

Annual Report and Accounts 2012/13



**Local Government
Pension Scheme**



THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

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PENSION FUND PANEL

Chairman	Councillor J Lenton
Vice Chairman	Councillor D Hilton
Other members	Councillor D McBride (to 31/12/12) Councillor G Hill Councillor P Comber

PENSION FUND ADVISORY PANEL

In addition to the 5 Pension Fund Panel members, the Advisory Panel consisted of:

Councillor D Worrall (Bracknell Forest Borough Council)
Councillor P Ruhemann (Reading Borough Council) (from 19/6/12 to 21/7/13)
Councillor B Tickner (from 22/7/13)
Councillor Bains (Slough Borough Council) (to 16/5/12)
Councillor M Sharif (Slough Borough Council) (from 17/5/12 to 5/5/13)
Councillor M Rasib (from 6/5/13)
Councillor J Mooney (West Berkshire Council) (to 6/6/12)
Councillor A Law (West Berkshire Council) (from 7/6/12)
Councillor M Deegan (Wokingham Borough Council) (to 28/5/12)
Councillor R Stanton (Wokingham Borough Council) (from 29/5/12)
Ms Kamaljit Dhoot (University of West London) (from 9/5/11 to 31/5/13)
Mr P Fuller (from 1/6/13)
Mr I Menzies-Conacher (Thames Valley Probation Board)
Ms S Nicholls (UNISON) (from 11/8/11)
Ms J Thomas (GMB) (to 28/1/13)
Mr F Minal (from 29/1/13)

ADVISERS

Actuary	Barnett Waddingham LLP
Independent Investment Adviser	Mr P Read (to 31/12/12) The Law Debenture Pension Trustee Corporation (Mr J Nestor from 19/7/13)
Independent Strategy Advisers (to the Investment Working Group)	Ms A Devitt (from 1/11/12) Mr W Bourne

Global Custodian

JP Morgan Worldwide Securities Services

Additional Voluntary Contribution Provider

Prudential Assurance Company

Royal Borough of Windsor & Maidenhead Pension Fund Officers

Head of Finance	Andrew Brooker
Pension Fund Manager	Nick Greenwood
Deputy Pension Fund Manager	Kevin Taylor (from 1/8/13)
Investment Manager	Pedro Pardo
Pension Administration Manager	Philip Boyton (from 1/8/13)

CHAIRMAN'S INTRODUCTION

It gives me great pleasure as Chairman of the Pension Fund Panel and the Pension Fund Advisory Panel to present the Annual Report and Accounts for the financial year ended 31st March 2013 for the Royal County of Berkshire Pension Fund.

As most readers will know the Royal Borough of Windsor & Maidenhead administers the Fund on behalf of the 6 Berkshire unitary authority members and around 200 other public sector body members with similar but smaller pension arrangements. This number has grown significantly over the last year as schools move from LEA control to independent academy status. I am grateful to the administration team for the training they have provided to schools converting to academy status as well as the additional training given to all employers ahead of the introduction of auto-enrolment into the Fund for qualifying employees.

The Fund is administered by the Pension Fund Panel, which comprises five Councillors from the Royal Borough of Windsor & Maidenhead. Invaluable support to the Panel is provided by the Pension Fund Advisory Panel, which consists of representatives from the other five unitary authorities within the fund, two representatives from the larger non-local authority employers, two trade union representatives and two member representatives.

In practice decisions are taken at joint meetings of the two panels.

Investment markets were strong throughout the year as liquidity injected by the US Federal Reserve, the Bank of England, the European Central Bank and latterly the Bank of Japan found its way into stock markets. The Fund managed an investment return of 12.4% over the year and on an annualised basis 8.3% per annum over the last three years. This investment return was ahead of the growth in liabilities – our key objective.

The results of the triennial actuarial valuation of the Fund as at 31 March 2013 will be received towards the end of 2013. This valuation is used by the Actuary to set Employers' contribution rates for the 2014-2016 financial years.

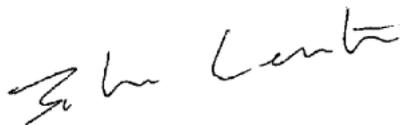
Our administration team was busy throughout the year not only with paying benefits and dealing with member enquiries but also with a major upgrade to our administration software and improving services to both employers and members. During the year the Fund launched "myPension Online" allowing members to receive communications electronically and update their details as required. Feedback to date has been excellent.

The Local Government Pension Scheme will be undergoing major changes as from 1st April 2014 when future benefits will move from a final salary to a career average re-valued earnings basis. Our administration team will be busy over the next few months communicating these changes to active members of the Fund. Deferred and Pensioner members will not be affected by these changes which only relate to pensions accrued after 1 April next year.

Readers may be aware that the Department for Communities and Local Government are reviewing the structure of the Local Government Pension Scheme and in particular how many administering authorities there should be. In July 2013 the administering authorities for the Berkshire, Buckinghamshire and Oxfordshire Local Government Pension Schemes agreed to initiate discussions with the Department over whether a merger of the three funds would be supported in principle by the Department. Any merger of the funds will not impact upon members' benefits nor

employers' contribution rates but could be expected to generate substantial cost savings and assist in maintaining the sustainability of the Fund.

Finally I would like to thank Nick Greenwood, our Pension Fund Manager and the Pension Fund Team for their hard and skilful work over the last twelve months in providing members and other stakeholders in the Fund with a friendly and efficient service.

A handwritten signature in black ink, appearing to read 'John Lenton', written in a cursive style.

Councillor John Lenton
Chairman
Berkshire Pension Fund Panel
Berkshire Pension Fund Advisory Panel.

SCHEME ADMINISTRATION REPORT

The Royal Borough of Windsor and Maidenhead acts as the administering authority for the Royal County of Berkshire Pension Fund – the pension fund for local government employees in the County of Berkshire. Benefits for members of the Fund are set by regulation, currently the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended), the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended).

The Royal Borough has delegated its role as administering authority to the Pension Fund Panel. This panel consists of 5 Royal Borough councillors and is assisted by the Pension Fund Advisory Panel. This latter panel includes the 5 Royal Borough Councillors plus 1 councillor drawn from each of the other 5 unitary authorities in the Fund, 1 representative each from Thames Valley Probation Board and Thames Valley University on behalf of the other employing bodies in the Fund, 2 Trade Union representatives (1 each from Unison and GMB) acting for the active members of the Fund and 2 scheme member representatives (1 each from the active, deferred and retired membership).

The Pension Fund and Pension Fund Advisory Panels meet quarterly to receive and consider reports from the Pension Fund Manager and external advisors on the management of the Fund. Attendance of the Pension Fund Panel members is noted below:

Name	Number of Meetings eligible to attend	Attendance
Councillor Lenton (Chair)	4	4
Councillor Hilton (Vice Chair)	4	3
Councillor Comber	4	3
Councillor Hill	4	4
Councillor McBride	3	1
Councillor Bathurst (substitute)	1	1

Royal Borough councillors may delegate designated substitute members to attend a Panel meeting if they are unable to attend.

In addition to the invaluable support and advice offered by the Pension Fund Advisory Panel the Pension Fund Panel is assisted by a variety of advisers including the independent advisers – Mr P Read (to 31 December 2012) and the Law Debenture Pension Trustee Corporation (Mr J Nestor from 19 July 2013) and Mr Graeme Muir of Barnett Waddingham, the Actuary to the Fund.

The Investment Working Group, a sub-group of the panels, is independently advised by Mr William Bourne and Ms Aoifinn Devitt. Additional advice from other professional advisers is sought as necessary. Many of the duties of the Panel are delegated to Officers in accordance with the Royal Borough's constitution.

Membership of the Local Government Pension Scheme in Berkshire continues to increase; the number of deferred members now exceeds the number of active members. As at 31 March 2013 there were just over 54,000 member records maintained by the administration team, which includes around 13,600 retired scheme members and their dependants for whom pension payments are made each month.

The Berkshire Fund has to adhere to the scheme regulations that govern the Local Government Pension Scheme (LGPS). Part of those regulations outline the process that a scheme member has to undertake if they wish to dispute any decision made in respect of

them that may affect their pension entitlements. This process is known as the Internal Disputes Resolution Procedure (IDRP) and is a 3-stage process. The first stage requires the scheme member's employer (former employer if no longer an active scheme member) to review their decision that led to the member's dispute being raised. If the member's dispute is not upheld at stage one, stage two passes to the Royal Borough of Windsor & Maidenhead as the administering authority to the Berkshire Pension Fund. If the member remains dissatisfied, stage three passes to the Pensions Ombudsman via The Pensions Advisory Service (TPAS).

The Berkshire Pension Fund has dealt with around 70 IDRPs since the process was introduced in 1998. Disputes most commonly concern an employer's decision not to grant an employee the early release of pension benefits on the grounds of permanent ill health. Where the employee is dismissed on capability grounds they have a right of appeal, through the IDRPs, against the decision not to retire them due to permanent ill health.

Management Performance

The Berkshire Pension Fund has four key performance indicators by which it measures administrative performance.

These are:

- i) Setting up new member records within 20 working days of receipt of starter details from the employer;

Target: 95% **Achieved 12/13: 97.44%**

- ii) Calculating and issuing leaver statements to an exiting scheme member within 15 working days of receipt of leaver details from the employer;

Target: 95% **Achieved 12/13: 96.71%**

- iii) Processing transfer values payable from the Fund within 20 working days of receiving all relevant paperwork;

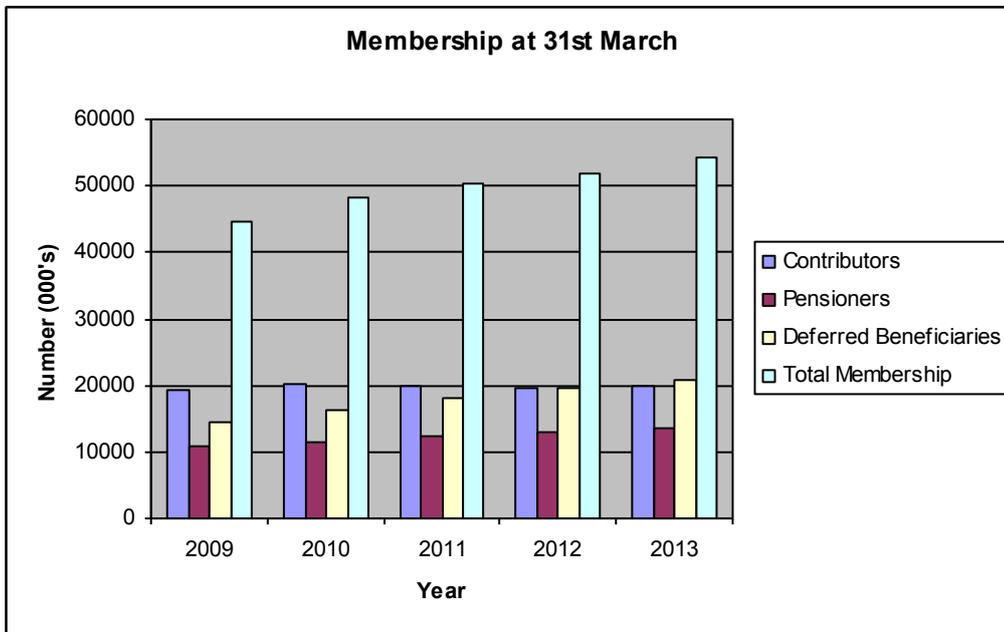
Target: 85% **Achieved 12/13: 95.24%**

- iv) Calculating and issuing retirement benefits within 7 working days of receipt of all relevant paperwork from both the employer and the employee.

Target: 95% **Achieved 12/13: 97.82%**

Pension Fund Membership

Membership of the Royal County of Berkshire Pension Fund continues to grow. The following chart shows the number of active, deferred and retired member records (individuals may have more than one record) over the 5-years to 31 March 2013.



Total Membership	31st March 2012	31st March 2013
Active	19,476	19,791
Deferred	19,559	20,672
Retired	12,939	13,634
	<u>51,974</u>	<u>54,097</u>

NOTES:

- Active members are employees currently contributing to the Local Government Pension Scheme and include some employees who have more than one contract of employment, each contract being treated separately for administration purposes.
- Deferred members are former active members who have elected to retain their rights in the Scheme until such time as they become payable. Since the vesting period decreased from 2 years to 3 months, the numbers of deferred members has increased apace i.e. an employee now only needs to contribute to the scheme for a minimum of 3 months to qualify for benefits.
- Retired members are in receipt of a pension and include all dependants of former members.
- Leavers with no liability are former members who have left the scheme and either taken a refund of contributions or transferred their pension rights to another pension scheme.
- Frozen refunds refer to former scheme members whose only entitlement is to have a refund of contributions but who have not elected to withdraw those contributions.

Staffing

Although the Royal County of Berkshire Pension Fund is classed as a large fund the number of staff currently employed within the administration team is relatively modest.

The team consists of 12.5 staff (FTE):

Pension Administration Manager	1.0
Senior Administration Managers	3.0
Pension Administrators	6.5
Pension Payroll	1.4
Clerical Support	0.6

The result of a large fund being administered by a small team is that the fund member to staff ration is well above average and yet the team continues to provide a highly regarded service across the membership.

Compliance with Communications Policy Statement

Under Regulation 67 of the Local Government Pension Scheme (Administration) Regulations 2008 the Royal Borough of Windsor & Maidenhead, in its role as administering authority to The Royal County of Berkshire Pension Fund, is required to publish a statement of policy concerning communications.

This policy statement can be found at Appendix 1 and deals with the methods of communication between the administering authority and the employing authorities and scheme members of the Fund.

The administering authority keeps the policy statement under review. The following section of this report shows how the Fund has maintained its communication policy during 12/13:

Communication with Employing Authorities

Paragraph 2.3 – Annual Employers Meeting

A meeting of all employers was held on 18 March 2013. Employers were provided with an actuarial update of the Berkshire Pension Fund, an overview of forthcoming auto-enrolment rules as they pertain to the employers and a demonstration and presentation by *Heywood*, the pension systems software provider, regarding a package called i-Connect to assist employers with auto-enrolment and the electronic interfacing between payroll and pension administration systems.

Paragraph 2.4 – Quarterly Employer Group Meetings

The Fund has not undertaken any smaller employer group meetings during 2012/13 with officers of the six Unitary Authorities as the main issues have been discussed at the larger meeting open to all scheme employers. Such meetings will, however, be re-introduced during 2013/14.

Paragraph 2.5 – Training for Employers

Training meetings are arranged on an ad hoc basis at the request of employers. There have been specific training sessions for schools converting to academy status which have been well attended.

Paragraph 2.6 – Regular Updates on the LGPS

Employer bulletins and global emails have been distributed on a regular basis.

Paragraph 2.7 – Pension Fund website

The Pension Fund website is under constant review and update. There is a dedicated employer section that contains all information, including standard forms, which an employer needs to administer the LGPS. The website address is www.berkshirepensions.org.uk

Paragraph 2.8 – General Guidance and Assistance

The pension administration team can be contacted during normal office hours. There is a dedicated help-line 0845 602 7237 and a dedicated email help desk (info@berkshirepensions.org.uk).

Paragraph 2.9 – Promotional Services

The Pension Fund continues to produce and publish scheme guides and factsheets relating to specific pension topics all of which are available for download from the Pension Fund website. All scheme guides and leaflets have recently been reviewed and updated.

Section 3 – Communication to Individual Members of the Fund

Paragraph 3.1 – Introduced in January 2013, ‘my pension ONLINE’ provides scheme members with instant access to their own pension record through simple navigation and easy to use screens. A dedicated area of the Pension Fund website has been developed to assist members in registering and logging onto ‘my pension ONLINE’. Although still in its early stages around a quarter of active scheme members have already registered.

Paragraph 3.2 – Welcome Pack

With the implementation of ‘my pension ONLINE’ from January 2013 each new scheme member now receives a letter containing an activation key and guidance as to how to access their welcome pack online. If a member chooses not to register for ‘my pension ONLINE’ a paper version of the welcome will be despatched to the member’s home address upon request.

Paragraph 3.3 – Annual Benefit Statements

Each active and deferred member of the pension scheme receives an annual benefit statement. With the implementation of ‘my pension ONLINE’ these statements are now available for viewing, downloading or printing on-line. The Annual Benefit Statement provides details of benefits accrued to 31st March the previous year, death in service benefits, details of the members nominated beneficiaries, a service history and details, when available, of their State Pension entitlement, which includes the date from which their State Pension is payable.

Paragraph 3.4 – Pension Surgeries

Throughout 2012/13 2 surgeries were held at each of the 6 Unitary Authorities with additional clinics being held at other employer locations upon request.

The pension team met with 897 scheme members across the 25 pension surgeries that were held.

Paragraph 3.5 – Newsletters

The Pension Fund produces and distributes bi-annual newsletters. The Quill is issued to active scheme members of the Fund and The Scribe is issued to Deferred and Retired members of the Fund. Both have been very well received by scheme members. Since the

implementation of 'my pension ONLINE' newsletters are available to view, download or print as desired.

Paragraph 3.6 – Pre-Retirement Courses

Presentations are provided on an ad hoc basis upon request by scheme employers and their employees.

Paragraph 3.7 – Pension Fund Website

The website contains sections dedicated to the following:

- Current members
- Deferred members
- Retired members
- Councillor members
- Employers

The site is easily accessible and has many links making navigation user friendly. The site is currently under review with the intention of re-designing the site in readiness for scheme changes in 2013 and 2014.

Paragraph 3.8 – Pension payslips

The Pension Team has issued payslips in accordance with its 50 pence variance rule each month and before payment has been made. The retired members section of the Pension Fund website provides a detailed explanation of a payslip. Since the implementation of 'my pension ONLINE' payslips are available to view on-line.

Paragraph 3.9 – P60s

P60s were issued to all retired scheme members in the second week of May 2013 well in advance of the HMRC deadline. A detailed explanation of a P60 is included in the Spring edition of The Scribe. P60s are also available to member's through 'my pension ONLINE'.

Paragraph 3.10 – Annual Pension Increase Letter

The annual pension increase letter was issued in April 2013 and provided each retired member with details of their 2.2% increase in line with the Consumer Price Index.

Paragraph 3.11 – Annual Meeting

The annual meeting of stakeholders took place on 23 November 2012 and was held at the Town Hall in Reading. At the same time, the pension team invited scheme members to attend an open day at the same location. In attendance were members of the Berkshire administration and pension payroll teams, representatives from Prudential (the Fund's approved Additional Voluntary Contribution providers), and representatives from Age Concern Berkshire.

