



THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

**Annual Report and Accounts
2009/10**

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PENSION FUND PANEL

Chairman	Councillor J Lenton
Vice Chairman	Councillor D Hilton
Other members	Councillor B Adams
	Councillor M Holness
	Councillor D McBride

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 Ruhemann(Reading Borough Council)
Councillor Mann (Slough Borough Council to 31 May 2009)
Councillor Bains (Slough Borough Council from 1 June 2009)
Councillor J Mooney (West Berkshire Council)
Councillor C Edmunds (Wokingham Borough Council to 25 January 2010)
Ms H Turner (Thames Valley University)
Mr I Menzies-Conacher (Thames Valley Probation Board)
Ms J Alder (UNISON)
Ms J Thomas (GMB)
Mr G Herd (Current Active Member from 1 Jan 2010)
Mr D Nicholson (Retired Member from 1 Jan 2010).

ADVISERS

Actuary	Barnett Waddingham LLP
Independent Investment Adviser	Mr M Gray (to 31 March 2010)
Independent Strategy Advisers (to the Investment Working Group)	Mr S Jamieson (from 1 December 2009) Mr W Bourne (from 1 December 2009)

Global Custodian

HSBC 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
Investment Manager	Robert Jurkowski (to 28 February 2010)
Pension Administration Manager	Kevin Taylor

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 2010 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 nearly 100 other public sector body members with similar but smaller pension arrangements.

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.

It is with much sadness that I have to report the untimely death of Councillor Chris Edmunds in January 2010 and the retirement due to ill health of Malcolm Gray our Independent Investment Adviser in March 2010. Councillor Edmunds had been a member of the Pension Fund Advisory Panel for many years whilst Malcolm Gray had been the Panels' independent adviser for the past five years. Both had made outstanding contributions to the investment policies of our fund and the Panels very much miss their advice and input.

Investment markets saw a substantial recovery in values during the year as the effects of "quantitative easing" in the United States and the United Kingdom combined with low interest rates persuaded investors to resume investing in risky assets. As I highlighted in my introduction last year we started in April 2009 to diversify our investments across a broad range of asset classes including High Yield Debt, Emerging Market Bonds, Infrastructure, Global Property, Absolute Return and other Hedge Funds. This process was successfully initiated and performance so far is promising. The aim of diversification, which is a continuing process, is to reduce volatility in the value of the Fund's assets and to help maintain stability in the level of employers' contributions; a key cornerstone in maintaining the affordability of the Fund.

Diversifying our assets is not the only step that we have taken to maintain stability in employers' contributions. Last year I reported that in November 2008 the Panel had considered a number of proposals to "hedge" our liabilities including both the risk of members living longer than anticipated and the risk of higher than anticipated inflation. I am pleased to report that in December 2009 we announced that we had entered into a long-term contract with Swiss Re to insure the Fund against the cost of pensioner members living longer than anticipated. This was the first known longevity contract by a Public Sector Pension Fund. We continue to explore ways of protecting the Fund against adverse movements in inflation and interest rates but the pricing of such protection has to be acceptable.

As I write the Government is considering the future of Public Sector Pension Schemes and it is quite possible that there will be changes in minimum retirement ages, contribution arrangements and the calculation of pensions payable. We will keep members in touch with such changes as they occur but we expect the implementation of changes to be gradual and to be fewer for funded Local Government Pension Schemes, like ours, than for other Public Sector Schemes, many of which are unfunded.

It is with great pride that I report that in November 2009 the Fund won the Investment and Pensions Europe Award for best use of Commodities by a Pension Fund as well as being the runner up in the Best UK and Best European Public Sector Pension Fund categories. Also in July 2010 the Fund was awarded the Engaged Investor Award for Best Investment Strategy.

Finally I would like to thank Nick Greenwood, our Pension Fund Manager and the Pension Fund Teams in Maidenhead and Reading 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.

Councillor John Lenton
Chairman
Berkshire Pension Fund Panel and 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 the Local Government Pension Scheme Regulations and as members will be aware these were amended from the 1st April 2008 with the major change being the move in the rate at which future pension is accrued to 1/60th of final pay per year of membership. The previous accrual rate was 1/80th plus a lump sum of 3/80ths of final pay for each year of membership. (Each year of membership prior to 1st April 2008 still provides benefits based on the 1/80th pension and 3/80ths lump sum basis).

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 consists of 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 membership and the 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. In addition to the regular quarterly meetings the panels held two special meetings during the year to appoint new fund managers and to approve a longevity insurance contract protecting the Fund against the possibility of pensioners living longer than anticipated. The table below shows the attendance

Name	Attendance (6 meetings)
Councillor Lenton (Chair)	6
Councillor Hilton (Vice Chair)	5
Councillor McBride	3
Councillor Adams	5
Councillor Holness	5
Councillor Majeed (substitute for Cllr Hilton)	1

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

Training of panel members is important to enable them to discharge their duties in a responsible manner. During the year training sessions were incorporated within panel meetings and covered such areas as alternative investments, liability hedging and the use of financial derivatives.

