers Authority as the New Main and New Second Funds, current and future pensions increase costs on Scheme benefits became a fund liability. The pensions increase amounts shown below therefore relate only to discretionary awards made by the former employer paid initially from the Funds and recharged to the NRA since 1 September 1989.

7 months to 31 March 1990			1991			1991		
Main Fund £000	Second Fund £000		Main Fund Pensions increase £000	Discre- tionary £000	Total £000	Second Fund Pensions increase £000	Discre- tionary £000	Total £000
5,265	113	Retirement and dependants' pensions	2,430	7,274	9,704	65	141	206
219	-	Lump sum retiring allowances	-	11	11	-	-	-
11	-	Death grants	-	-	-	-	-	-
5,495	113		2,430	7,285	9,715	65	141	206

9. Refunds of contributions

7 months to
31 March 1990

Main Fund £000	Second Fund £000	
12	2	Net refunds to employees
6	-	Tax paid
23	-	Contributions equivalent premiums
30	-	Employees' share
		Employer's share
71	2	

1991

Main Fund £000	Second Fund £000
19	1
5	-
11	(4)
27	-
62	(3)

The New Second Fund received payments from the Department of Social Security (DSS) in respect of adjustments made to contributions equivalent premiums paid to DSS previously.

10. Pre-1 April 1974 Local authority pensions increase recharges

Until 31 March 1990, local authorities recovered from the former water authorities and successor water plc's the pensions increase costs in respect of pensioners employed on water functions prior to their retirement before 1 April 1974.

Since 1 April 1990, the Local Government Superannuation (Funds etc.) Regulations 1990 have provided for such costs arising from Local Government Superannuation Scheme benefits to be charged to the appropriate superannuation fund. The regulations require the corresponding pensions increase liabilities previously recovered from the water authorities/water plc's to be met from the New Main Fund.

11. Changes in investment market values

The reduction in values includes the effect of a £22.8 million write down on two property investments.

Scheme Rules and Benefits

SCHEME MEMBERSHIP AND INCOME

- (a) NRA employees between the ages of 16 and 65 working 30 hours or more per week (or 15 hours or more for at least 35 weeks per year) are eligible for entry to the NRA Pension Scheme (NRAPS). Up to 31 March 1990 employees had to elect to join. New whole-time employees, ie. those working 30 or more hours per week, appointed since 1 April 1990 have become members automatically with the right to opt out (backdated to the start of membership if made within three months). Part-time employees must still apply to join.

Contributions from pensionable earnings are:

- (i) Manuals - 5%
- (ii) Non-manuals - 6%

Subject to limits set by the Inland Revenue, members can pay Additional Voluntary Contributions (AVC's) to buy a larger retirement lump sum or to improve other specific benefits.

- (b) Transfer payments for pension rights in almost any other scheme can be accepted by the NRAPS (and, where appropriate, by the Closed Funds for a deferred pensioner) to increase benefits which may eventually become payable.
- (c) The NRA must make the balancing contribution required to keep the Active Members' Fund solvent having regard to existing and prospective liabilities. This is usually determined as a percentage of the members' normal contributions by a Consulting Actuary following each triennial valuation of the Fund. However, as an interim measure, the Consulting Actuary has to review as at 31 March and revise as necessary the NRA's contribution rate each year until 31 March 1993. Provisionally, a rate of 137.5% was paid between 7 July 1989 and 31 March 1990. This increased to 200% from 1 April 1990 with the introduction of pre-funding of pensions increase liabilities, and the need for the Fund to be able to meet only 75% of its existing and future total liabilities; it will continue to be paid until the Consulting Actuary advises otherwise after the review at 31 March 1991.

There is no contribution income to the Closed Funds. The Secretary of State for the Environment has a duty to ensure that the Funds can always meet their liabilities.

- (d) Monies not immediately required for the payment of benefits and other outgoings have to be invested in accordance with the provisions of the Local Government Superannuation Regulations.

BENEFITS AVAILABLE

Two or more years' service:

- A. Retirement pension and lump sum awarded:
1. Payable immediately on cessation of employment:
 - (i) voluntarily from age 60 onwards,
 - (ii) through permanent disability at any age, or
 - (iii) as a result of redundancy after age 50.
 2. Preserved and payable from retirement age in any other circumstances.
- B. Dependants' (widows/children/some widowers) pensions and a tax free lump sum to the estate following death:
- (i) in employment,
 - (ii) in receipt of retirement pension (a lump sum may **not** always be payable), or
 - (iii) before preserved pension payable.

Under two years' service:

- A. Pension and lump sum payable only on retirement from State pension age onwards.
- B. Lump sum payable on retirement through permanent disability.
- C. Dependants' limited period pensions and a tax free lump sum on death in employment.
- D. Refund of contributions when no other benefit payable.