Investment Report

The structure of the investments and managers for the Royal County of Berkshire Pension Fund as at 31st March 2013 and previous year end is shown in the table below:

Asset Class	31-Mar-13		31-Mar-12	
	Value £m	% Fund	Value £m	% Fund
Global Equities	643.7	40.9%	544.8	37.7%
Bonds	259.6	16.5%	253.5	17.6%
Absolute Returns	271.4	17.3%	258	17.9%
Property	153.5	9.8%	140.7	9.7%
Commodities	153.1	9.7%	138.9	9.6%
Infrastructure	73.2	4.7%	59.9	4.2%
Other Current Assets / Liabilities	18.7	1.2%	47.5	3.3%
	1,573.2	100.0%	1,443.3	100.0%

As at 31 March 2013, the Fund employed the following external managers (excluding General Partners of Limited Partnerships in which the Fund has a partnership interest):

Asset Class	Managers
Global Convertible Bonds	Aviva Investors Blue Bay Asset Management
UK & Global Property	Aviva Investors Global Services
Global Equities Enhanced Index	Informed Portfolio Management AB Kames Capital
Emerging Markets Equity	Fidelity International First State Investments Morgan Stanley Investment Management Nomura Asset Management (UK) William Blair International
Absolute Returns	Aspect Capital Lyxor Asset Management Ruffer Securis Investment Partners
Commodities	Gresham Investment Management Royal Bank of Scotland (structured deposit)

The Fund's investment return for the year was 12.4% exceeding the growth in the value of liabilities. This helped the estimated funding level, based on a roll-forward of the 2010 valuation, to improve marginally. As the Actuary has noted in his report the assumptions used in the 2013 actuarial valuation may differ from those in the previous valuation with a commensurate impact on the funding level of the Fund.

The first quarter of the financial year (April to June) was marked by ongoing European Sovereign Debt crisis with deepening fears of Greece leaving the Euro zone and Spain and Italy receiving a financial bailout. Yields on high quality government bonds fell to historical lows as they were considered safe haven investments. In July 2012 the European Central Bank indicated it would do

whatever it took to prevent the break-up of the Euro and began a bond-buying programme which calmed the markets.

Central Banks in the UK, the US and Japan also increased their bond purchase policies which supported equity and other risky assets. Nevertheless, volatility increased towards December on rising concerns in the US about the effect of automatic tax hikes and budget cuts that would be triggered if the US debt ceiling was breached. Those concerns were alleviated when the US Congress suspended the debt ceiling in January.

Evidence of a slowdown in Chinese economic growth resulted in general weakness in both commodity prices and emerging market equities. On the other hand the US economy showed encouraging signs of growth aided by the recovery of the housing market, rebounding manufacturing activity and higher consumer confidence. Nevertheless, the US Federal Reserve and other Central Banks remained cautious stating that economic conditions would likely warrant exceptionally low levels for interest rates for a long time yet.

Asset allocation changes during the financial year and other strategy initiatives agreed by the Panel included:

- Selling holdings in global small companies.
- Setting up two equity frameworks to give the Fund flexibility in appointing new equity managers.
- Awarding Kames Capital a “dividend” growth global equity mandate
- Investing in credit opportunity funds managed by Dorchester Capital and Grosvenor Capital Management
- Investing in the Kuramo Africa Opportunities Fund a multi-asset fund investing in Africa
- Commissioning a review by Ignis Asset Management of the absolute return portion of the Fund’s portfolio and subsequently tendering for a manager to advise on the future composition of this part of the Fund’s investment portfolio.
- Appointing The Cambridge Strategy to manage the currency overlay resulting from the implementation of the Fund’s currency benchmark.

Once the results of the actuarial valuation are received the Panel will review the Fund’s investment strategy to ensure that remains appropriate.

Financial Performance

Movement in Net assets of the scheme

During the financial year, the value of the net assets of the scheme increase by £128 million. This increased was predominantly due to the increase in the market value of investment assets during the financial year.

Timeliness of Receipt of Contributions

The percentage of contributions received on or before the due date has increased over the last 3 years.

	2012/13	2011/12	2010/11
Percentage of contributions received on or before the due date	99.34%	96.89%	96.70%

The option to levy interest on overdue contributions has not been exercised.

Administrative Costs Out-turn compared to Budget

	2012/13 Out-turn £000's	2012/13 Budget £000's
Staff	467	469
Supplies and Services	496	478
Unit Recharges	285	247
TOTAL	1,248	1,194

Income and Expenditure

	2012/13 Out-turn £000's	2012/13 Forecast £'000's
Employee/Employer Contributions	76,387	74,000
Employer additional contributions for early retirements	2,149	6,000
Transfer Values Received	5,808	10,000
Pensions Payable	-66,827	-67,000
Retirement Lump Sums and Death Grants	-18,614	-23,000
Transfer Values Paid and Refund of Contributions	-5,509	-6,000
Administration Costs	-1,248	-1,194
Net additions/(withdrawals) from dealing with members	-7,854	-7,194

RISK MANAGEMENT

The Royal Borough of Windsor and Maidenhead as the administering authority for The Royal County of Berkshire Pension Fund places great emphasis on risk management. We differentiate between operational and strategic risks and these risks are integrated into the Royal Borough's risk management framework via the Corporate Risk register which records the risks that relate to the achievement of the Royal Borough's objectives. The key risks below are recorded in the Risk Register as part of the Royal Borough's governance procedures.

Operational risk

Operational risk covers such areas as administration of members' records and payment of benefits, management of the fund's cash and investments, receipt of contributions as well as more mundane matters such as swine flu, business continuity, disaster recovery and having staff with the appropriate skill sets.

The Fund participates in the National Fraud Initiative where National Insurance numbers of members receiving pensions and other benefits are matched against a national database of reported deaths. Any matches are thoroughly investigated.

The key operational risks and the action taken to mitigate them are detailed below:

Risk	Mitigating Action
Wrong benefits are paid.	Annually each active member's salary and hours worked is confirmed with his/her employer. On leaving employment a member's final salary and hours worked will be confirmed with his/her employer.
Benefits paid to a deceased member.	The Fund participates in the biennial National Fraud Initiative. Life Certificates may be requested from pensioners living abroad or where a power of attorney is held.
Benefits not paid on time	Lump sum on retirement – we are dependent on both the employer and employee completing paperwork on time. Employers' deadlines are within their Service Level Agreements; regular reminders are sent to chase up paperwork. Monthly payroll of pensions – written procedures are in-place.

Poor quality data	<p>Amendments to active member records should be made at the point at which a change to employment terms and conditions arise. We are dependent on employers completing the relevant paperwork in a timely manner. Employers' deadlines are within their Service Level Agreements. Further checks are undertaken annually when employee contributions are posted to each member record. Employers are regularly chased to provide the outstanding data required.</p> <p>Deferred and pensioner members are encouraged to notify changes of personal details via reminders in newsletters and messages on the pension fund website.</p> <p>The Fund participates in the National Fraud Initiative and in regular "life existence" exercises including checking records against death registers.</p>
Contagious diseases result in insufficient staff being able to work	Key staff have been identified and provided with the ability to work remotely thereby giving the Fund the ability to maintain a basic administration service.
Loss of office premises	A comprehensive disaster recovery plan is in place.
Loss of administration software and/or databases	The pensions administration software is remotely hosted. Officers can now access administration data from any web-enabled computer.
Late payment of contributions	Receipt of contributions from employers is monitored. Late paying employers are chased and reminded of their responsibilities. The Fund reserves the right to charge interest on late payments
Third party operations	We seek SAS70 or equivalent statements on internal controls from all external fund managers
High staff turnover	Terms and conditions of staff reviewed regularly. Opportunities given for training and promotion where possible.
Loss of key staff	Succession planning; regular review of terms and conditions.

Fund managers failing to produce satisfactory returns	Fund managers' performance is reviewed monthly by officers and quarterly by the Pension Fund Panel. The Investment Working Group focuses on asset allocation as well as fund managers' investment performance.
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Strategic risks

Strategic risks are those which whilst not affecting day to day operations of the Fund could, nevertheless, in the medium and/or long-term have significant impact. These strategic risks and action being taken to mitigate them are detailed in the table below:

Risk	Mitigating Action
Investment returns being unsatisfactory and/or volatile	The Fund has a broadly diversified portfolio with no one asset class dominating.
Members living longer than anticipated in the Actuarial valuation	Panel noted that a 1 year improvement in life expectancy adds 5% to the Fund's liabilities. In December 2009 the Fund announced that it had entered into longevity insurance covering its liabilities to pensioners as at 31 st July 2009. The Panel continues to investigate how to protect the Fund against increasing longevity and reviews the cost of insuring the longevity risk of pensioners retired since July 2009 at regular intervals.
Currency risk – value of investments overseas are affected by unrelated changes in foreign exchange rates	In April 2012 the currency hedging policy was amended so that currency exposures are managed against a strategic currency benchmark. This is expected to assist in reducing the volatility of investment returns in the medium to long term.
Interest Rate Risk – changes in long-term interest rates affects the net present value of the Fund's liabilities	Panel have considered how long-term interest rate risk can be hedged and authorised officers to investigate how this can be achieved within the constraints of the LGPS regulations.

<p>Inflation – benefits paid to members are linked (upwards only) to changes in the Retail Price Index</p>	<p>Panel have considered how long-term inflation rate risk can be hedged and authorised officers to investigate how this can be achieved within the constraints of the LGPS regulations. The Pension Fund Panel has agreed to review its inflation hedging strategy upon completion of the 2013 actuarial valuation of the Fund.</p>
<p>Employer Covenant – inability of employers to meet their obligations</p>	<p>The vast majority of the Fund's liabilities are the direct responsibility of the 6 unitary authorities. A large proportion of the rest lie within the public sector. A small proportion is with community admission bodies whose entry into the Fund has to be approved by the Panel and with transferee admission bodies who apply for membership of the scheme as part of a scheme employer's transfer of staff under a TUPE arrangement.</p>
<p>Governance of the Fund</p>	<p>We regularly review the staffing of the pension fund team. The composition of the Pension Fund Panel and Pension Fund Advisory Panels is reviewed regularly. New members to both Panels receive a comprehensive members' handbook and are offered training. Officers arrange training on specific matters during the year.</p>

Royal County of Berkshire Pension Fund

**Actuary's Statement
as at 31 March 2013**

Barnett Waddingham
Public Sector Consulting

22 July 2013

The funding plan underlying the certified levels of contribution assume that each employer's funding position will be restored to 100% over a period not exceeding 30 years depending on each employer's circumstances.

Post Valuation Events – Changes in market conditions

We can make an approximate allowance for the development of the funding position based on the Fund's investment returns and general market conditions.

We estimate that, on consistent assumptions to those used at the 31 March 2010 valuation, the funding level and common rate of contribution as at 31 March 2013 were similar to those determined at the 2010 valuation.

We will however be reviewing the methods and assumptions to be used at the 2013 valuation including the determination of discount rates as well as the allowance for future mortality improvements. There may also be changes to the assumptions and methodology reflecting more recent experience and data that has become available.

The contribution rates resulting from the 2013 valuation will take effect from 1 April 2014 and will also allow for the expected changes to the benefits that will come into force from that date.



Graeme D Muir FFA

Partner

22 July 2013

Independent auditor's report to the members of Royal Borough of Windsor and Maidenhead

We have audited the financial statements of the local government pension fund administered by the Royal Borough of Windsor and Maidenhead for the year ended 31 March 2013 on pages 25 to 40. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

The Head of Finance is responsible for the preparation of the pension fund financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and for being satisfied that they give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Pension Fund Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Matters on which we are required to report by exception

The Code of Audit Practice for Local Government Bodies 2010 requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters

Andrew Sayers

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

12th Floor

15 Canada Square

London

E14 5GL

30 September 2013

Statement of Responsibilities for the Royal County of Berkshire Pension Fund Accounts

The Royal Borough of Windsor and Maidenhead's Responsibilities

The Royal Borough is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Pension Fund Manager is the officer fulfilling that responsibility;
- To manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Fund's statement of accounts;

The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Fund's statement of accounts in accordance with proper practices set out in the CIPFA Code of Practice on Local Authority Accounting.

In preparing this statement of accounts, the Head of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice on Local Authority Accounting;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.



Andrew Brooker
Head of Finance

The Royal County of Berkshire Pension Fund Account

2011/12 £000	Notes	2012/13 £000
Dealings with members, employers and others directly involved in the Fund		
(80,389) Contributions	7	(78,536)
(10,052) Transfers in from other pension funds	8	(5,808)
(90,441)		(84,344)
80,023 Benefits	9	85,441
6,765 Payments to and on account of leavers	10	5,509
1,071 Administration expenses	11	1,248
87,859		92,198
(2,582) Net (additions)/withdrawals from dealings with members		7,854
Returns on investments		
(19,163) Investment income	12	(14,510)
29,704 Profits and losses on disposal of investments and changes in the market value of investments	14	(124,162)
3,201 Investment management expenses	13	2,357
13,742 Net return on investments		(136,315)
11,160 Net (increase)/decrease in the net assets available for benefits during the year		(128,461)

Net Assets Statement for the year ended 31 March 2013

2011/12 £'000	Notes	2012/13 £'000
1,397,498 Investment assets	14	1,570,395
49,646 Cash deposits	14	15,747
1,447,144		1,586,142
(3,864) Investment liabilities	14	(12,981)
1,443,280 Net investment assets		1,573,161
12,055 Current assets	19	10,156
(2,476) Current liabilities	20	(1,997)
1,452,859 Net assets of the Scheme available to fund benefits at the period end		1,581,320

The fund's financial statements do not take account of liabilities to pay pensions and others benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 18.

Notes to the Royal County of Berkshire Pension Fund Accounts for the year ended 31 March 2013

1 Description of Fund

The Royal County of Berkshire Pension Fund (the 'fund') is part of the Local Government Pension Scheme and is administered by the Royal Borough of Windsor and Maidenhead. The Royal Borough of Windsor and Maidenhead is the reporting entity for this pension fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Royal County of Berkshire Pension Fund Annual Report 2012/13 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The fund is governed by the Superannuation Act 1972. The fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined benefit pension scheme administered by the Royal Borough of Windsor and Maidenhead to provide pensions and other benefits for pensionable employees of the 6 unitary local authorities in the geographical region of Berkshire, and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The fund is overseen by the Pension Fund Panel, which is a committee of the Royal Borough of Windsor and Maidenhead.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Royal County of Berkshire Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 147 employer organisations within the Royal County of Berkshire Pension Fund including the administering authority itself, as detailed below:

The Royal County of Berkshire Pension Fund	31 March 2013	31 March 2012
Number of employers with active members	147	123
Number of employees in scheme		
Administering authority	2,644	2,740
Unitary authorities	11,541	12,919
Other employers	5,731	3,802
Total	19,916	19,461
Number of pensioners		
Administering authority	1,308	1,220
Unitary authorities	6,510	5,973
Other employers	5,651	5,715
Total	13,469	12,908
Deferred pensioners		
Administering authority	2,890	2,687
Unitary authorities	12,346	11,968
Other employers	5,484	4,968
Total	20,720	19,623

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2013. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2010. During 2012/13, employer contribution rates ranged from 12% to 31% of pensionable pay.

d) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Royal County of Berkshire Pension Fund's website: <http://www.berkshirerpensions.org.uk>

Benefits are index-linked in order to keep pace with inflation. Increases are set each year by the Government via the pensions increase order. In June 2010, the Government announced that the method of indexation would change from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). This change took effect from 1 April 2011.

2 Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2012/13 financial year and its position at year-end as at 31 March 2013. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 18 of these accounts.

3 Summary of significant accounting policies

Fund account - revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. There were no bulk transfers during 2012/13.

c) Investment income

i) Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised in the fund account as income and comprise all realised and unrealised profits/losses during the year.

Fund Account - expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be payable during the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities (Note 20).

e) Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Administration expenses

All administration expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with Council policy.

g) Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Most are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change, but there are a number of fixed price contracts with annual inflation related increases.

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2012/13, £0.2 million of fees is based on such estimates (2011/12: £0.3 million).

The cost of obtaining investment advice from external consultants is included in investment management charges (Note 13).

The costs of the council's in-house fund management team are charged direct to the fund and a proportion of the council's costs representing management time spent by officers on investment management is also charged to the fund.

Net Assets Statement

h) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the fund.

The values of investments as shown in the net assets statement have been determined as follows:

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at net market value.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Directly held investments include investments in shares in unlisted companies, trusts and bonds. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.

- Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity.

iv) Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers.

v) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price.

Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.

i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The value of exchange traded options is determined using the exchange price for closing out the option at the reporting date. The value of over-the-counter contract options is based on quotations from an independent broker. Where this is not available, the value is provided by the investment manager using generally accepted option-pricing models with independent market data.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the relevant actuarial standards.

As permitted under IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 18).

n) Additional voluntary contributions

The Royal County of Berkshire Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The fund has appointed Prudential as its current AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

The fund previously used Equitable Life and Clerical Medical as its AVC providers.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 21).

4 Critical judgements in applying accounting policies

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are based on forward-looking estimates and judgements involving many factors including historic data. Unquoted private equities are valued by the investment managers using guidelines set out by the International Private Equity and Venture Capital Board. The value of unquoted private equities at 31 March 2013 was £353 million (£229 million at 31 March 2012).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

5 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the financial statements and notes at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £65 million. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £30 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £97 million.
Private equity	Private equity investments are valued at fair value in accordance with the International Private Equity and Venture Capital Board guidelines. These investments are not publicly listed and as such values are estimated.	The total private equity investments in the financial statements are £353 million. There is a risk that this investment may be under- or overstated in the accounts.
Longevity Insurance Policy	The longevity insurance policy is valued by a firm of consulting actuaries. This valuation is the difference between the discounted cash flows relating to the amounts expected to be reimbursed to the fund and the inflation linked premiums expected to be paid by the fund.	The effect of changes in individual assumptions on the valuation of the longevity insurance policy can be measured. For instance, a 0.1% increase in the inflation assumption would result in an increase in the valuation of the contract by £240k. A 0.1% increase in inflation would decrease the valuation of the contract by £246k and a one-year increase in assumed life expectancy would increase the valuation of the contract by approximately £30 million.