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 until his retirement due to ill-health Mr Malcolm Gray the independent investment adviser and Mr Graeme Muir of Barnett Waddingham, the Actuary to the Fund. 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. Currently there are over 48,000 member records maintained by the administration team, which includes around 11,000 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 54 IDRP cases 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 against the decision not to retire them due to permanent ill health through the IDRP.

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 09/10: 99.79%**

- 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 09/10: 96.97%**

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

Target: 85% **Achieved 09/10: 90.91%**

- 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 08/09: 99.92%**

In addition, the performance of scheme employers is measured in accordance with certain deadlines as set out in a service level agreement between the administering authority and the employing authority. There are 5 service standards that are used to measure employer performance and which are reported to panel each quarter. Whilst each employer is monitored individually the figures shown below show employer performance as an average across the fund for the 2009/10 financial year:

- i) Provide a notification of a scheme member's retirement to the pension team within 5 working days from the date of retirement;

Percentage achieved **44.02%**

- ii) Provide final leaver details to the pension team within 10 working days from the end of the month in which the member left employment;

Percentage achieved 37.49%

- iii) Provide starter details to the pension team for each new employee joining the pension scheme within 10 working days from the end of the month in which the employee joined the pension scheme;

Percentage achieved 54.91%

- iv) Provide changes in membership details to the pension team within 10 working days from the end of the month in which the membership change occurred;

Percentage achieved 61.66%

- v) Provide details to the pension team to enable lump sum retirement grants to be paid within 30 days of retirement.

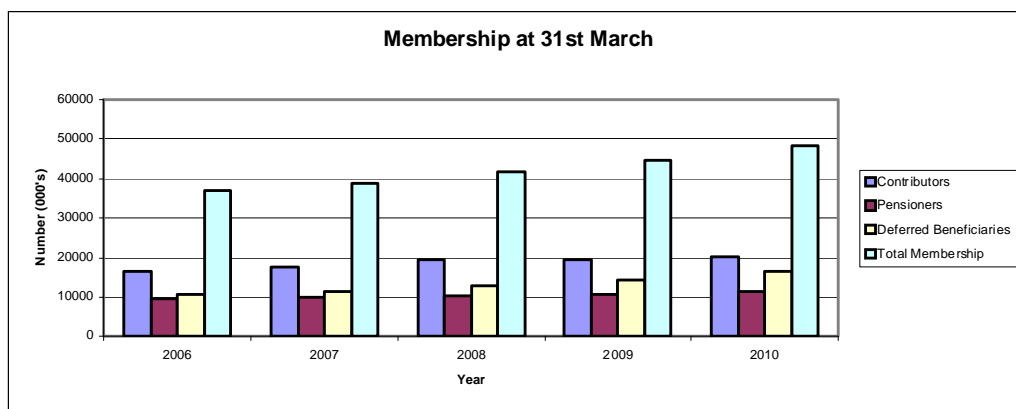
Percentage achieved 58.12%*

* Scheme regulations dictate that where a lump sum retirement grant is paid after 30 days following the date of retirement, interest must be paid. Delays in making payments can arise for a number of reasons. For the period detailed above it has been determined that of the 58.12% of lump sums not paid within 30 days **a) 65.79%** were due to the employer's failure to provide details to the pension team in a timely manner **b) 30.87 %** were due to the scheme member's failure to complete retirement forms in a timely manner and **c) 3.34%** were as a result of the pension team failing to process benefits in a timely manner.

Details relating to the six unitary authorities also form part of an employer meeting held each quarter between the pension administration team and representatives of the six unitary authorities.

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 members over the 5-years to 31st March 2009.



Active Membership (contributors)

Number at 1st April 2009	19,481
Number of new starters added	<u>2,980</u>
	<u>22,461</u>
Less movements from active to	
Leaver with no liability	(1)
Deferred	(1,830)
Retired	(379)
Death	(22)
Frozen Refund	<u>(76)</u>
	<u>(2,308)</u>
 Number at 31st March 2010	 20,153

Deferred Membership

Number at 1st April 2009	15,239
Number of new deferred members added	<u>1,837</u>
	<u>17,076</u>
Less movements from deferred to	
Returned to active	(86)
Leaver no liability	(189)
Retired	(353)
Death	<u>(16)</u>
	<u>(644)</u>
 Number at 31st March 2010	 <u>16,432</u>

Retired Membership (including dependants)

Number at 1st April 2009	10,955
Number of new retired members added	<u>897</u>
	<u>11,852</u>
Less movements from retired to	
Leaver no liability (commuted)	(26)
Death	<u>(314)</u>
	<u>(340)</u>
 Number at 31st March 2010	 <u>11,512</u>