PENSIONS INCREASE AWARDS

Normally, retirement and dependants' pensions in payment and preserved are increased each year by the same Retail Prices Index-percentage rate as that applied to State pensions.

TRANSFERS TO OTHER SCHEMES

When benefits are not payable immediately, a transfer can usually be made to another employer's pension scheme or, for leavers after 31 December 1985, to a Personal Pension Plan or to purchase an insurance Annuity Bond.

Fund Membership at 31 March 1991

NATIONAL RIVERS AUTHORITY SUPERANNUATION FUND (THE ACTIVE MEMBERS' FUND)

Fund Membership at 1 April 1990

Add:
Entrants - new starters

Less:
Exits - new retirement pensions
- deaths in service
- preserved benefits*
- refunds of contributions

94
11
118
53

5,838

696

6,534

276

6,258

Fund Membership at 31 March 1991

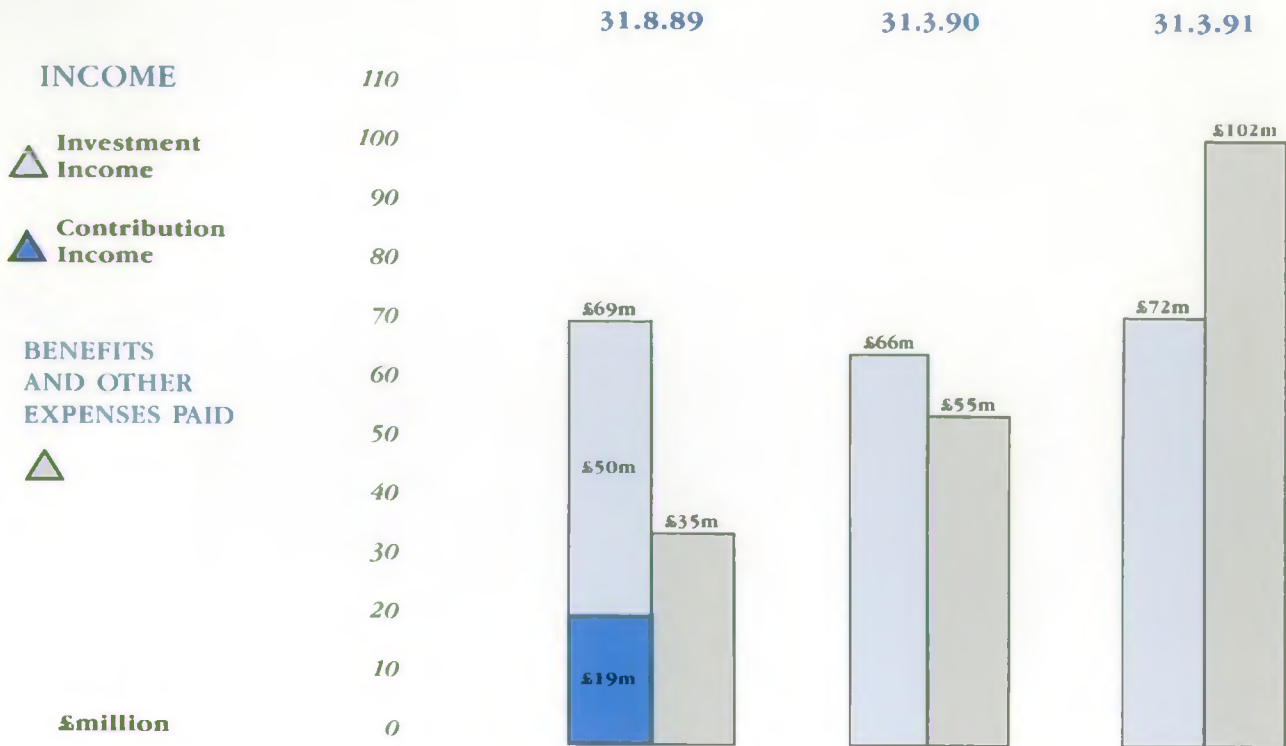
*Of these, 5 have transferred their preserved rights to other pension schemes.



NEW MAIN AND NEW SECOND FUNDS (THE CLOSED FUNDS)

MEMBERSHIP	31.8.89	31.3.90	31.3.91
Contributors	22,236	-	-
Pensioners	28,558	28,501	28,053
Deferred Pensioners	8,740	10,542	9,792

NEW MAIN AND NEW SECOND FUNDS (THE CLOSED FUNDS) FINANCIAL SUMMARY



MARKET VALUE OF FUNDS

31.8.89

£2,343m

31.3.90

£1,585m

31.3.91

£824m

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