6 Events after the balance sheet date

There have been no events since 31 March 2013, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

7 Contributions receivable

By category

2011/12 £000		2012/13 £000
57,387	Employers	56,014
23,002	Members	22,522
80,389		78,536

By authority

2011/12 £000		2012/13 £000
74,285	Scheduled bodies	72,073
4,405	Admitted bodies	4,274
1,699	Transferee admission body	2,189
80,389		78,536

8 Transfers in from other pension funds

2011/12		2012/13
£000		£000
-	Group transfers	-
10,050	Individual transfers from other pension funds	5,680
2	AVC to purchase scheme benefits	128
10,052		5,808

9 Benefits payable**By category**

2011/12		2012/13
£000		£000
59,194	Pensions	66,827
18,592	Commutation and lump sum retirement benefits	16,576
2,237	Lump sum death benefits	2,038
80,023		85,441

By authority

2011/12		2012/13
£000		£000
71,044	Scheduled bodies	75,590
5,439	Admitted bodies	5,361
674	Transferee admission body	965
2,866	Other	3,525
80,023		85,441

10 Payments to and on account of leavers

2011/12		2012/13
£000		£000
19	Refunds to members leaving service	16
6,746	Individual transfers to other pension funds	5,493
6,765		5,509

11 Administrative expenses

2011/12		2012/13
£000		£000
475	Employee Costs	467
480	Support Services	551
92	Printing and publications	107
24	External audit fees	26
-	Actuarial fees	97
1,071		1,248

12 Investment income

2011/12		2012/13
£000		£000
551	Fixed interest securities	167
543	Equity dividends	1,077
4,759	Pooled property investments	5,111
13,267	Pooled investments	8,108
43	Interest on cash deposits	47
19,163		14,510

13 Investment expenses

2011/12		2012/13
£000		£000
3,046	Management fees	2,005
31	External Consultants	39
124	Custody fees	313
3,201		2,357

14 Investments

Market value
31 March 2012

Market value
31 March 2013

£000		£000
	Investment assets	
42,208	Fixed interest securities	16,573
30,646	Equities	98,930
1,184,869	Pooled investments	1,290,846
138,432	Pooled property investments	147,321
1,396,155	Investments excluding derivative contracts	1,553,670
	Derivative contracts:	
-	- Forward currency contracts	1,669
-	- Longevity Insurance Policy	8,925
49,646	Cash deposits	15,747
1,343	Investment income due	1,462
-	- Amounts receivable for sales	4,669
1,447,144	Total investment assets	1,586,142
	Investment liabilities	
	Derivative contracts:	
(2,392)	- Futures	(2,015)
(665)	- Forward currency contracts	(10,966)
(807)	- Longevity Insurance Policy	-
(3,864)	Total investment liabilities	(12,981)
1,443,280	Net investment assets	1,573,161

a) Reconciliation of movements in investments and derivatives

	Market value 1 April 2012	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value #####
	£000	£000	£000	£000	£000
Fixed interest securities	42,208	-	(27,651)	2,016	16,573
Equities	30,646	81,480	(18,036)	4,840	98,930
Pooled investments	1,184,869	392,619	(400,719)	114,077	1,290,846
Pooled property investments	138,432	15,244	(7,790)	1,435	147,321
	1,396,155	489,343	(454,196)	122,368	1,553,670
Derivative contracts:					
- Futures	(2,392)	-	-	377	(2,015)
- Forward currency contracts	(665)	16,492	(15,088)	(10,036)	(9,297)
- Longevity Insurance Policy	(807)	-	-	9,732	8,925
	1,392,291	505,835	(469,284)	122,441	1,551,283
Other investment balances:					
- Cash deposits	49,646	-	-	1,721	15,747
- Amount receivable for sales of investments	-	-	-	-	4,669
- Investment income due	1,343	-	-	-	1,462
- Amounts payable for purchases of investments	-	-	-	-	-
Net investment assets	1,443,280			124,162	1,573,161

	Market value 1 April 2011	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value #####
	£000	£000	£000	£000	£000
Fixed interest securities	7,418	30,054	-	4,736	42,208
Equities	65,662	231	(31,881)	(3,366)	30,646
Pooled investments	1,246,704	427,878	(461,524)	(28,189)	1,184,869
Pooled property investments	105,352	53,314	(15,642)	(4,592)	138,432
	1,425,136	511,477	(509,047)	(31,411)	1,396,155
Derivative contracts:					
- Futures	176	-	-	(2,568)	(2,392)
- Forward currency contracts	(1,307)	1,723	(3,265)	2,184	(665)
- Longevity Insurance Policy	-	-	-	(807)	(807)
	1,424,005	513,200	(512,312)	(32,602)	1,392,291
Other investment balances:					
- Cash deposits	27,996	-	-	1,882	49,646
- Amount receivable for sales of investments	-	-	-	-	-
- Investment income due	-	-	-	-	1,343
- Amounts payable for purchases of investments	-	-	-	-	-
Net investment assets	1,452,001			(30,720)	1,443,280

Transaction costs, such as commissions, stamp duty and other transaction fees, are included in the cost of purchases and in sale proceeds. Transaction costs incurred during the year total £3,207.21 (2011/12: zero). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

b) Analysis of investments (excluding derivative contracts)

31 March 2012		31 March 2013
£000		£000
	Fixed interest securities	
	UK	
15,035	Public sector quoted	16,573
	Overseas	
27,173	Public sector quoted	-
42,208		16,573
	Equities	
	UK	
13,975	Quoted	19,498
	Overseas	
16,671	Quoted	79,432
30,646		98,930
	Pooled investments - additional analysis	
	UK	
221,054	Unit Trusts	251,600
2,909	Private Equity	2,999
	Overseas	
735,277	Unit Trusts	686,136
171,349	Private Equity	276,871
54,280	Infrastructure	73,240
1,184,869		1,290,846
138,432	Pooled property investments	147,321
138,432		147,321
1,396,155		1,553,670

Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the fund and the various investment managers.

- Futures

The fund purchased dividend future contracts as an alternative way to capture dividends in an efficient manner without taking the risk of changes in market values of the underlying stock. The economic exposure represents the notional value of dividends purchased under future contracts and is therefore subject to market movements.

- Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the fund's portfolio is in overseas assets. To reduce the volatility associated with fluctuating currency rates, the fund has a passive currency programme in place with an external manager.

- Longevity Insurance Policy

In December 2009 the fund entered into an insurance contract with ReAssure Ltd to cover a closed group of pensioner members. The fund pays ReAssure a pre-determined fixed annual premium and ReAssure reimburses the fund for pensions paid to the insured members. The value of the policy is the difference between the discounted future cash flows relating to the amounts expected to be reimbursed by ReAssure to the fund and the premiums expected to be paid to ReAssure by the fund.

Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic exposure	Market value 31 March 2012	Economic exposure	Market value 31 March 2013
		£000	£000	£000	£000
Liabilities					
Overseas equity dividends	Less than one year	(20,910)	(2,392)	(21,216)	(2,015)
Total liabilities			(2,392)		(2,015)
Net futures			(2,392)		(2,015)

Open forward currency contracts Settlement	Currency bought	Local value 000	Currency sold	Local value 000	Asset value £000	Liability value £000
Up to one month	GBP	10,978	USD	(17,396)		(479)
Up to one month	GBP	9,289	EUR	(11,694)		(601)
Up to one month	GBP	1,028	USD	(1,667)		(70)
One to six months	GBP	11,914	USD	(19,063)		(643)
One to six months	GBP	9,424	EUR	(11,694)		(470)
One to six months	GBP	9,354	EUR	(11,694)		(544)
One to six months	GBP	11,959	EUR	(19,063)		(600)
Up to one month	GBP	1,365	USD	(2,177)		(69)
One to six months	GBP	1,365	USD	(2,177)		(69)
One to six months	GBP	1,365	USD	(2,177)		(69)
Up to one month	JPY	1,112,800	GBP	(8,413)		(618)
Up to one month	CHF	14,093	GBP	(9,433)	370	
One to six months	GBP	3,337	EUR	(4,058)		(97)
One to six months	GBP	3,338	EUR	(4,058)		(97)
Up to one month	GBP	3,335	EUR	(4,058)		(97)
Up to one month	GBP	2,343	CHF	(3,443)		(51)
Up to one month	GBP	6,167	USD	(9,972)		(400)
One to six months	GBP	6,167	USD	(9,972)		(401)
One to six months	GBP	6,168	USD	(9,972)		(402)
One to six months	JPY	1,112,800	GBP	(7,920)		(122)
Up to one month	GBP	3,363	USD	(5,331)		(148)
One to six months	GBP	3,363	USD	(5,331)		(148)
One to six months	GBP	3,364	USD	(5,331)		(148)
One to six months	RUB	4,502	USD	(149)		(4)
One to six months	USD	1,421	GBP	(909)	27	
One to six months	JPY	1,112,800	GBP	(7,601)	201	
One to six months	AUD	12,787	GBP	(8,360)	376	
One to six months	NOK	75,549	GBP	(8,746)		(236)
One to six months	INR	7,922	USD	(146)		(2)
One to six months	CNY	907	USD	(144)	0	
One to six months	TWD	4,231	USD	(144)		(1)
One to six months	CAD	13,251	GBP	(8,473)	106	
One to six months	CHF	10,650	GBP	(7,448)		(31)
One to six months	KRW	157,703	USD	(144)		(2)
One to six months	SGD	178	USD	(144)		0
One to six months	TRY	260	USD	(146)		(2)
One to six months	MXN	1,882	USD	(147)	3	
One to six months	CLP	70,030	USD	(146)	0	
One to six months	BRL	307	USD	(152)		(1)
One to six months	USD	1,126	KRW	(1,228,579)	18	
One to six months	GBP	7,111	USD	(10,807)		(9)
Up to one month	JPY	301,400	GBP	(2,124)		(12)
One to six months	JPY	301,400	GBP	(2,126)		(14)
One to six months	JPY	301,400	GBP	(2,127)		(14)
One to six months	USD	1,124	SGD	(1,395)		0
One to six months	USD	1,084	INR	(60,230)		(3)
One to six months	USD	1,100	RUB	(34,020)	12	
One to six months	USD	1,095	TRY	(1,990)	3	
One to six months	USD	1,124	TWD	(33,268)	6	
One to six months	USD	1,115	CNY	(7,023)		(2)
One to six months	USD	1,109	CLP	(533,469)		(7)
One to six months	USD	1,114	MXN	(14,379)		(29)
One to six months	USD	1,135	BRL	(2,263)	14	
One to six months	CHF	10,650	GBP	(7,181)	231	
One to six months	GBP	9,533	EUR	(11,694)		(368)
One to six months	GBP	13,204	USD	(21,240)		(791)
One to six months	GBP	3,339	EUR	(4,058)		(96)
One to six months	GBP	6,169	USD	(9,972)		(402)
One to six months	GBP	12,867	EUR	(15,752)		(475)
One to six months	GBP	19,447	USD	(31,212)		(1,121)
One to six months	GBP	3,363	USD	(5,331)		(149)
One to six months	GBP	3,364	USD	(5,331)		(149)
One to six months	GBP	13,650	EUR	(15,752)	302	
One to six months	GBP	23,380	USD	(36,543)		(703)
					1,669	(10,966)
Net forward currency contracts at 31 March 2013						(9,297)
Prior year comparative						
Open forward currency contracts at 31 March 2012						(665)
Net forward currency contracts at 31 March 2012						(665)
Investments analysed by fund manager						

**Market value 31
March 2012**

£000	%
1,052,358	72.9% Royal County of Berkshire Pension Fund in-house investment team
140,679	9.7% Aviva Global Investors
-	0 Kames Capital
-	0 Record Currency Management
250,243	17.3% Royal Bank of Scotland
1,443,280	

**Market value 31
March 2013**

£000	%
1,082,269	68.8%
153,454	9.8%
81,832	5.2%
(9,297)	-0.6%
264,903	16.8%
1,573,161	

All the above organisations are registered in the United Kingdom.

The following investments represent more than 5% of the net assets of the scheme

Security	Market value 31 March 2012 £000	% of total fund	Market value 31 March 2013 £000	% of total fund
IPM RAFI Global GBP Fund	175,131	12.1%	167,795	10.7%
Blue Swan Fund	250,243	17.3%	264,903	16.8%
Aviva Global Real Estate	51,967	3.6%	82,570	5.2%

15 Financial instruments

a) Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading.

Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
31 March 2012			31 March 2013		
£000	£000	£000	£000	£000	£000
					Financial assets
42,208			16,573		Fixed interest securities
30,646			98,930		Equities
1,184,869			1,290,846		Pooled investments
138,432			147,321		Pooled property investments
-			10,594		Derivative contracts
	51,287			18,855	Cash
	1,343		4,669	1,462	Other investment balances
	10,414			7,048	Debtors
1,396,155	63,044	-	1,568,933	27,365	-
					Financial liabilities
(3,864)			(12,981)		Derivative contracts
(3,864)		(2,476)	(12,981)		Creditors
(3,864)	-	(2,476)	(12,981)	-	(1,997)
1,392,291	63,044	(2,476)	1,555,952	27,365	(1,997)

b) Net gains and losses on financial instruments

(32,602)	Fair value through profit and loss	122,441
1,882	Loans and receivables	1,721
(30,720)	Total	124,162

c) Fair value of financial instruments and liabilities

Carrying value 31 March 2012 £000	Fair value £000		Carrying value £000	Fair value 31 March 2013 £000
		Financial assets		
1,396,155	1,396,155	Fair value through profit and loss	1,568,933	1,568,933
63,044	63,044	Loans and receivables	27,365	27,365
1,459,199	1,459,199	Total financial assets	1,596,298	1,596,298
		Financial liabilities		
(3,864)	(3,864)	Fair value through profit and loss	(12,981)	(12,981)
(2,476)	(2,476)	Financial liabilities at amortised cost	(1,997)	(1,997)
(6,340)	(6,340)	Total financial liabilities	(14,978)	(14,978)

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

d) Valuation of financial instruments carried at fair value

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

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which The Royal County of Berkshire Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuation to 31 March as appropriate.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2013	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	150,931	903,977	514,025	1,568,933
Loans and receivables	25,903	1,462	-	27,365
Total financial assets	176,834	905,439	514,025	1,596,298
Financial liabilities				
Financial liabilities at fair value through profit and loss	(10,966)	(2,015)	-	(12,981)
Financial liabilities at amortised cost	(1,997)	-	-	(1,997)
Total financial liabilities	(12,963)	(2,015)	-	(14,978)
Net financial assets	163,871	903,424	514,025	1,581,320

Values at 31 March 2012	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	83,839	961,599	350,717	1,396,155
Loans and receivables	61,701	1,343	-	63,044
Total financial assets	145,540	962,942	350,717	1,459,199
Financial liabilities				
Financial liabilities at fair value through profit and loss	(665)	(2,392)	(807)	(3,864)
Financial liabilities at amortised cost	(2,476)	-	-	(2,476)
Total financial liabilities	(3,141)	(2,392)	(807)	(6,340)
Net financial assets	142,399	960,550	349,910	1,452,859

16 Nature and extent of risks arising from financial instruments

Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the pension fund panel. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund manages these risks in two ways:

- the exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The fund mitigates this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year the council has determined that the following movements in market price risk are reasonably possible for the 2013/14 reporting period:

Asset type	Potential market movements (+/-)
UK fixed interest securities	10.8%
Overseas fixed interest securities	4.4%
UK equities	13.3%
Overseas equities	15.2%
UK unit trusts	13.1%
UK private equity	15.2%
Overseas unit trusts	9.5%
Overseas private equity	15.2%
Overseas infrastructure	8.3%
Pooled property investments	11.7%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (with prior year comparator):

Asset type	Value as at 31 March 2013	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
Cash and cash equivalents	15,747	0.0%	15,747	15,747
Investment portfolio assets:				
UK fixed interest securities	16,573	10.8%	18,363	14,783
	-	4.4%	-	-
Overseas fixed interest securities				
UK equities	19,498	13.3%	22,086	16,910
Overseas equities	79,432	15.2%	91,526	67,338
UK unit trusts	251,600	13.1%	284,491	218,709
UK private equity	2,999	15.2%	3,456	2,542
Overseas unit trusts	686,136	9.5%	751,582	620,689
Overseas private equity	276,871	15.2%	319,027	234,716
Overseas infrastructure	73,240	8.3%	79,335	67,145
Pooled property investments	147,321	11.7%	164,570	130,072
Net derivative liabilities	(2,387)	0.0%	(2,387)	(2,387)
Investment income due	1,462	0.0%	1,462	1,462
Amounts receivable for sales	4,669	0.0%	4,669	4,669
Total	1,573,161		1,753,927	1,392,395

Asset type	Value as at 31 March 2012	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
Cash and cash equivalents	49,645	0.0%	49,645	49,645
Investment portfolio assets:				
UK fixed interest securities	15,035	10.8%	16,659	13,411
	27,173	4.4%	28,379	25,967
Overseas fixed interest securities				
UK equities	13,975	13.3%	15,830	12,120
Overseas equities	16,671	15.2%	19,210	14,133
UK unit trusts	221,054	13.1%	249,952	192,155
UK private equity	2,909	15.2%	3,352	2,466
Overseas unit trusts	735,277	9.5%	805,411	665,143
Overseas private equity	171,350	15.2%	197,439	145,261
Overseas infrastructure	54,280	8.3%	58,798	49,763
Pooled property investments	138,432	11.7%	154,640	122,224
Net derivative liabilities	(3,864)	0.0%	(3,864)	(3,864)
Investment income due	1,343	0.0%	1,343	1,343
Amounts receivable for sales	-	0.0%	-	-
Total	1,443,280		1,596,794	1,289,767

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's interest rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The fund's direct exposure to interest rate movements as at 31 March 2013 and 31 March 2012 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2013	As at 31 March 2012
	£000	£000
Cash and cash equivalents	15,747	49,645
Cash balances (Note 19)	3,108	1,641
Fixed interest securities	16,573	42,208
Total	35,428	93,494

Interest rate risk sensitivity analysis

The council recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a \pm 100 BPS change in interest rates:

Asset type	Carrying amount as at 31 March 2013	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
	£000	£000	£000
Cash and cash equivalents	15,747	157	(157)
Cash balances	3,108	31	(31)
Fixed interest securities	16,573	166	(166)
Total change in assets available	35,428	354	(354)

Asset type	Carrying amount as at 31 March 2012	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
	£000	£000	£000
Cash and cash equivalents	49,645	496	(496)
Cash balances	1,641	16	(16)
Fixed interest securities	42,208	422	(422)
Total change in assets available	93,494	934	(934)

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The fund's currency rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the fund's currency exposure as at 31 March 2013 and as at the previous period end:

Currency exposure - asset type

	Asset value as at 31 March 2013	Asset value as at 31 March 2012
	£000	£000
Overseas fixed interest securities	-	27,173
Overseas equities	79,432	16,671
Overseas unit trusts	686,136	735,277
Overseas private equity	276,871	171,350
Overseas infrastructure	73,240	54,280
Total overseas assets	1,115,679	1,004,751

Currency risk - sensitivity analysis

Following analysis of historical data, the council considers the likely volatility associated with foreign exchange rate movements to be 9.4% (as measured by one standard deviation).

A 9.4% fluctuation in the currency is considered reasonable based on analysis of long-term historical movements in the month-end exchange rates over a rolling 30-month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 9.4% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value as at 31 March 2013	Change to net assets available to pay benefits	
	£000	+9.4% £000	-9.4% £000
Overseas fixed interest securities	-	-	-
Overseas equities	79,432	86,899	71,966
Overseas unit trusts	686,136	750,632	621,639
Overseas private equity	276,871	302,897	250,845
Overseas infrastructure	73,240	80,125	66,356
Total change in assets available	1,115,679	1,220,553	1,010,806

Currency exposure - asset type	Asset value as at 31 March 2012	Change to net assets available to pay benefits	
	£000	+9.4% £000	-9.4% £000
Overseas fixed interest securities	27,173	29,727	24,619
Overseas equities	16,671	18,239	15,104
Overseas unit trusts	735,277	804,393	666,161
Overseas private equity	171,350	187,456	155,243
Overseas infrastructure	54,280	59,383	49,178
Total change in assets available	1,004,751	1,099,198	910,305

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence, the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria. The council has also set limits as to the maximum deposit placed with any one class of financial institution. In addition, the council invests an agreed amount of its funds in the money markets to provide diversification.

The council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31 March 2013 was £23.8m (31 March 2012: £52.4m). This was held with the following institutions:

	Rating	Balances as at 31 March 2013	Balances as at 31 March 2012
		£000	£000
Money Market funds			
JP Morgan	A+	2,682	-
Legal & General	A	1,235	1,130
Northern Trust	AA-	1,039	-
Bank deposit accounts			
JP Morgan	A+	15,747	49,645
Bank current accounts			
Lloyds TSB	A	3,108	1,641
Total		23,811	52,416

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

The council has immediate access to its pension fund cash holdings.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those which will take longer than three months to convert to cash. As at 31 March 2013 the value of illiquid assets was £500.4m, which represented 32.01% of the total fund assets (31 March 2012: £368.1m, which represented 25.53% of the total fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund investment strategy.

Refinancing risk

The key risk is that the council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

17 Funding arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2010. The next valuation will take place as at March 2013.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, ie that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 30 years from 1 April 2011 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2010 actuarial valuation, the Fund was assessed as 81% funded (99.9% at the March 2007 valuation). This corresponded to a deficit of £311 million (2007 valuation: £1 million) at that time.

At the 2010 actuarial valuation the average required employer contribution to restore the funding position to 100% over the next 30 years was 16.5% of pensionable pay.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial assumptions

Investment return (discount rate)	3.30%	Reflects the expected investment return to be achieved from the underlying investment strategy
Inflation	3.50%	Smoothed Bank of England 20 year Inflation curve reduced by a 0.25% inflation premium adjustment
Salary increases	1.25% in excess of price inflation	
Pensions increase	In line with CPI	Assumed to be 0.5% less than RPI

Mortality assumptions

Life expectancy for the year ended 31 March 2010 are based on S1PA normal tables allowing for long cohort projection, with a minimum 2.25% p.a. improvement for pensioners and 1% p.a. for non-pensioners.

Commutation assumption

It is assumed that at retirement, 50% of members will opt to increase their lump sums to the maximum allowed.

18 Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 17). The actuary has also used valued ill health and death benefits in line with IAS 19.

The actuarial present value of promised retirement benefits at 31 March 2013 was £2,772 million (31 March 2012: £2,576 million). The fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2010 triennial funding valuation (see Note 17) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used

Inflation/pension increase rate assumption	2.60%
Salary increase rate	4.55%
Discount rate	4.60%

19 Current assets

31 March 2012		31 March 2013
£000		£000
9,493	- Contributions due	6,168
701	- Sundry debtors	764
220	- Prepayments	116
10,414	Debtors	7,048
1,641	Cash balances	3,108
12,055		10,156

Analysis of debtors

31 March 2012		Sunday, 31 March 2013	
£000		£000	
	- Central government bodies		-
7,931	Other local authorities	3,878	
	- NHS bodies		-
	Public corporations and trading funds		-
2,483	Other entities and individuals	3,170	
10,414		7,048	

20 Current liabilities

31 March 2012		Sunday, 31 March 2013	
£000		£000	
(2,251)	Sundry creditors	(1,869)	
(225)	Benefits payable	(128)	
(2,476)		(1,997)	

Analysis of creditors

31 March 2012		Sunday, 31 March 2013	
£000		£000	
(688)	Central government bodies	(767)	
(29)	Other local authorities	(781)	
	- NHS bodies		-
	Public corporations and trading funds		-
(1,759)	Other entities and individuals	(449)	
(2,476)		(1,997)	

21 Additional voluntary contributions

Market value		Market value	
31 March 2012		Sunday, 31 March 2013	
£000		£000	
12,263	Prudential	12,664	
22	Equitable Life	22	
88	Clerical Medical	71	
12,373	Total	12,757	

AVC Contributions of £1.582 million were paid directly to Prudential during the year (2011/12: £1.599 million).

22 Related party transactions

The Royal Borough of Windsor and Maidenhead

The Royal County of Berkshire Pension Fund is administered by The Royal Borough of Windsor and Maidenhead. Consequently there is a strong relationship between the council and the pension fund.

The council incurred costs of £1,248m (2011/12 £1.071m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the third largest employer of members of the pension fund and contributed £7.0m (2011/12 £7.7m).

Governance

No members of the pension fund panel are in receipt of pension benefits from The Royal County of Berkshire Pension Fund.

Each member of the pension fund panel is required to declare their interests at each meeting.

Key management personnel

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of The Royal Borough of Windsor and Maidenhead.

23 Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2013 totalled £150.254m (31 March 2012: £153.996m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts "called" by these funds are irregular in both size and timing.

24 Contingent assets

Several admitted body employers in the Royal County of Berkshire Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These funds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

Royal County of Berkshire Pension Fund

IAS26 Disclosures as at 31 March 2013

Barnett Waddingham
Public Sector Consulting

1. Introduction

We have been instructed by Royal Borough of Windsor and Maidenhead, the Administering Authority to the Royal County of Berkshire Pension Fund (“the Fund”), to provide pension disclosures in respect of pension benefits provided by the Local Government Pension Scheme (“the LGPS”) to members of the Royal County of Berkshire Fund (“the Fund”) as at 31 March 2013.

This report is addressed to the Administering Authority and its advisers; in particular, this report is likely to be of relevance to the Fund’s auditor.

These figures have been prepared in accordance with IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This advice complies with all Generic Technical Actuarial Standards (TASs) and the Pensions TAS.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2007/08, as amended. It is contracted out of the State Second Pension.

2. Valuation Data

Data Sources

In completing our calculations for IAS26 purposes we have used the following items of data, which we received from Royal Borough of Windsor and Maidenhead:

- The results of the Triennial Actuarial Valuation as at 31 March 2010 which was carried out for funding purposes;
- Estimated whole fund income and expenditure items for the period to 31 March 2013;
- Estimated whole fund returns for the period to 31 March 2013 based on assets used for the purpose of the IAS26 valuation as at 31 March 2012, actual fund returns for the period to 31 March 2013 and then market returns (estimated where necessary) for the balance of the period to 31 March 2013;
- Details of any new early retirements for the period to 31 March 2013 that have been paid out on an unreduced basis, which are not anticipated in the service cost.

We have also used the results of our longevity insurance contract valuations carried out as at 31 March 2012 and at 31 March 2013.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report, especially in the context of the roll-forward approach we have taken (as described in the next section). Further, we are not aware of any material changes or events since we received the data.

Membership Statistics

The table below summarises the membership data as at 31 March 2010.

Member Data Summary	Number	Salaries/Pensions £000's	Average Age
Actives	20,001	371,126	45
Deferred Pensioners	20,180	24,093	45
Pensioners	11,524	49,839	70

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2013 is estimated to be 10%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the year may be different.

The estimated asset allocation for the Royal County of Berkshire Pension Fund as at 31 March 2013 is as follows:

Employer Asset Share - Bid Value	31 March 2013		31 March 2012	
	£000's	%	£000's	%
Equities	644,682	40%	549,098	38%
Gilts	15,724	1%	0	0%
Other Bonds	314,479	20%	317,899	22%
Property	157,239	10%	144,500	10%
Cash	15,724	1%	43,350	3%
Alternative Assets	424,547	27%	390,149	27%
Longevity Swap	8,925	1%	0	0%
Total	1,581,320	100%	1,444,996	100%

In 2009, the Fund entered into a longevity insurance contract with Swiss Re to cover a closed group of pensioner members. The result of our calculations to place a value on this contract as at 31 March 2013 can be seen in the table above. At 31 March 2012 the value of the contract was included in the liabilities, hence the nil value shown above. Further details regarding our change in methodology to value the contract are given in Section 3 of this report.

The final asset allocation of the Fund assets as at 31 March 2013 is likely to be different from that shown due to estimation techniques.

Unfunded Benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Pension Fund.

3. Actuarial Methods and Assumptions

Roll-Forward Approach

To assess the value of the Fund's liabilities as at 31 March 2013, we have rolled forward the value of the Fund's liabilities calculated for the triennial valuation as at 31 March 2010 allowing for the different financial assumptions required under IAS26.

As mentioned above, the Fund entered into a longevity insurance contract in 2009 with Swiss Re to cover a closed group of pensioner members. At the 2010 valuation, this was allowed for by adjusting the mortality assumption used for these members. This was also the approach taken to calculate the Fund asset and liability values disclosed in the IAS26 report as at 31 March 2012.

Following discussions in 2012 with KPMG, the auditors to the Royal County of Berkshire Pension Fund, we have subsequently revised our approach to valuing the contract. This year we have treated the contract as an asset to the Fund (which may have a positive or negative value) and the mortality assumption for valuing the liabilities covered by the contract is now a best-estimate assumption. The value of the contract in the asset valuation is then the difference between the amounts expected to be received from Swiss Re (using the best-estimate mortality assumption used for the liabilities) and the amounts expected to be paid to Swiss Re (based on the inflation-linked premiums set out in the contract).

These changes to our approaches are actuarial gains and losses. The change to the asset valuation method has been accounted for as an experience gain and the change to the mortality assumptions for the liability has been accounted for as a change in assumptions.

More generally, the 2010 actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2013 without completing a full valuation, including full member data. Although we are satisfied that the approach of rolling forward the previous valuation results to 31 March 2013 should not introduce any material distortions in the results, the value of the longevity insurance contract is very likely to be significantly different from that estimated as it is the difference in value between two very large numbers. However, if the contract value is much higher/lower, this is likely to be because mortality experience has been lighter/heavier than expected and so the increase/decrease in the assets should be roughly matched by an increase/decrease in the liabilities so that the net position should be broadly similar.

Demographic/Statistical Assumptions

For the purpose of this report, we have adopted a set of demographic assumptions that are generally consistent with those used for the formal funding valuation as at 31 March 2010.

Our assumption used to place a value on the liability in respect of the group of pensioner members involved in the longevity insurance contract is now the same as our assumption for members not involved in it, i.e. the post retirement mortality tables we have adopted for all members are the SAPS tables allowing for long cohort projection with a minimum of 1% p.a. improvement.

The assumed life expectations from age 65 are:

Life Expectancy from age 65 (years)	31 March 2013	31 March 2012
Retiring today		
Males	23.1	23.0
Females	25.7	25.6
Retiring in 20 years		
Males	25.1	25.0
Females	27.6	27.6

We have also made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement
- Active members will retire one year later than they are first able to do so without reduction

Financial Assumptions

The financial assumptions used for the purposes of the calculations are as follows.

Assumptions as at	31 March 2013		31 March 2012		31 March 2011	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI Increases	3.4%	-	3.3%	-	3.5%	0.0%
CPI increases	2.6%	-0.8%	2.5%	-0.8%	2.7%	-0.8%
Salary Increases	4.55%	1.15%	4.45%	1.15%	4.75%	1.25%
Pension Increases	2.6%	-0.8%	2.5%	-0.8%	2.7%	-0.8%
Discount Rate	4.6%	1.2%	4.6%	1.3%	5.5%	1.9%

These assumptions are set with reference to market conditions at 31 March 2013.

Our estimate of the duration of the Fund's liabilities is 23 years.

The discount rate is the annualised yield at the 23 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS26 and with consideration of the duration of the Fund's liabilities. This approach has been updated from previous disclosures when the yield on the iBoxx AA rated over 15 year corporate bond index was used.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 23 year point on the BoE spot inflation curve. Previously, the 20 year point was used and so this has been updated to better reflect the duration of the Fund's liabilities.

This measure has historically overestimated future increases in the RPI and so we have made a deduction of 0.25% to get the RPI assumption of 3.4%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.6%. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to be 1.15% above RPI in addition to a promotional scale.

Expected Return on Assets

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the IAS19 discount rate.

Therefore we are not required to disclose an expected return assumption for the year to 31 March 2014.

4. Results and Disclosures

The results of our calculations for the year ended 31 March 2013 are set out in Appendix 1. We estimate that the net liability as at 31 March 2013 is a liability of £1,190,986,000.

In addition, Appendix 2 details a reconciliation of assets and liabilities during the year.

The figures in this report are presented only for the purposes of IAS 26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.



**Mark Norquay FFA
Associate**

Appendix 1. Balance Sheet Disclosure as at 31 March 2013

Net Pension Asset as at	31 Mar 2013 £000's	31 Mar 2012 £000's	31 Mar 2011 £000's
Present Value of Funded Obligation	2,772,306	2,576,328	2,094,465
Fair Value of Scheme Assets (bid value)	1,581,320	1,444,996	1,454,829
Net Liability	1,190,986	1,131,332	639,636

*Present Value of Funded Obligation consists of £2,290,639,000 in respect of Vested Obligation and £481,667,000 in respect of Non-Vested Obligation.

Appendix 2. Asset and Benefit Obligation Reconciliation for the Year to 31 March 2013

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 March 2013 £000's	Year to 31 March 2012 £000's
Opening Defined Benefit Obligation	2,576,328	2,094,465
Service cost	86,455	67,524
Interest cost	117,142	115,638
Actuarial losses (gains)	52,261	350,452
Losses (gains) on curtailments	2,456	4,134
Liabilities extinguished on settlements	-	-
Liabilities assumed in a business combination	-	-
Estimated benefits paid net of transfers in	(85,144)	(79,016)
Past service cost	-	-
Contributions by Scheme participants	22,808	23,131
Unfunded pension payments	-	-
Closing Defined Benefit Obligation	2,772,306	2,576,328

The actuarial losses (gains) shown in the table above include £12,755k of actuarial gains resulting from the update to our mortality assumption for the pensioner members involved in the Swiss Re Longevity insurance contract.

Reconciliation of opening & closing balances of the fair value of Scheme assets	Year to	Year to
	31 March 2013	31 March 2012
	£000's	£000's
Opening fair value of Scheme assets	1,444,996	1,454,829
Expected return on Scheme assets	78,934	88,071
Actuarial gains (losses)	63,998	(96,780)
Contributions by employer including unfunded	55,728	54,761
Contributions by Scheme participants	22,808	23,131
Assets acquired in a business combination	-	-
Estimated benefits paid net of transfers in and including unfunded	(85,144)	(79,016)
Receipt / (Payment) of bulk transfer value	-	-
Fair value of Scheme assets at end of period	1,581,320	1,444,996

The actuarial gains (losses) shown in the table above include an adjustment of -£807k to incorporate the value of the longevity insurance contract as at 31 March 2012. Account has also been made for the updated asset figures used in the Royal County of Berkshire Pension Fund accounts as at 31 March 2012, in comparison to the pre-audited figure used in the IAS26 report at that date. The effect of this update is accounted for as an actuarial gain of £8,670k, and is included in the table above.

Reconciliation of opening & closing surplus	Year to	Year to
	31 March 2013	31 March 2012
	£000's	£000's
Surplus (Deficit) at beginning of the year	(1,131,332)	(639,636)
Current Service Cost	(86,455)	(67,524)
Employer Contributions	55,728	54,761
Unfunded pension payments	-	-
Past Service Costs	-	-
Other Finance Income	(38,208)	(27,567)
Settlements and Curtailments	(2,456)	(4,134)
Actuarial gains (losses)	11,737	(447,232)
Surplus (Deficit) at end of the year	(1,190,986)	(1,131,332)

Appendix 3. Sensitivity Analysis

The following table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service costs along with a +/- 1 year age rating adjustment to the mortality assumption. We have also shown the impact of a small change in the rate at which salaries are projected to increase.

Sensitivity Analysis	£000's	£000's	£000's
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	2,707,470	2,772,306	2,839,149
Projected Service Cost	86,481	89,744	93,113
Adjustment to mortality age rating assumption	+1 Year	None	- 1 Year
Present Value of Total Obligation	2,676,542	2,772,306	2,869,177
Projected Service Cost	85,901	89,744	93,631
Adjusted to salary increase assumption	-0.1%	0.0%	+0.1%
Present Value of Total Obligation	2,743,234	2,772,306	2,801,908
Projected Service Cost	87,624	89,744	91,900

Appendix 1- STATEMENT OF POLICY CONCERNING COMMUNICATIONS

1. Introduction

1.1 The following statement covers the policy of the Royal Borough of Windsor and Maidenhead with regard to its role as the administering authority for the Royal County of Berkshire Pension Fund as required by Regulation 67 of the Local Government Pension Scheme (Administration) Regulations 2008.

1.2 This specific policy document deals with the communication of all aspects of the scheme to both employing authorities within the Fund and the individual LGPS members.

1.3 It should be noted that for the purposes of clarification, the reference to 'member' in this statement means an individual who by virtue of his/her employment is an active contributor, deferred beneficiary or retired member in the Royal County of Berkshire Pension Fund.

1.4 This statement of policy will be kept under review and amended following any material change as regards:

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

1.5 Following any revision to the policy statement, the administering authority will publish the statement as revised.

1.6 The communication policy is sub-divided into two main areas:

- i) Communication with the employing authorities; and
- ii) Communication with individual members.

2. Communication with Employing Authorities

2.1 The Royal County of Berkshire Pension Fund has over 100 employers that satisfy the relevant admission status within the LGPS Regulations. Within this broad group of employers the six unitary local authorities within the Berkshire area comprise over 70% of the total individual active membership within the scheme.

2.2 Decision Making Process

The Policy Statement on Governance covers the involvement of employing authorities within the decision making process but should also be seen as an element in the communication process with regard to employers other than the Royal Borough in its role as the administering authority for the Fund.

2.3 Annual Employers Meeting

An annual meeting is held to which representatives of each employer body within the Fund are invited. Representatives of various professional bodies employed by the Fund such as the Actuary will be present at the meeting to explain the details of any applicable topic and receive questions. If possible the Chairman/Vice Chairman of the Pension Panel will also attend the meeting. The date for this meeting may vary so

as to take into account the timing of any specific issues that may arise such as the actuarial valuation results and regulation changes.

2.4 Quarterly Employer Group Meetings

Quarterly meetings are held between officers involved in the administration of and payroll for the Fund and representatives of the main employers within the Fund (the six unitary councils). These meetings involve a detailed discussion of the practical issues regarding administration and are held not only to supplement the communication process but also to try and improve the standard of service given to individual members within the Scheme. Any issues that arise from these meetings that may impact on all employing bodies are communicated through the other channels outlined below.

2.5 Training for Employers

An employers guide to the administration of the scheme is produced and circulated to all the employers within the Fund. In addition training meetings may be arranged on an ad hoc basis with the relevant officers within the pension administration team and individual employers by way of supplementing the guide. These meetings are most applicable for personnel and payroll staff of the employing authority body.

2.6 Regular updates on the Local Government Pension Scheme

Regular updates are sent to each employer from the pension administration team regarding any changes to the Local Government Pension Scheme. These are mainly in the form of Employer Bulletins posted to the Royal County of Berkshire Pension Fund website as well as specific letters or e-mails as well as postings on the employer's section of the website.

2.7 Pension Fund Website

The Royal County of Berkshire Fund operates a Pension Fund website with sections specifically dedicated to active scheme members, deferred beneficiaries, retired members, Councillor members and Employers.

Other details that can be found include:

- i) Standard Fund documentation (scheme guides, leaflets and forms)
- ii) Statement of Accounts for the Fund
- iii) Statement of Investment Principles
- iv) Funding Strategy statement
- v) Governance Statement
- vi) Statement of Policy Concerning Communication
- vii) Copies of Newsletters
- viii) Links to other web sites
- ix) Access to my pension ONLINE via the website
- x) Copies of all leaflets and guides
- xi) Online forms

The web site address is www.berkshirepensions.org.uk

2.8 General Guidance and Assistance

The pension administration team can be contacted during normal office hours and is always available to answer any questions raised by employers and can arrange for

ad hoc meetings to be held for pension input into any specific tasks employers may have e.g. outsourcing of services.

The pension administration team can be contacted by telephone on 0845 602 7237 or by email at info@berkshirepensions.org.uk

2.9 Promotional Services

Promotional guides, factsheets and leaflets are produced by the pension administration team and are available from the Pension Fund website. The pension administration team are also available to attend Employer Benefits Fairs, Open Days and regular drop-in days as arranged with the employer.

3. Communication to Individual Members of the Fund

3.1 The membership of the Royal County of Berkshire Pension Fund covers the active contributors, those members who have left the Fund but still have a deferred pension and retired members and their dependants. The type of member to which the information is applicable is covered as appropriate.

3.2 Welcome Pack/Letter

Upon receipt of a new starter notification from the employer, a welcome letter is sent, by the pension administration team to the home address of the new active member. This letter includes reference to accessing their pension benefits online and includes an individual activation key to enable them to register for this service. The letter also contains links to factsheets, and forms on the website. Members can also request hard copies of all brochure ware at any time.

3.3 Retirement Pack

Upon receipt of formal notification from the employer, a retirement pack is sent by the pension administration team to the home address of the retiree. This pack includes:

- Bank details request form
- Lifetime Allowance form
- A guide to retiring from the LGPS
- An Expression of wish for payment of a death grant
- Pre-printed return envelope
- Guide to my pension ONLINE

3.4 Annual Benefit Statements

Each active contributor and deferred beneficiary is sent an Annual Benefit Statement including details of:

- i) Accrued benefits within the scheme as at the 31st March last
- ii) The value of benefits projected to age 65
- iii) The value of the death grant payable from the Scheme
- iv) The member's nominated beneficiaries for receipt of any death grant
- v) Membership history including transferred in service from other Schemes

These are available to view via my pension ONLINE or sent to members' home addresses on request. Timing is dependent on the completion of year-end procedures by each employer. A combined benefit statement showing the details of

the member's State Pension benefits is provided when data is made available by the DWP.

3.5 Pension Surgeries

One to one meetings are available at the Pension Fund offices for any member of the Fund and formal Pension Surgeries are held on a regular basis at the six unitary authorities within Berkshire at the offices of employers. We also provide ad hoc pension surgeries on request.

3.6 Newsletters

Newsletters are produced bi-annually to members covering an update of the changes affecting the LGPS and any operational issues. These are tailored to the recipient according to the type of member e.g. active, deferred, retired. All newsletters are available for downloading from the Pension Fund website and through my pension ONLINE.

3.7 Pre-Retirement Courses

Where pre-retirement courses are run by employers, pension administration team staff are available to attend to explain the details of how and when pension payments will be made.

3.8 Pension Fund Website

Individual members of the Fund do have access to the Fund website the details of which are shown above in paragraph 2.7

3.9 Pension Payslips

It is the practice of the administering authority to only send out pay advice slips when there is a variation of 50 pence or more in net pay between consecutive months. A detailed description of a payslip is available on the Retired members section of the Pension Fund website.

3.10 P60s

Every retired member and/or their dependants will receive a P60 each year normally at the beginning of May. A detailed description of a P60 is available on the Retired Members section of the Pension Fund website.

3.11 Annual Pension Increase Letter

Retired members will receive a pension increase letter each year to inform them of the inflation increase (if any) on their pension. This letter will include details of the monetary value of their revised pension and details of the amount to be paid in April. Also contained in the letter will be details of the pension pay dates for the coming year.

3.12 Annual Meeting

An Annual Meeting of the Royal County of Berkshire Pension Fund is held which employers, members and other stakeholders are invited to attend. The main purpose of the meeting is to communicate details of the Fund's Annual Report & Accounts, Investment Strategy and any other specific matters relating to the LGPS Regulations.

The date for this meeting may vary so as to take into account certain regulatory matters that may arise.

3.13 Ad Hoc Meetings

Ad hoc meetings will be held from time to time for various groups of members. These may be defined by type of member (contributor or retired) or location (for a specific employer or group of employers). The timing of these meetings will be dictated by either requests from employers or the need to consult and notify members of any changes that occur.

3.14 Social Media Platforms

The Pensions Administration will maintain and update the Fund's presence on the Social Media Platforms Facebook and Twitter. These platforms give members instant access to pension information as it relates to the Berkshire Pension Fund and the Local Pension Government Scheme in general.

3.15 Member on-line access

A new member self-service facility is available for all members within the Fund. 'my pension ONLINE' is an internet based application which enables members to securely access and update their own pension details online via the Royal County of Berkshire Pension Fund website.

In summary members can

View / update personal details:

- View financial details
- Perform benefit calculations
- Access all relevant forms
- Access all publications, such as Annual Benefit Statements, Scheme Guides, Newsletters and Factsheets
- Update changes of address
- Update death beneficiaries.

All new scheme members are issued with an activation key to access their account online and this is contained within their Welcome letter (see section 3.2).

APPENDIX 2 - GOVERNANCE COMPLIANCE STATEMENT

1. Introduction

1.1 The following statement details the compliance of the Royal Borough of Windsor and Maidenhead as the administering authority of the Royal County of Berkshire Pension Fund with the guidance issued for governance of the Local Government Pension Scheme by the Secretary of State for Communities and Local Government. It has been prepared as required by the Local Government Pension Scheme (Amendment) (No 3) Regulations 2007.

Principle A – Structure

a	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council	Compliant – The Constitution of the Council sets out the functions of the Berkshire Pension Fund Panel and the Berkshire Pension Fund Advisory Panel
b	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committees established to underpin the work of the main committee.	Compliant – The membership of the Berkshire Pension Fund Advisory Panel includes, 5 members from the Royal Borough of Windsor and Maidenhead, 1 member from each of the other 5 unitary authorities within the Fund, 2 admitted body employer representatives, 2 representatives from unions and 2 member representatives to represent active, deferred and pensioner members.
c	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Compliant – The Berkshire Pension Fund Advisory Panel meets concurrently with the Berkshire Pension Fund Panel and receives the same information as the main panel.
d	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel	Compliant – All 5 seats on the Pension Fund Panel are allocated to the 5 RBWM members of the Pension Fund Advisory Panel.

Principle B – Representation

a	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:	
	i) employing authorities (including non-scheme employers, e.g. admitted bodies);	Compliant – the six unitary authorities are all represented and admitted bodies are represented on the Berkshire Pension Fund Advisory Panel by representatives from 2 of the larger employing bodies

	ii) Scheme members (including deferred and pensioner scheme members),	Compliant – The Berkshire Pension Fund Advisory Panel has two representatives from the major trade unions whose membership is drawn from the employers within the Fund and 2 member representatives to represent active, deferred and pensioner members.
	iii) independent professional observers, and	Compliant – An Independent Adviser attends each meeting of the Berkshire Pension Fund and Berkshire Pension Fund Advisory Panels,
	iv) expert advisors (on an ad-hoc basis)	Compliant – Expert advisors are invited to meetings of the Panels as required. Independent Strategy Advisers attend meetings of the Investment Working Group
b	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Compliant – members of both Panels are treated equally in respect of access to papers, meetings and training. All members are given the full opportunity to contribute to the decision making process.

Principle C – Selection and role of lay members.

a	That committee or panel members are made fully aware of the status, role and function that they are required to perform on either a main or secondary committee.	Compliant – Nominating bodies are periodically reminded that it is their responsibility to ensure that Panel members are aware of their responsibilities. The Chair of the Berkshire Pension Fund Panel will remind panel members of their responsibilities as required. Each set of papers for every Panel meeting contains a reminder to members of their duty in respect to potential conflicts of interest. Members are expected to declare conflicts of interest and abide by the Royal Borough's rules on conflicts of interest.
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Principle D – Voting

a	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant – The constitution of the Royal Borough of Windsor and Maidenhead sets out the terms of reference and voting rights of the Berkshire Pension Fund and Berkshire Pension Fund Advisory Panels.
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Principle E – Training/Facility Time/Expenses

a	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant – All members are entitled to attend or request training. Members are entitled to request the use of facilities belonging to the Royal Borough of Windsor and Maidenhead in respect to their duties as members of the Panels and reasonable expenses incurred in relation to their membership of Panels will be reimbursed upon request.
b	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant

Principle F – Meetings (frequency/quorum)

a	That an administering authority's main committee or committees meet at least quarterly	Compliant
b	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits	Compliant – the Berkshire Pension Fund Advisory Panel meets concurrently with the Berkshire Pension Fund Panel.
c	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant –The Berkshire Pension Fund Advisory Panel has four lay members. Employer road shows are held on an ad-hoc basis to explain current issues. An annual meeting for employers, members and other stakeholders is held annually.

Principle G – Access

a	That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	Compliant – all panel members have equal access to Panel papers, documents and advice that falls to be considered at Panel meetings.
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Principle H – Scope

a	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant – Wider scheme issues are considered by both the Berkshire Pension Fund Panel and the Berkshire Pension Fund Advisory Panel on a regular basis.
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Principle I – Publicity

a	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way the scheme is governed, can express an interest in wanting to be part of those arrangements.	Compliant – The Governance Policy Statement is published on the Berkshire Pension Fund web-site (www.berkshirerpensions.org.uk) and is available on request from the Pension Fund Manager.
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ROYAL COUNTY OF
BERKSHIRE PENSION FUND

FUNDING
STRATEGY STATEMENT

1. Introduction

This document is the Funding Strategy Statement (FSS) of the Royal County of Berkshire Pension Fund (the Berkshire Fund or the Fund) as administered by the Royal Borough of Windsor and Maidenhead.

It has been prepared by the Administering Authority in collaboration with the Actuary to the Fund, Barnett Waddingham, after consultation with the Fund's employers and is effective from 31st March 2011.

1.1 Regulatory Framework

The Berkshire Fund is constituted under the Local Government Pension Scheme Regulations (LGPS) and, therefore, the individual members benefits are guaranteed by statute. The contribution to be paid by those members is also fixed at a level that covers only part of the cost of accruing benefits. Each employer within the Fund pays the cost of delivering the benefits to its individual members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

The FSS forms part of a framework that includes:

- the LGPS Regulations 2007 (regulation 35 of the Administration Regulations is particularly relevant);
- the Rates and Adjustments Certificate that can be found appended to the Fund actuary's triennial valuation report;
- actuarial factors for valuing early retirement costs and the cost of buying extra benefits; and
- the Statement of Investment Principles.

This is the framework within which the Fund's actuary carries out triennial valuations to set employer contribution rates and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

1.2 Reviews of the FSS

The FSS is reviewed in detail at least every three years ahead of the triennial valuation to be carried out, with the next full review due to be completed by March 2014. More frequently, Annex A is updated to reflect any changes to the employers within the Fund.

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. Any queries should be directed to Mr Nick Greenwood, Pension Fund Manager at (01628) 796701 or e-mail to nick.greenwood@rbwm.gov.uk.

2. Purpose

2.1 Purpose of the FSS

Communities and Local Government has stated that the purpose of the FSS is:

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

The objectives are desirable individually, but may be mutually conflicting.

This statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding process.

2.2 Purpose of the Fund

The Fund is a vehicle by which the scheme benefits are delivered. The Fund:

- receives contributions, transfer payments and investment income;
- pays scheme benefits, transfer values and administration costs.

One of the objectives of a funded scheme is to reduce the variability of pension costs over time for employers as compared to the costs with an unfunded (pay as you go) alternative.

The roles and responsibilities of the key parties involved in the management of the pension scheme are summarised in Appendix B.

2.3 Aims of the Funding Policy

The objectives of the Fund's funding policy include the following:

- to ensure the long-term solvency of the Fund;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to unnecessarily restrain the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence help minimise the cost to employers of providing benefits) within an appropriate level of risk;
- to help employers recognise pension liabilities as they accrue;
- to attempt to minimise the degree of short-term volatility of the level of each employer's contributions where the Administering Authority considers it is appropriate to do so;

- to address the different characteristics and needs of the disparate employers or groups of employers to the extent that this is practical and cost-effective;
- to take reasonable measures to minimise the risk to the whole Fund of an individual employer defaulting on its pension obligations.

3. Solvency Issues and Target Funding Levels

3.1 Derivation of Employer Contributions

Employer contributions are normally made up of two elements:

- a) the estimated cost of future benefits being accrued, referred to as the *'future service rate'*; and
- b) an adjustment for the funding position (or solvency) of accrued benefits relative to the Fund's solvency target, *'past service adjustment'*. If there is a surplus there may be a contribution reduction; if there is a deficit a contribution addition with the amount of surplus or deficit being spread over an appropriate number of years.

The actuary to the Fund is required by the LGPS regulations to report the 'Common Contribution Rate' for all employers collectively at each triennial valuation. This combines items a) and b) above and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the surplus or deficit under b) is currently spread over a maximum of 30 years.

The Fund's actuary is also required to adjust the Common Contribution Rate for circumstances that are deemed 'peculiar' to an individual employer. It is the adjusted contribution rate that employers are actually required to pay. The factors that are considered in this adjustment are considered and discussed in Section 3.5.

In effect the Common Contribution Rate is a notional quantity. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer specific spreading and phasing periods.

For some employers it may be agreed to pool contributions, see Section 3.7.3

Appendix A contains a breakdown of each employer's contribution rates following the 2010 valuation for the financial years 2011/12, 2012/13 and 2013/14. It also identifies which employers' contributions have been pooled with others.

Any costs of non ill-health retirements must be paid as lump sum payments at the time of the employer's decision in addition to the contributions described above (or by instalments shortly after the decision). Employers' contributions are expressed as minima, with employers able if they wish to pay regular contributions at a higher rate. Employers should discuss with the Administering Authority before making one-off capital payments.

3.2 Solvency and Target Funding Levels

The Fund's actuary is required to report on the 'solvency' of the whole fund at least every three years.

'Solvency' for ongoing employers is defined to be the ratio of the value of assets to the value placed on the accrued benefits on the Fund actuary's *on-going funding basis*. This figure is known as the funding level.

The ongoing funding basis is that used for each triennial valuation and the Fund actuary agrees the financial and demographic assumptions to be used for each such valuation with the administering authority.

The fund operates the same target funding level for all ongoing employers of 100% of its accrued liabilities valued on an ongoing basis. Please refer to paragraph 3.8 for the treatment of departing employers.

3.3 Ongoing Funding Basis

The demographic assumptions are intended to be best estimates of future experience in the Fund. They vary by type of member reflecting the different profile of employers.

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption makes allowance for anticipated returns from equities in excess of bonds. There is, however, no guarantee that equities will out-perform bonds. The risk is greater when measured over shorter periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

It is therefore normally appropriate to restrict the degree of change to employers' contributions at triennial valuations.

Given the long term and inflation linked nature of the liabilities, a long term view of future investment returns is taken. At the 2010 valuation it was assumed that the underlying investment strategy would achieve return of 3.3% above RPI.

The same financial assumptions are adopted for all ongoing employers.

3.4 Future Service Contribution Rates

The future service element of the employer contribution rate is calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service. The approach used to calculate each employer's future service contribution rate depends on whether or not new entrants are being admitted. Employers should note that it is only Community or Transferee Admission Bodies that have the power not to automatically admit all eligible new staff to the Fund. This will be dependent upon the terms of their Admission Agreements and employment contracts.

3.4.1 Employers that admit new entrants

The employer's future service rate will be based upon the cost (in excess of members' contributions) of the benefits that employee members earn from their service each year. Technically these rates will be derived using the *Projected Unit Method* of valuation with a one year control period.

If future experience is in line with assumptions, and the employer's membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment levels) the rate would rise.

3.4.2 Employers that do not admit new entrants

Certain Community or Transferee Admission Bodies have closed the scheme to new entrants. This is expected to lead to the average age of the employee members to increase over time and hence, all other things being equal, the future service rate is expected to increase as the membership increases.

To give more long term stability to such employer contributions, the Attained Age funding method has been adopted. This will limit the degree of future contribution rises by paying higher rates at the outset.

Both funding methods are described in the Actuary's report on the valuation.

Both future service rates will include expenses of administration to the extent that they are borne by the Fund and include an allowance for benefits payable on death in service and ill-health retirement.

3.5 Adjustments for Individual Employers

Adjustments to individual employer contribution rates are applied through the calculation of employer-specific future service contribution rates and the calculation of the employer's asset share.

The combined effect of these adjustments for individual employers applied by the Fund relate to:

- past contributions relative to the cost of accruals and benefits;
- different liability profiles of employers (e.g. mix of members by age, gender, manual/non manual);
- the effect of any differences in the valuation basis of the value placed on the employers liabilities;
- any different deficit/surplus spreading periods or phasing of contribution changes;
- the difference between actual and assumed increases in pensionable pay;
- the differences between actual and assumed increases to pensions in payment and deferred pensions;
- the difference between actual and assumed retirements on grounds of ill-health from active status;
- the difference between actual and assumed amounts of pension ceasing on death;
- the difference between actual and assumed number of early leavers;
- the additional costs of any non ill-health retirements relative to extra payments made;

over the period between each triennial valuation.

Actual investment returns achieved by the Fund between each valuation are applied proportionately across all employers. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

3.6 Asset Share Calculations for Individual Employers

The Administering Authority does not account for each employer's assets separately. The Fund's actuary is required to apportion the assets of the whole fund between the employers at each triennial valuation using the income and expenditure figures provided for certain cash flows for each employer. This process also adjusts for transfers of liabilities between employers participating in the Fund. The asset apportionment is capable of verification but not to audit standard.

3.7 Stability of Employer Contributions

3.7.1 Deficit Recovery Periods

The Administering Authority instructs the actuary to adopt specific deficit recovery periods for all employers when calculating their contributions.

The Administering Authority normally targets the recovery of any deficit over a period not exceeding 20 years. However, these are subject to the maximum lengths set out below.

<i>Type of Employer</i>	<i>Maximum Length of Recovery Period</i>
<i>Unitary Councils and Associated employers</i>	<i>30 years maximum</i>
<i>Housing Associations</i>	<i>20 years maximum</i>
<i>Colleges</i>	<i>Future working life of current employees</i>
<i>Community Admission Bodies</i>	<i>Future working life of current employees</i>
<i>Transferee Admission Bodies</i>	<i>Future working life of current employees or contract period whichever is the shorter period</i>

It is recognised that the most appropriate period for the recovery would be the future working life of current employees and if possible in the future the Fund would like to move to that basis for all employers.

The maximum period is used in calculating each employer's minimum contributions. Employers may opt to pay higher regular contributions than these minimum rates.

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2011 for the 2010 valuation). The Administering Authority would normally expect the same period to be used at successive valuations, but would reserve the right to propose alternative spreading periods, for example to improve the stability of contributions.

For employer bodies that have closed entry of the scheme to new employees it is recognised that, due to the falling numbers on the employee role, employer contribution percentage increases will over time fail to meet the required contribution to the deficit. In such circumstances a minimum cash payment to the deficit may be also specified.

3.7.2 Surplus Spreading Periods

Any employers deemed to be in significant surplus may be permitted to reduce their contributions below the cost of accruing benefits, by spreading the surplus element over the maximum periods shown above for deficits in calculating their minimum contributions.

However, to help meet the stability requirement, employers may prefer not to take such reductions until a reasonable and sustainable surplus is established.

3.7.3 Phasing in of Changes in Contribution Rates

Transferee Admission Bodies are not eligible for phasing in of contribution rises.

The phasing in of the rate rises for the 2010 valuation will be set on an individual employer basis bearing in mind the extent of any increase and the future service rate payable.

It is envisaged that the maximum period of phasing will be six years unless there are exceptional circumstances prevailing.

3.7.4 Phasing in of Contribution Reductions

Any contribution reductions will be phased in over the most appropriate period but it is not expected that rates will be reduced below that of the future service rate unless there is a significant surplus.

3.7.5 The Effect of Opting for Longer Spreading or Phasing-In

Employers that are permitted and elect to use a longer deficit spreading period than was used in the 2010 valuation or to phase –in contribution rate changes will be assumed to incur a greater loss of investment returns on the deficit by opting to defer their payment. Thus, deferring payment of contributions will lead to higher contribution levels in the long-term.

However any adjustment is expressed for different employers the overriding principle is that the discounted value of the contribution adjustment adopted for each employer will be equivalent to the employer's deficit.

3.7.6 Pooled Contributions

3.7.6.1 Smaller Community Admission Body Employers

For small Community Admission Bodies (usually of similar type and with less than 100 active members), their assets and liabilities are generally pooled as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not permitted to participate in a pool. Transferee Admission Bodies are also ineligible for pooling.

As at the 2010 valuation separate pools were operated for the following types of employer.

- i) Colleges
- ii) Admitted Bodies
- iii) Housing Associations
- iv) CFbT/Connexions
- v) Transferee Admission Bodies
- vi) Academies
- vii) Closed Employers

3.7.6.2 Other Contribution Pools

Schools and Town and Parish Councils are pooled with their funding Council.

Those employers that have been pooled are identified in Appendix A.

3.8 Admission Agreements Ceasing

Admission Agreements for Transferee Admission Bodies are assumed to expire at the end of the contract.

Admission Agreements for Transferee Admission Bodies are generally assumed to be open-ended and to continue until the last pensioner dies. Contributions, expressed as capital payments, can continue to be levied after all employees have retired. The Admission Agreements can, however, be terminated at any point.

If a Transferee Admission Body's Admission Agreement is terminated, the Administering Authority will instruct the Fund actuary to carry out a special valuation to determine whether there is any deficit.

The assumptions adopted to value the departing employer's liabilities for this valuation will depend upon various circumstances. For example:

- a) For Transferee Admission Bodies, the assumptions would be those used for an ongoing valuation to be consistent with those used to calculate the initial transfer of assets to accompany the active member liabilities transferred.
- b) For employers that elect to voluntarily terminate their participation or who have closed the Fund to new staff and who are looking to leave the Fund once they no longer have any active members, the Administering Authority must look to protect the interests of other ongoing employers and will require the actuary to adopt assumptions which, to the extent that it is reasonably practical, protect the other employers from the likelihood of any material loss emerging in the future.
- c) For Community Admission Bodies with guarantors, it is possible that any deficit could be transferred to the guarantor in which case it may be possible to simply transfer the former Community Admission Bodies members and fund assets to the guarantor, without needing to crystallise any deficit.
- d) For employers who have closed the Fund to new staff and who are looking to leave the Fund once they no longer have any active members

Under (a) and (b), any shortfall would be levied on the departing employer as a capital payment.

3.9 Early Retirement Costs

3.9.1 Non Ill Health retirements

The actuary's funding basis makes no allowance for premature retirement except on grounds of ill health. Employers are required to pay additional contributions wherever an employee retires before attaining the age at which the valuation assumes that benefits are payable. The calculation of these costs is carried out with reference to a calculation method approved by the Actuary to the Fund.

It is assumed that member' benefits on age retirement are payable from the earliest age that the employee could retire without incurring a reduction to their benefit and without requiring their employers consent to retire.

The additional costs of premature retirement are calculated by reference to these ages.

3.9.2 Ill Health Monitoring

The Fund monitors each employer's, or pool of employers, ill health experience on an ongoing basis. If the cumulative number of ill health retirements in any financial year exceeds the allowance at the previous valuation, the employer may be charged additional contributions on the same basis as apply for non ill health cases.

4. Links to Investment Strategy

Funding and investment strategy are inextricably linked. Investment strategy is set by the Administering Authority, after consultation with other employers and after taking appropriate investment advice.

4.1 Investment Strategy

The investment strategy currently pursued by the Fund is described in the Statement of Investment Principles.

The investment strategy is set for the long-term, but is reviewed from to time (normally every three years to coincide with the triennial actuarial valuation), to ensure that it remains appropriate to the Fund's liability profile.

The investment strategy of lowest risk – but not necessarily the most cost-effective in the long-term – would be to hold 100% investment in UK index-linked government bonds. The reason for this is that UK index linked government bonds is the asset class that is considered to best match the liabilities of the Fund since the returns on the investment are linked to the UK Retail Price Index (RPI) and future pensions increases are linked to the Consumer Price Index (CPI) which historically has been correlated to the RPI.

The same investment strategy is currently followed for all employers. The Administering Authority does not currently have the facility to operate different strategies for different employers.

4.2 Consistency with Funding Basis

The Fund's investment adviser conducting the study of assets and liabilities currently estimates the long-term return from equities (the "equity risk premium") is around 3.0% per annum in excess of the return available from investing in index linked government bonds.

The anticipated future returns from equities used to place a value on employers' liabilities only relate to the part of the Fund's assets invested in equities (or equity type investments) and these are currently around 35% of the total of the assets of the Fund.

Non equity assets in bonds and property are assumed to deliver long-term returns consistent with the prevailing redemption yield on corporate bonds. Investments in other growth assets are assumed to deliver long-term returns of 1% greater than the prevailing yield on high quality corporate bonds.

In the above way, the employer contributions anticipate returns from Fund assets which in the opinion of the Fund actuary represent a better than 50:50 chance of being delivered over the long term (measured over periods in excess of 20 years).

However, in the short term – such as the three-year period between actuarial valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term asset returns will fall short of this target. The stability measures described in Section 5 will damp down, but not remove, the effect of volatility of asset returns on employers' contributions.

The Fund does not hold a contingency reserve to protect itself against the volatility of equity investment returns

4.3 Balance between risk and reward

Prior to implementing its current investment strategy, the Administering Authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes such as equities. This process was informed by the use of asset/liability techniques to model a range of potential future solvency levels and contribution rates.

4.4 Intervaluation Monitoring of the Funding Position

The investment performance of the Fund is monitored on a regular basis by the Pension Fund Panel and Advisory Panel. The returns are reviewed in line with projected returns and liability changes on an annual basis.

The position of individual employers is also monitored and circumstances that might influence the funding position of any employer are also reported to the Panels.

5. Key Risks and Controls

5.1 Types of Risk

The measures that the Administering Authority has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

5.2 Financial Risks

5.2.1 Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities in the long-term

Summary of Control Mechanisms

- Only anticipate the long-term return on a relatively prudent basis to reduce the risk of underperforming.

- Analyse the progress at the triennial valuation for all employers.

5.2.2 Inappropriate long-term investment strategy.

Summary of Control Mechanisms

- Use a valid technique such as Asset-Liability modelling to set asset allocation for the Fund.
- Examine other factors not covered in the Asset- Liability study
- Consider measuring performance and setting managers' targets relative to bond-based targets, absolute returns or a Liability Benchmark Portfolio and not relative to indices.

5.2.4 An active investment manager under-performs relative to their benchmark

Summary of Control Mechanisms

- Quarterly review by the Pension Panel and Advisory Panel of each manager's performance on a quarterly, annual and three year basis.
- Adoption of a process for classifying the satisfaction level of a manager's performance. This will follow on from the above monitoring.
- Consider analysing the returns against benchmarks other than relative to specific indices.

5.2.5 Pay and price inflation significantly exceeds expectations

Summary of Control Mechanisms

- The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.
- Monitoring between valuations should give an early warning.
- An amount of investment in bonds will help mitigate the risk
- Employers will be made aware of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.

5.2.6 The adverse effect of increases in employer contribution rates on service delivery of employers within the Fund.

Summary of Control Mechanisms

- Seek feedback from employers on the capacity to absorb increases in employer contribution rates
- Seek to mitigate impact through deficit spreading and phasing in of contribution rates. These actions must be carried out in a prudent manner to protect the Fund as a whole.
- Examine the possibility of offering employer-specific investment strategies that will give greater certainty of cost (less volatility in employer contribution rates). It should be noted that such strategies will mean a higher level of employer contribution costs.

5.3 Demographic Risks

5.3.1 Pensioners living longer

Summary of Control Mechanisms

- Set mortality assumptions with an allowance for future increases in life expectancy as part of the actuarial valuation.
- The Fund actuary monitors the combined experience of similar funds and looks for early warnings of any trend.
- The Administering Authority will explain to employers the benefits of encouraging staff to work on and retire at a later date.
- In 2009 the Administering Authority entered into a longevity insurance contract with Windsor Life insuring the Fund against the risk of paying benefits to the group of pensioners covered by the contract from longer than assumed in the actuarial valuation.

5.3.2 Deteriorating patterns of early retirement

Summary of Control Mechanisms

- Employers are charged the full capital cost of non ill health retirements.
- Employer ill health retirement is monitored.

5.4 Regulatory Risks

5.4.1 Changes to regulations – resulting in a more favourable (and by inference more costly) benefits package or potential new entrants to the scheme (e.g. part-time employees)

5.4.2 Changes in national pension requirements and /or HMRC rules

Summary of Control Mechanisms

- *The Administering Authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself.*
- *Each employer has access to all consultation papers issued by DCLG and may comment thereon. Employers are also represented at a national level on all negotiations on changes.*
- *The Administering Authority will consult employers where it considers that it is appropriate.*

5.5 Governance Risks

5.5.1 The Administering Authority is unaware of structural changes in an employer's membership (e.g. a large fall in employee members or a large number of retirees in any one period)

5.5.2 The Administering Authority is not advised of an employer closing the scheme to new entrants

Summary of Control Mechanisms

- The Administering Authority monitors membership on a quarterly basis.
- Where significant changes occur the Actuary may be instructed to consider revising the Rates and Adjustments certificate to increase/decrease an individual employer's contribution levels.
- Deficit contributions are expressed as monetary amounts (see Appendix A)

5.5.3 The Administering Authority fails to commission the Fund actuary to carry out a termination valuation for a departing Community or Transferee Admission Body thus losing the opportunity to call in a debt.

Summary of Control Mechanisms

- In addition to the monitoring by the Administering Authority employers with Transferee contractors must give notice of any forthcoming changes.
- In addition the employer should keep a diary to alert itself to the forthcoming termination of a Transferee Admission Agreement.

5.5.4 An employer ceases to exist with insufficient funding or adequacy of a bond to cover pension liabilities.

The Administering Authority believes that if such a situation occurs it would normally be too late to address the position at the time of departure.

Such a risk is, however mitigated by:

- Wherever possible seeking a funding guarantee from another scheme employer or external body.
- Alerting the prospective new employer of its obligations and encouraging them to take external actuarial advice.
- Vetting all new bodies before admission to the scheme
- Where permitted within the LGPS regulations requiring a bond to be in place to protect the scheme from the extra cost of early retirements on redundancy should the employer fail.
- Offering lower risk investment strategies for Transferee Admission Bodies to reduce the risk of a significant debt crystallising on the termination of their agreement.

Appendix A – Responsibilities of Key Parties

The Administering Authority should:-

- *Collect all employer and employee contributions;*
- *Invest surplus monies in accordance with the LGPS and other applicable regulations;*
- *Ensure that cash is available to meet liabilities as and when they fall due;*
- *Manage the valuation process in consultation with the Fund's actuary*
- *Prepare and maintain the Funding Strategy Statement and the Statement of Investment Principles, both after consultation with interested parties; and*
- *Monitor all aspects of the Fund's performance and funding.*

The Individual Employer within the Fund should:

- *Deduct contributions from the employees' pay correctly;*
- *Pay all contributions, including their own as determined by the actuary, promptly by the due date to the Administering Authority or their appointed agent;*
- *Exercise discretions within the regulatory framework and where required publish policies to that effect;*
- *Make additional; contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and*
- *Notify the Administering Authority promptly of all changes to membership and provide details so that appropriate action may be taken e.g. a due pension is brought into pension.*

The Fund actuary should:

- *Prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to this FSS; and*
- *Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.*

Appendix B – Definitions

Administering Authority – the local authority given responsibility under the Local Government Pension Scheme for overseeing the administration and investments of a fund

Transferee Admission Body – any admitted body which provides a service or assets in connection with the exercise of a function of a Scheme employer i.e. companies that are contracted by a scheme employer to take on part of the scheme employer's work

Community Admission Body – any body which provides a public service in the UK other than for purposes of gain and which have either a sufficient link with a Scheme employer or are approved by the Secretary of State for the purposes of admission to the Scheme

Rates and Adjustments Certificate

Update of Appendix 5 to the 2010 Actuarial Valuation Report for the Royal County of Berkshire Pension Fund dated 30 March 2011

Andrew Brooker
Head of Finance
Royal Borough of Windsor and Maidenhead
Town Hall
St Ives Road
Maidenhead SL6 1RF

Dear Andrew

On your instruction, we made an actuarial valuation of the Royal County of Berkshire Pension Fund ("the Fund") as at 31 March 2010.

In accordance with Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 we made an assessment of the contributions which should be paid to the Fund by the employing authorities as from 1 April 2011 in order to maintain the solvency of the Fund.

Following the agreement between Reading Borough Council and Reading Transport, we have re-assessed the required contributions for Reading Transport using a 30 year deficit recovery period. The revised contribution requirements for Reading Transport are set out below.

Yours faithfully



Graeme D Muir FFA

27 August 2012

Contribution Schedule

The Common Rate of Contribution payable by each employing authority under Regulation 36 for the period 1 April 2011 to 31 March 2014 is of pensionable payroll.

Individual Adjustments payable by each employing authority under Regulation 36 for the period 1 April 2011 to 31 March 2014 resulting in Minimum Total Contribution Rates are as set out below: -

Minimum Level of Contributions								
Code	Employer	2010 Funding Pool	2011/12 % Pay	2011/12 £	2012/13 % Pay	2012/13 £	2013/14 % Pay	2013/14 £
2	Bracknell Forest Council	Bracknell Forest Council	13.0%	1,240,000	13.0%	1,430,000	13.0%	1,626,000
49	Binfield Parish Council	Bracknell Forest Council	15.8%		16.0%		16.3%	
9	Bracknell Town Council	Bracknell Forest Council	15.8%		16.0%		16.3%	
125	Crowthorne Parish Council	Bracknell Forest Council	15.8%		16.0%		16.3%	
137	Sandhurst Parish Council	Bracknell Forest Council	15.8%		16.0%		16.3%	
39	South Hill Park Trust	Bracknell Forest Council	15.8%		16.0%		16.3%	
42	Winkfield Parish Council	Bracknell Forest Council	15.8%		16.0%		16.3%	
3	RBWM	RBWM	13.0%	1,120,000	13.0%	1,400,000	13.0%	1,699,000
51	Cox Green Parish Council	RBWM	15.1%		15.5%		15.9%	
69	Desborough School	RBWM	15.1%		15.5%		15.9%	
143	Hurley Parish Council	RBWM	15.1%		15.5%		15.9%	
18	Sunningdale Parish Council	RBWM	15.1%		15.5%		15.9%	
19	Sunninghill & Ascot Parish Council	RBWM	15.1%		15.5%		15.9%	
127	White Waltham Parish Council	RBWM	15.1%		15.5%		15.9%	
5	Reading Borough Council	Reading Borough Council	12.6%	1,660,000	12.6%	1,980,000	12.6%	2,325,000
68	Reading Girls School	Reading Borough Council	15.0%		15.4%		15.7%	
66	The Blessed Hugh Farringdon School	Reading Borough Council	15.0%		15.4%		15.7%	
6	Slough Borough Council	Slough Borough Council	12.6%	1,310,000	12.6%	1,510,000	12.6%	1,736,000
74	Castleview School	Slough Borough Council	15.6%		15.9%		16.2%	
61	Holy Family School	Slough Borough Council	15.6%		15.9%		16.2%	
119	Pippins School - Slough	Slough Borough Council	15.6%		15.9%		16.2%	
62	Priory School	Slough Borough Council	15.6%		15.9%		16.2%	
87	Ryvers School	Slough Borough Council	15.6%		15.9%		16.2%	
122	Wexham Court Parish Council	Slough Borough Council	15.6%		15.9%		16.2%	

Minimum Level of Contributions

Code	Employer	2010 Funding Pool	2011/12 % Pay	2011/12 £	2012/13 % Pay	2012/13 £	2013/14 % Pay	2013/14 £
4	West Berkshire Council	West Berkshire	15.4%		15.4%		15.4%	
147	Burghfield Parish Council	West Berkshire	15.4%		15.6%		15.7%	
136	Hungerford Town Council	West Berkshire	15.4%		15.6%		15.7%	
88	Newbury Town Council	West Berkshire	15.4%		15.6%		15.7%	
120	Stratfield Mortimer Parish Council	West Berkshire	15.4%		15.6%		15.7%	
11	Thatcham Town Council	West Berkshire	15.4%		15.6%		15.7%	
75	The Downs School	West Berkshire	15.4%		15.6%		15.7%	
20	Tilehurst Parish Council	West Berkshire	15.4%		15.6%		15.7%	
7	Wokingham Borough Council	Wokingham	13.0%	867,000	13.0%	990,000	13.0%	1,123,000
73	All Saints CE (aided) Primary School	Wokingham	15.5%		15.8%		16.0%	
97	Barkham Parish Council	Wokingham	15.5%		15.8%		16.0%	
10	Earley Town Council	Wokingham	15.5%		15.8%		16.0%	
117	Finchampstead Parish Council	Wokingham	15.5%		15.8%		16.0%	
96	Shinfield Parish Council	Wokingham	15.5%		15.8%		16.0%	
52	Swallowfield Parish Council	Wokingham	15.5%		15.8%		16.0%	
159	Twyford Parish Council	Wokingham	15.5%		15.8%		16.0%	
129	Winnersh Parish Council	Wokingham	15.5%		15.8%		16.0%	
70,000	Wokingham Borough Council (Schools)	Wokingham	15.5%		15.8%		16.0%	
12	Wokingham Town Council	Wokingham	15.5%		15.8%		16.0%	
21	Woodley Town Council	Wokingham	15.5%		15.8%		16.0%	
90	Berkshire Fire & Rescue Service	Berkshire Fire & Rescue Service	17.0%		17.0%		17.0%	
106	Thames Valley Probation Trust	Thames Valley Probation Board	12.3%	256,000	12.3%	268,000	12.3%	280,300
	Colleges							
58	Berkshire College Of Agriculture	Colleges	15.7%		16.1%		16.6%	
55	Bracknell & Wokingham College	Colleges	15.7%		16.1%		16.6%	
57	East Berkshire College	Colleges	15.7%		16.1%		16.6%	
53	Newbury College	Colleges	15.7%		16.1%		16.6%	
156	University of West London	Colleges	15.7%		16.1%		16.6%	

Minimum Level of Contributions

Code	Employer	2010 Funding Pool	2011/12 % Pay	2011/12 £	2012/13 % Pay	2012/13 £	2013/14 % Pay	2013/14 £
Admitted Bodies								
26	Age Concern Berkshire	Admitted Bodies	15.9%		16.2%		16.5%	
38	AOSEC	Admitted Bodies	15.9%		16.2%		16.5%	
23	Berkshire County Blind Society	Admitted Bodies	15.9%		16.2%		16.5%	
95	Berkshire Maestros	Admitted Bodies	15.9%		16.2%		16.5%	
28	Elizabeth Fry Hostel	Admitted Bodies	15.9%		16.2%		16.5%	
131	Learning Plus UK	Admitted Bodies	14.1%		14.8%		15.4%	
30	Mary Hare Grammar School	Admitted Bodies	15.9%		16.2%		16.5%	
105	PACT	Admitted Bodies	15.9%		16.2%		16.5%	
40	Reading Voluntary Action	Admitted Bodies	15.9%		16.2%		16.5%	
35	School Of St Helen & St Katharine	Admitted Bodies	15.9%		16.2%		16.5%	
121	SECEB	Admitted Bodies	15.9%		16.2%		16.5%	
93	Slough Community Transport & Shopmobility	Admitted Bodies	15.9%		16.2%		16.5%	
37	Slough Council For Voluntary Service	Admitted Bodies	15.9%		16.2%		16.5%	
134	Social Enterprise Berkshire	Admitted Bodies	15.9%		16.2%		16.5%	
98	Woodley Age Concern	Admitted Bodies	15.9%		16.2%		16.5%	
Housing Associations								
132	Bracknell Forest Homes	Housing Associations	17.2%		17.4%		17.6%	
83	Dimensions UK Ltd	Housing Associations	17.5%		17.6%		17.6%	
104	Housing Solutions Ltd	Housing Associations	16.3%		16.9%		17.6%	
79	Maidenhead and District Housing Association	Housing Associations	17.5%		17.6%		17.6%	
84	Turnstone Support	Housing Associations	17.5%		17.6%		17.6%	
80	Windsor Housing	Housing Associations	17.5%		17.6%		17.6%	
CfBT/Connexions								
59	CfBT	CfBT/Connexions	15.5%		15.5%		15.5%	
108	Connexions Berkshire	CfBT/Connexions	14.5%		15.0%		15.5%	
141	Connexions Thames Valley	CfBT/Connexions	14.5%		15.0%		15.5%	
Transferee Admission Bodies								
184	Arvato	Arvato	n/a		16.9%		16.9%	
150	Busy Bees Ltd	Busy Bees Ltd	23.0%		23.0%		23.0%	
140	Care UK Ltd	Care UK	21.0%		21.0%		21.0%	
139	Volker Wessels	Volker Wessels	24.4%		24.4%		24.4%	

Minimum Level of Contributions

Code	Employer	2010 Funding Pool	2011/12 % Pay	2011/12 £	2012/13 % Pay	2012/13 £	2013/14 % Pay	2013/14 £
128	Greenwich Leisure Ltd	Greenwich Leisure Ltd	16.0%		16.0%		16.0%	
114	Holroyd Howe Ltd	MITIE	31.0%		31.0%		31.0%	
107	Interserve (Facilities Services Slough) Ltd	Interserve (Facilities Services Slough) Ltd	14.0%		14.0%		14.0%	
188	KGB Cleaning South West Ltd	KGB Cleaning South West Ltd	19.7%		19.7%		19.7%	
145	Library Services Slough	Library Services Slough	14.3%		14.3%		14.3%	
115	MITIE PFI Ltd	MITIE	31.0%		31.0%		31.0%	
113	Northgate Information Solutions Ltd	Northgate Information Solutions Ltd	14.5%		14.5%		14.5%	
142	Northgate Information Solutions Ltd	Computacenter	18.9%		18.9%		18.9%	
178	Northgate Information Solutions	Northgate Information Solutions	17.1%		17.1%		17.1%	
160	Optalis	Optalis	17.9%		17.9%		17.9%	
162	Rethink	Rethink	21.5%		21.5%		21.5%	
151	RM Education plc	RM Education plc	12.0%		12.0%		12.0%	
103	Slough Community & Leisure Ltd	Slough Community & Leisure Ltd	15.6%		15.6%		15.6%	
110	Slough Enterprise Ltd	Slough Enterprise Ltd	17.6%		17.6%		17.6%	
154	Vinci Park	APCOA	0.0%		0.0%		0.0%	
155	Vinci Park	Vinci Park	14.0%		14.0%		14.0%	
Academies								
163	Baylis Court School	Baylis Court School	17.8%		17.8%		17.8%	
186	Cippenham Infant School	Cippenham Infant School	n/a		17.2%		17.2%	
185	Cippenham Primary School	Cippenham Primary School	n/a		17.2%		17.2%	
146	Churchend Primary Academy Trust	Churchend Primary Academy Trust	13.8%		13.8%		13.8%	
175	Cox Green School	Cox Green School	17.8%		17.8%		17.8%	
179	Datchet St Mary's School	Datchet St Mary's School	17.1%		17.1%		17.1%	
180	Denefield School	Denefield School	17.6%		17.6%		17.6%	
176	Furze Platt School	Furze Platt School	17.6%		17.6%		17.6%	
182	Herschel Grammar School	Herschel Grammar School	18.5%		18.5%		18.5%	
144	Highdown School & 6th Form Centre	Highdown School & 6th Form Centre	17.2%		17.2%		17.2%	
126	John Madejski Academy	John Madejski Academy	16.7%		16.7%		16.7%	
168	Kendrick School	Kendrick School	20.3%		20.3%		20.3%	
148	Kennet School	Kennet School	16.3%		16.3%		16.3%	
135	Langley Academy	Langley Academy	17.2%		17.2%		17.2%	
169	Langley Grammar School	Langley Grammar School	18.8%		18.8%		18.8%	

Minimum Level of Contributions

Code	Employer	2010 Funding Pool	2011/12 % Pay	2011/12 £	2012/13 % Pay	2012/13 £	2013/14 % Pay	2013/14 £
167	Langley Hall Primary	Langley Hall Primary	14.8%		14.8%		14.8%	
152	Lowbrook Academy Trust	Lowbrook Primary School	15.3%		15.3%		15.3%	
170	Lynch Hill School Primary Academy	Lynch Hill School Primary Academy	17.2%		17.2%		17.2%	
153	Maiden Erlegh School	Maiden Erlegh School	16.7%		16.7%		16.7%	
187	Marish Primary School	Marish Primary School	n/a		17.2%		17.2%	
157	Park House School	Park House School	16.3%		16.3%		16.3%	
171	Prospect School Reading	Prospect School Reading	16.7%		16.7%		16.7%	
166	Ranelagh School	Ranelagh School	17.8%		17.8%		17.8%	
173	Reading School	Reading School	19.7%		19.7%		19.7%	
164	Slough and Eton School	Slough and Eton School	17.2%		17.2%		17.2%	
172	Slough Grammar School	Slough Grammar School	22.4%		22.4%		22.4%	
174	St Bartholomew's School	St Bartholomew's School	16.3%		16.3%		16.3%	
165	The Avenue School	The Avenue School	16.7%		16.7%		16.7%	
161	The Holt School	The Holt School	18.3%		18.3%		18.3%	
158	The Piggott School	The Piggott School	17.0%		17.0%		17.0%	
183	Westgate School	Westgate School	n/a		18.5%		18.5%	
Closed Employers								
100	Corn Exchange Trust	Corn Exchange Trust	14.5%		14.7%		14.8%	
44	Reading Transport Ltd	Reading Transport Ltd	19.7%	77,900	19.7%	106,400	19.7%	157,200
48	Sovereign Housing Association	Sovereign Housing Association	19.7%	134,000	19.7%	204,000	19.7%	281,000

Notes

1. Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumption issued by us from time to time.
2. The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by ourselves.
3. The above contributions assume contributions are paid monthly. We can advise of the adjustment required should employers wish to pay contributions annually in advance.

Appendix 4 - STATEMENT OF INVESTMENT PRINCIPLES

1.0 INTRODUCTION

- 1.1** This is the Statement of Investment Principles adopted by the Royal Borough of Windsor and Maidenhead acting as the Administering Authority for the Royal County of Berkshire Pension Fund.
- 1.2** This document contains a compliance statement as regards the Government Code of Investment Principles.
- 1.3** This document also provides information on all the Fund's service providers (investment managers, custodian and advisers) along with the nature of the services they provide.
- 1.4** The practices described within this document form the basis of the decision making for the Fund. The document is kept under continuous review.

2.0 MANAGEMENT STRUCTURE

- 2.1** The Royal Borough of Windsor and Maidenhead is the Administering Authority for the Fund and, therefore, the overall responsibility for any decisions taken lie with that Authority. The Royal Borough recognises, however, that in its role as custodian of the Pension Fund assets it is important that the views of other employers including the other five unitary councils in the Fund, individual members and pensioners are taken into account. For this reason two Panels are operated by the Council namely a Pension Fund Panel (consisting of five elected members of the Royal Borough) and a Pension Fund Advisory Panel (consisting of the five members of the Pension Fund Panel, one representative from each of the other five unitary councils within the Fund, two representatives representing the other employers, two trade union representatives representing active members and two representatives drawn from the membership of the Fund (one representing active members the other deferred and pensioner members).
- 2.2** The Pension Fund Panel and Pension Fund Advisory Panel meet together to discuss items of decision and monitoring. These meetings are held on a quarterly basis together with additional meetings as required. The Pension Fund Panel is the executive body.
- 2.3** The 'Terms of Reference' of the Pension Fund Panel and the Pension Fund Advisory Panel are contained in the Constitution of the Royal Borough Part 5 (U) 'Terms of Reference of Panels'.
- 2.4** The delegation of Pension Fund duties to officers of the Royal Borough are also laid out in the Constitution in the Annex to Part 3 'Functions Delegated to Officers'.

2.5 Investment Managers

The day to day management of the Fund's investment portfolios has been delegated to the Fund's investment managers. Their duties include:

- Purchase and sale of assets of the Fund;
- Preparation of quarterly reporting including a review of investment performance.

- Reporting personally to the Pension Fund and Pension Fund Advisory Panels as requested.
- Providing administrative and accounting data concerning the investment portfolio and transactions.

2.6 Custodian (JP Morgan Worldwide Securities Services)

The Fund operates with a global custodian who is responsible for the settlement of all investment transactions, collection of income, tax reclaims and corporate action administration.

2.7 Scheme Actuary (Barnett Waddingham)

The scheme actuary is responsible for:

- Undertaking a triennial valuation of the Fund's assets and liabilities.
- Setting the scheme employer contribution rates.
- Undertaking FRS17 valuations annually for each employing body
- Providing advice as requested.

2.8 Independent Advisors

The Pension Fund Panel's independent advisor has no specific duties but attends meetings of the Panel and gives general advice on the topics under consideration. The Investment Working Group (a working group of The Pension Fund Panel) has two independent strategy advisors who give advice on the asset allocation of the Fund.

3.0 OBJECTIVES

3.1 The primary objective of the Fund is to provide the members pension and lump sum benefits on their retirement or for their dependants benefits on death before or after retirement, on a defined benefits basis.'

In order that this primary objective can be achieved, the following funding and investment objectives have been agreed.

3.2 Funding Objectives

To fund the Fund in such a manner that in normal market conditions, all accrued benefits are fully covered by the actuarial value of the Fund's assets and that an appropriate level of contributions is agreed by the administering authority and each employer body to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary increases.

The assumptions used correspond with the assumptions used in the latest Actuarial Valuation. The funding position will be reviewed on a regular basis but at least at each triennial Actuarial Valuation. The Panel will be advised on the effect of any material changes to the Fund during the inter-valuation period.

3.3 Investment Objective

The Pension Fund Panel has agreed a strategic asset allocation as outlined in section 4.0 to achieve the long term investment returns to achieve the Fund Objective.

3.4 Investment Philosophy

In January 2012 the Pension Fund Panel adopted an investment philosophy which states that the objective of the portfolio is to return the Fund to a funding ratio of 100% whilst minimising contributions. The actuarial assumption is that this will be achieved by 2040 (being the 30 year recovery period assumed for the major employers in the 2010 actuarial valuation). In doing this we wish to minimise any risk of upward changes in employers' contribution rates.

We will seek to achieve this objective by setting the following investment aims:

- To deliver a total return of 3.5% (net income plus capital gain) over the annualised rate of UK inflation (as measured by the change in the Consumer Prices Index) on assets whilst aiming to deliver an investment income yield of 2% (being our best estimate of the level of income required to avoid eroding capital to meet the gap between contributions received and benefits payable).
- To minimise the impact of interest rate and inflation expectation changes on the funding ratio
- To keep asset value drawdowns to a minimum

To achieve these aims, we will invest according to the following tenets:

- We will diversify the portfolio across a range of different return seeking assets.
- We will manage the portfolio over the investment cycle with an expected normal time horizon for investments of at least 3 years
- We will aim to minimise transaction costs and fund managers' fees
- Low volatility is preferred to high volatility
- We acknowledge that there will be periods when equities will produce significant capital gains or losses. Over the long term the return achieved may not adequately compensate investors for the higher volatility
- We consider that there is little value to be gained from active management in highly efficient markets but notwithstanding this there may exist opportunities to extract value from asset allocation and/or minor inefficiencies within markets
- We consider that active managers in inefficient markets can add value (net of their fees) relative to index-tracking managers
- We will use benchmarks to monitor rather than to manage performance
- We will manage currency exposure separately from the underlying asset exposure and in accordance with our bespoke currency benchmark.

3.5 Currency Benchmark

The Pension Fund Panel has agreed that the currency exposure of the portfolio should be managed against a fund specific benchmark. This benchmark was introduced in April 2012 and revised in July 2012. the current benchmark is:

Currency	Benchmark Weighting %	Range %
Sterling	65	50-80
Euro	2	0-5
US Dollar	10	0-15
Japanese Yen	2	0-5
Swiss Franc	2	0-5
Developing Market Currencies	15	10-20
Commodity Currencies	4	0-10
Total	100	

4.0 ASSET ALLOCATION AND MANAGER STRUCTURE

4.1 The main objective of the investment of the Fund's assets is to achieve a return which is sufficient, over the long-term, to meet the funding objectives set out above.

4.2 To achieve these objectives the following strategies have been agreed.

4.3 Asset/Liability Study

The overall asset allocation strategy adopted for the Fund is regularly reviewed by way of an asset/liability study carried out by a suitably qualified adviser. The latest study completed in 2008 was based on the results of the 2007 Actuarial Valuation and took account of the following: -

- Long term funding considerations
- The Liability profile of the Berkshire Fund.
- The solvency of the Berkshire Fund.
- Expected investment returns.
- The volatility and correlation of returns.

The recommendation of the 2009 study was that the asset allocation of the Fund be broadened to include allocations to absolute return funds (including hedge funds), active currency funds, commodities, emerging market and yield debt, global property and infrastructure funds. A formal tender process to appoint managers to manage the allocations to these asset classes commenced in June 2008 and was finished by April 2009. Following the appointment of managers for these allocations the asset liability study is regularly repeated and allocations made taking into account of market conditions at the time. New allocations may be made from time to time and Investment Managers are added to, removed or changed as necessary.

The return assumptions required to achieve and maintain the Fund objective are set out in the Actuarial Valuation. The strategic benchmark adopted by the Fund is designed to achieve that return in the long term. It is recognised, however, that there will be periods when market conditions do not permit those assumptions to be met and that the benchmark needs to be kept under periodic review in order to confirm that it is still suitable for the purpose for which it was designed.

4.4 Tactical Asset Allocation

In setting the long-term strategic benchmark for the Fund the Pension Fund Panel has set permitted investment levels for each asset class. The Investment Working Group review the Fund's asset allocation at each meeting and will recommend changes to the asset allocation in light of prevailing market conditions.

4.5 Investment Managers and Stock Selection

The current structure of investment management comprises of a number of specialist mandates. Each manager has a specific benchmark and target to reflect their specific mandate. Managers may either be granted a segregated account mandate or the Fund may invest in a pooled fund managed by that manager.

The external managers appointed by the Fund are authorised under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended) to manage the assets of the Fund.

A management agreement is in place for each Investment Manager that sets out the relevant target benchmark, performance target, and any restrictions as determined. Where investment is made via a pooled fund the Fund will ensure that any subscription agreement entered into sets out the relevant target benchmark, performance target and any investment restrictions.

Each manager is given full discretion over the choice of individual securities and funds and is expected to maintain a diversified portfolio.

The Pension Fund Panel requires each external manager to report, in person, on their performance and transactions at a frequency that ensures that those managers whose performance is causing concern are seen on a regular basis.

Each manager is expected to achieve an excess return on the assets under their management greater than the relevant benchmark. In assessing performance of each manager the Pension Fund Panel takes in to account the long-term nature of the investment process and returns are judged primarily on an annualised basis over a rolling three-year period. The Pension Fund Panel formally reviews the appointment of each manager at least every three years or such shorter period as may be necessary.

The fee scale charged by each manager is considered by the Pension Fund Panel on their appointment and is compared to that of other submissions in the tender process.

Although fees are not the primary determinant in making an appointment they are related to the expectation of performance levels. The most suitable fee base is chosen and this may be on an ad-valorem or performance-related basis.

4.6 Realisation of investments

The majority of investments held directly or indirectly through pooled vehicles, by the Fund and its Investment Managers are quoted on the major stock markets of the world and may be realised quickly if required. The Fund does, however,

invest in limited partnerships and some less liquid pooled funds but these are a small portion of the Fund's assets. Notwithstanding this, the Fund maintains sufficient investment in liquid assets to meet its liabilities in the short and medium term as they fall due.

4.7 Risk

The adoption of a long-term strategic benchmark and tactical asset allocation policy as outlined in section 4.4 may limit the Fund from achieving the required long-term investment returns whilst at the same time achieving suitable investment diversification.

Particular reference to investment risk is outlined in the management agreement of the appointment of each investment manager. To the extent any unexpected deviation from the expected excess returns or the controls in place on the actions of individual investment managers occurs, the manager will be reviewed and may be removed or changed as necessary.

5.0 OTHER ISSUES

5.1 Socially Responsible Investment

In considering the extent to which social, ethical and environmental issues are taken into account in the investment process the members of the Pension Fund Panel consider that they should, at all times, act in the best financial interests of the Fund, within the risk parameters of a diversified portfolio.

By such action they seek to maximise the returns in order to minimise the effect of meeting liabilities on the individual employer contribution rates of each of the member bodies.

Subject to the above consideration, however, the Pension Fund Panel are of the opinion that non-adherence to sound practice in this area, by the companies in which the Fund is invested, could lead to a considerable financial impact on their future earnings in the event of breaches in acceptable standards. The Pension Fund Panel, as responsible shareholders, seeks to encourage best practice in the following manner:

- a) By asking their investment managers to consider social, ethical and environmental issues within their investment process where the manager considers it appropriate. Consideration of such issues should not, however, deflect from the primary aim of the manager of meeting the performance target as specified in their management agreement.
- b) By engaging in dialogue with companies and voting on specific items in relation to social, ethical and environmental issues affecting the companies whose shares are held by the Fund. Specific attention is drawn to such issues in the voting policy of the Fund.
- c) By offering members who wish to subscribe to an AVC arrangement offered by the approved providers to the Fund an alternative of linking the investment of their AVC contributions to an investment policy that screens investment on an ethical or environmental basis. Such investment policies are a matter of choice for the individual contributor and the investment policy of the approved AVC provider.

5.2 Corporate Governance

The Pension Fund Panel is committed to act as a responsible shareholder with reference to the exercising of any voting rights attaching to the assets of the Fund. To this effect all such rights are exercised in accordance with the voting policy agreed by the Pension Fund Panel at its meeting on the 16 March 2000 and any amendments approved by subsequent meetings. Relevant independent advice from appropriate bodies will be considered in the exercising of any such voting rights.

5.3 Stock Lending

The Fund does not lend any stock, however, pooled fund managers may lend stock from funds in which the Fund is invested.

5.4 AVC Arrangements

Members have the opportunity to, where applicable, invest in AVC Funds.

GOVERNMENT CODE OF INVESTMENT PRINCIPLES COMPLIANCE STATEMENT

Principle 1 – Effective decision making

Administering authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
- Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Response – Fully Compliant

The Berkshire Fund operates within the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009.

The decision making process, bodies and delegation of responsibilities are outlined in the 'Statement of Investment Principles' for the Fund and the Constitution of the Royal Borough of Windsor and Maidenhead which acts as Administering Authority for the Fund.

Members of the Pension Panel and Advisory Panel of the Fund receive training as appropriate. All new members receive an introduction manual and offered individual training to meet their requirements.

Principle 2 - Clear Objectives

An overall investment objective(s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Response - Fully Compliant

The objectives and risk parameters of the Fund are contained within the Statement of Investment Principles. The Fund has specific performance targets for each area of management.

Principle 3 – Risk and Liabilities

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.

These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Response – Fully Compliant

In adopting an investment strategy for the Fund a detailed asset liability study was completed in 2008 and repeated in 2009. The Fund monitors the expected return from the assets held and the required rate of investment return needed to achieve full funding. Asset allocation is reviewed quarterly with these parameters in mind.

In December 2009 the Fund entered into a longevity insurance contract to insure the Fund against further improvements in the longevity of its pensioners (as at 31st July 2009) and continues to monitor the development of the longevity risk market to take advantage of any attractive opportunities to hedge more of its longevity risk.

Principle 4 – Performance Assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.

Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Response – Partially Compliant

The Fund formally measures the performance of investments, investment managers and advisors.

Principle 5 – Responsible Ownership

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents;
- Include a statement of their policy on responsible ownership in the statement of investment principles
- Report periodically to scheme members on the discharge of such responsibilities.

Response – Fully compliant

All equity managers are aware of their responsibilities.

Principle 6 – Transparency and Reporting

Administering authorities should:

- Act in a transparent way, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
- Provide regular communication to scheme members in the form they consider most appropriate.

Response – Fully Compliant

The Fund uses a variety of communications with stakeholder and scheme members including newsletters, the annual report and accounts, a dedicated web-site and meetings for both stakeholders and scheme members.

Appendix 5

SERVICE LEVEL AGREEMENT BETWEEN RBWM AND THE PENSION ADMINISTRATION TEAM

The Royal Borough of Windsor & Maidenhead (RBWM) is the administering authority for the Royal County of Berkshire Pension Fund. As such, RBWM has certain statutory responsibilities for the administration of the Local Government Pension Scheme (LGPS) in Berkshire. This includes the six Unitary Authorities (of which RBWM is one) and all the other associated employers who make up the membership of the Pension Fund.

The administering authority has ultimate responsibility for interpreting and implementing statutory LGPS regulations, which includes taking decisions about fund investments, for receiving monies due to and paying monies owing from the Fund and for making sure that it has robust systems and processes in place to ensure that the scheme is administered in line with scheme regulations and within prescribed levels of performance.

This document has been prepared as a service level agreement between the administering authority and the pension administration team and sets out service standards or 'promises' of the level of service that the team will provide to ensure that the administering authority achieves its statutory responsibilities.

1.0 Administration of the LGPS

The pension administration team will:

- 1.1 Maintain a member database of all current, deferred and retired members (including their dependants) of the scheme along with historical data relating to former scheme members who have a right to claim a refund of contributions but have not elected to do so (frozen refunds) and former members who no longer have a liability within the Fund (benefits transferred out of the scheme).
- 1.2 Provide an efficient, effective and courteous administration service.
- 1.3 Calculate member benefits in accordance with scheme regulations.
- 1.4 Provide a pension payroll service to all retired scheme members and their dependants.
- 1.5 Ensure that pension payments are made on the correct date and that all lump sum payments are made as soon as possible following the retirement of the scheme member.
- 1.6 Provide current and deferred members with an annual benefit statement.
- 1.7 Ensure that all new scheme members receive a welcome pack and a formal notification of membership.
- 1.8 Notify all retired scheme members of any annual increase to their pension.

- 1.9 Provide a payslip to retired members of the scheme in April every year and any subsequent month where there is a 50 pence variance in net pay.
- 1.10 Provide a P60 to every retired scheme member with HMRC deadlines.
- 1.11 Perform other administrative tasks in line with the service standards laid down in a service level agreement with Fund employers.

2.0 Scheme communications

The pension administration team will:

- 2.1 Maintain and update a website for all members of the LGPS and provide a dedicated area for employers to assist them in administering the scheme on behalf of their employees.
- 2.2 Inform all scheme members of significant changes to the LGPS by way of a bi-annual newsletter.
- 2.3 Produce, publish and maintain a suite of scheme guides and fact-sheets to assist scheme members in understanding their pension rights and options.
- 2.4 Offer pension surgeries, presentations and open days to be held across the County of Berkshire.
- 2.5 Respond to letters and emails within 10 working days.
- 2.6 Maintain and update social media platforms. Facebook and Twitter.

3.0 Complaints procedure

- 3.1 The pension administration team has a commitment to put things right if they go wrong and will investigate any complaint received within 10 working days.
- 3.2 If the team are unable to resolve a complaint the member has a right to appeal under the Internal Dispute Resolution Procedure (IDRP) which is a 3-stage appeal process set out in the regulations.

4.0 General

The pension administration team will:

- 4.1 Deal with member enquiries in a professional, polite and friendly way and offer guidance to scheme members as appropriate without giving financial advice.
- 4.2 Make available confidential interview facilities as required.
- 4.3 Maintain and report on performance statistics.

Appendix 6 - Contributions Received 2012/13

Employer	Employee £'000	Employer £'000
Adviza	154.4	351.4
Age Concern Berkshire	11.7	23.5
All Saints Junior School Reading	1.2	3.4
Altwood School	21.4	59.2
Arvato	129.2	246.0
Association of SE Colleges	8.4	20.7
Barkham Parish Council	0.5	1.2
Battle Primary Academy	6.6	13.4
Baylis Court School	42.1	121.8
Berkshire College Of Agriculture	107.1	265.9
Berkshire County Blind Society	0.9	2.6
Berkshire Fire & Rescue (Training) Ltd	1.5	3.8
Berkshire Fire & Rescue Service	252.3	645.0
Berkshire Maestros	25.2	64.0
Binfield Parish Council	2.1	5.3
Bracknell & Wokingham College	142.1	373.9
Bracknell Forest BC	2,812.0	6,724.3
Bracknell Forest Homes	255.1	697.2
Bracknell Town Council	30.4	77.0
Burghfield Parish Council	2.3	5.6
Busy Bee Cleaning Services Ltd	3.2	12.0
Care UK	10.0	34.3
Castleview School	7.5	19.4
Castleview School (Academy Status)	12.9	33.4
Cfbt Berks Careers Guidance	5.0	11.0
Charters School	36.0	100.1
Churchend Academy	8.9	18.5
Cippenham Infants School	5.8	16.5
Cippenham Primary School	19.0	55.8
Computacentre	7.6	11.2
Corn Exchange Trust	4.8	10.5
Cox Green Parish Council	0.8	2.0
Cox Green School (Academy Status)	34.6	100.2
Creative Support Ltd	1.1	2.4
Crowthorne Parish Council	2.9	7.4
Datchet St Mary's C of E Primary School	13.2	34.5
Denefield School	0.0	0.0
Denefield School (Academy Status)	38.3	110.7
Desborough School	15.8	41.0
Dimensions UK Ltd	11.8	32.5
Earley Town Council	26.0	60.9
East Berkshire College	211.5	510.3
Elior UK plc	1.3	3.7
Elizabeth Fry Hostel	18.8	46.1
Enterprise plc	41.8	110.1
Family Action	0.7	2.3
Finchampstead Parish Council	1.4	3.4
Fir Tree Academy Trust	0.5	1.5
Fitzpatrick	1.4	5.9
Furze Platt Senior School	49.5	140.9
Godolphin Infant School	7.3	21.5

Employer	Employee £'000	Employer £'000
Godolphin Junior School	9.2	25.3
Greenwich Leisure Ltd	13.4	34.6
Herschel Grammar School (Academy Status)	29.9	88.6
Highdown School	44.3	123.3
Holroyd Howe Ltd	0.8	2.2
Holt School	47.4	148.8
Holy Family School	11.3	29.9
Housing Solutions Ltd	197.4	497.4
Hungerford Town Council	2.4	5.8
Hurley Parish Council	0.6	1.4
Interserve (Facilities Services Slough) Ltd	56.3	111.1
John Madejski Academy	76.9	196.3
Kendrick School	28.2	79.5
Kennet Academy	62.9	170.1
KGB Cleaning Ltd	1.4	5.3
Langley Academy	64.7	147.8
Langley Grammar Schoo	36.4	109.0
Langley Hall Primary Academy	11.0	25.9
Learning Plus UK	24.6	43.7
Library Services (Slough) Ltd	32.7	91.2
Lowbrook Academy Trust	7.8	20.7
Lynch Hill School Primary Academy	21.9	62.2
Maiden Erlegh School	91.6	241.6
Maidenhead Housing Association	0.0	32.0
Marish Primary Schoo	17.3	50.0
Mary Hare Grammar School	119.0	298.7
Meadow Park Academy	7.4	16.9
MITIE	1.3	6.3
Newbury College	80.3	233.3
Newbury Town Council	15.8	36.8
Northgate UK Ltd	7.8	16.1
Northgate UK Ltd	12.4	22.5
Oakbank Free School	4.5	12.0
Optalis Limited	234.6	662.0
Pact	53.4	130.4
Park House School Newbury	40.6	130.0
People Potential Possibilities (P3)	0.7	2.4
Priory School	23.4	89.4
Prospect School Reading	48.0	129.1
Ranelagh School	34.0	99.6
RBWM	2,966.3	6,986.2
Reading Borough Council	3,708.3	9,364.4
Reading Girls School	33.8	83.6
Reading School	31.7	90.6
Reading Transport Ltd	54.5	318.6
Reading Voluntary Action	9.9	21.6
Rethink	0.8	2.0
Rethink Wokingham	0.5	2.1
Ridge Crest Cleaning Services	1.2	4.5
RM Education PLC	3.5	6.4
Ryvers School	3.3	8.9
Ryvers School (Academy Status)	19.5	57.2

Employer	Employee £'000	Employer £'000
S.E.Centre for the Built Environment Ltd	7.7	17.5
Sandhurst Parish Council	3.2	6.9
School of St Helen & St Katharine	33.1	81.4
SEBEPB	1.9	4.6
Shinfield Parish Council	2.7	6.9
Slough & Eton C of E School	32.6	91.1
Slough Borough Council	2,436.6	6,838.0
Slough Community & Leisure Ltd	60.0	156.1
Slough Community Transport & Shopmobility	2.5	5.8
Slough Council For Voluntary Service	8.3	20.5
Slough Grammar School	33.3	117.0
South Hill Park Trust	11.0	24.7
Sovereign Housing Association	28.9	386.7
St Bartholomew's School	47.0	128.1
Stratfield Mortimer Parish Council	1.5	3.6
Sunningdale Parish Council	7.9	7.4
Sunninghill & Ascot Parish Council	3.0	7.6
Swallowfield Parish Council	1.8	4.4
Thames Valley Probation Board	891.0	1,968.3
Thatcham Town Council	7.4	16.9
The Avenue Academy	58.9	155.5
The Blessed Hugh Farringdon School	23.6	60.0
The Piggott C of E Academy	44.5	114.0
Theale Parish Council	1.8	4.2
Tilehurst Parish Council	5.5	13.2
Trinity School	20.8	53.4
Turnstone Support	3.1	8.1
Twyford Parish Council	0.7	1.8
University of West London	118.9	318.7
Vinci Park Services Ltd (Bracknell)	2.6	5.8
Vinci Park Services Ltd (Slough)	1.6	0.0
Warfield Parish Council	0.6	1.5
West Berkshire DC	2,989.8	6,945.3
Westgate School	35.5	107.9
Wexham Court Parish Council	0.9	2.1
White Waltham Parish Council	3.7	8.1
White Waltham School	4.5	12.8
Willow Primary School	1.1	3.1
Windsor Housing	13.1	35.5
Winkfield Parish Council	9.4	23.4
Winnersh Parish Council	1.4	3.4
Wokingham Borough Council	2,480.8	5,680.1
Wokingham Town Council	32.7	40.7
Woodley Age Concern	5.9	14.0
Woodley Town Council	27.1	66.9
TOTAL	22,522.2	56,013.7

Former Fund employers with no active members

Age Concern Bracknell
Amey BPO Ltd
Apetito Ltd
Berks & Bucks Enterprise Agency
Berkshire Archaeological Trust
Berkshire College of Arts & Design
Berkshire Community Service Council
Berkshire Disability Information Network
Bracknell PC
Bray PC
Central Parking Systems
Commission for the New Towns
Cookham PC
Datchet PC
Day Centre at William Street
Didcot PC
Easthampstead & Wokingham Joint Golf Course Comm
Fox IT Ltd
Johnson Control Systems Ltd
Lifetime Training Solutions Ltd
Magistrates Courts Committee
Manor Lodge Hostel
National Police Courts Commission
Oxford Diocesan Council for the Deaf
People 1st Slough
Shinfield Park Day Nursery
Slough Community Centre Trust
St Benedict's School
St Crispin's Sports Centre
Valuation Tribunal Service
Wargrave PC
Westminster College
Whitlocke Infant School
Wolseley UK Ltd

Appendix 7 - AVC Arrangements

There are a number of investment choices available to members of the Royal County of Berkshire Pension Fund who elect to pay Additional Voluntary Contributions (AVCs). Members can choose to switch AVC Funds at any time subject to the terms and conditions of each vehicle. At retirement, the accumulated value of a member's AVC Fund can be used to provide a tax-free lump sum payment (subject to HMRC limits), to purchase an annuity on the open market or, in certain circumstances, buy additional membership of the Local Government Pension Scheme. The following table sets out the available Funds and the level of investment risk attached to each of those Funds:

Provider	Fund Type	Level of Risk
Prudential Assurance Company	Deposit	Minimal
	Cash	Minimal
	Fixed Interest	Lower
	Index Linked Gilts	Lower
	Retirement Protection	Lower
	With Profits	Lower to Medium
	Discretionary	Medium
	Property	Medium
	International Equity	Medium to Higher
	Global Equity	Medium to Higher
	Equity	Higher
	UK Equity Passive	Higher
	Socially Responsible	Higher

Many members choose to invest in the With Profits Fund that is designed to provide smoothed medium to long-term growth by investing in a range of assets including equities and property. The investment returns are distributed by way of reversionary and terminal bonuses.

Lifestyling

Lifestyling is a convenient way for members of AVC schemes to stay invested in assets with the potential for long-term growth throughout their working lives whilst gaining an element of protection through automatic switching into funds with lower risk as retirement approaches.

Royal County of Berkshire Pension Fund

Minster Court
22-30 York Road
Maidenhead
Berkshire
SL6 1SF

www.berkshirerpensions.org.uk

More detailed information about the Scheme is available from the Pensions Administration Team:

Tel: 0845 602 7237

Fax: 01628 796 754

E-mail: info@berkshirerpensions.org.uk

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