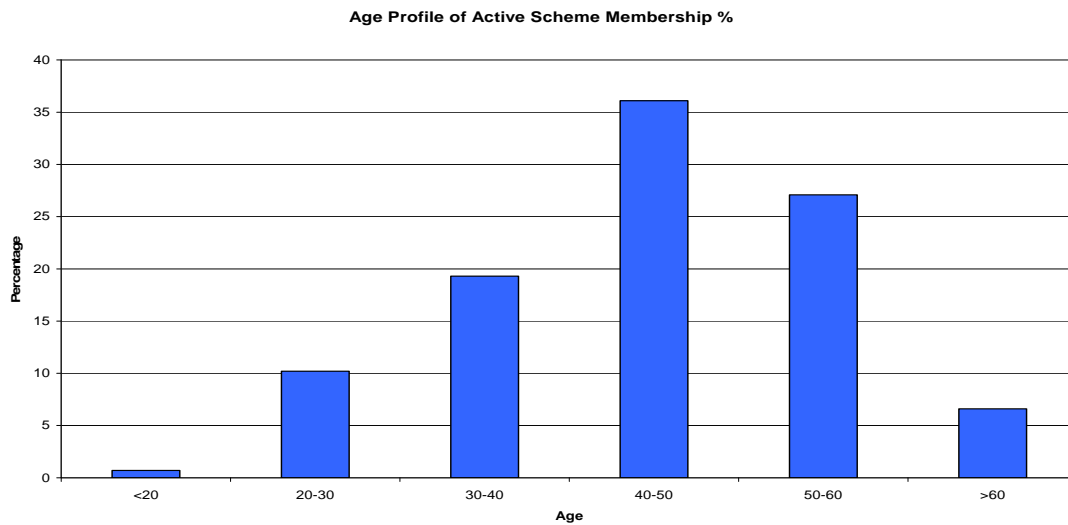
Total Membership:	31st March 2010	1st April 2009
Active	20,153	19,481
Deferred	16,432	15,239
Retired	11,512	10,955
	<u><u>48,097</u></u>	<u><u>45,675</u></u>

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 is treated separately for administration purposes leading to some employees having multiple memberships. The numbers are small and are not material to the Accounts of the Fund.
- 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 at pace 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.

The active scheme membership as at 31st March 2010 can be broken into the following age profiles:



The retired scheme membership as at 31 March 2010 can be broken into the following age profiles:



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 Fund belongs to a benchmarking club along with many other local authority pension funds the results of which indicate that the administration team are very efficient and cost effective.

The team consists of 12.5 staff (FTE):

Pension Administration Manager	1.0
Pension Administrators	8.2
Pension Payroll	1.4
Systems Management	0.7
Communications	0.7
Clerical Support	0.5

The result of a large fund being administered by a small team is that the staff to fund member ratio is well below 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 2009/10:

Communication with Employing Authorities

Paragraph 2.3 – Annual Employers Meeting

A meeting of all employers was held on 4 March 2010. Issues discussed were the current funding level, administrative procedures and scheme regulations.

Paragraph 2.4 – Quarterly Employer Group Meetings

The Fund has undertaken some employer group meetings during 2009/10 with officers of the six Unitary Authorities in order to discuss pension issues but due to the additional work resulting from the triennial valuation and delays in receiving amending regulations and guidance the next meeting is not scheduled until autumn 2010.

Paragraph 2.5 – Training for Employers

Training meetings are arranged on an ad hoc basis at the request of employers. In some instances a member of the pension administration team has attended the offices of the employer to assist a number of the employing authority's staff.

Paragraph 2.6 – Regular Updates on the LGPS

During 2009/10 the pension team have circulated the following employer bulletins:

Bulletin 6	May 2009
Bulletin 7	August 2009
Bulletin 8	April 2010

An email is distributed to all employers in the Fund providing a link to the Bulletins via the Pension Fund website.

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.berkshirerpensions.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 (which is free to calls from BT landlines) and a dedicated email help desk (info@berkshirerpensions.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.

Section 3 – Communication to Individual Members of the Fund

Paragraph 3.2 – Welcome Pack

Each new scheme member receives a welcome pack containing a range of factsheets each of which provides information on a certain pension topic.

Paragraph 3.3 – Annual Benefit Statements

Each active and deferred member of the pension scheme receives an annual benefit statement. This statement provides details of benefits accrued to 31st March the previous year along with estimated benefits to retirement age, death in service benefits, details of the members nominated beneficiaries, a service history and from 2009/10 details of their State Pension entitlement which includes the date from which their State Pension is payable.

Paragraph 3.4 – Pension Surgeries

During 2009/10 2 surgeries were held per employer at each of the 6 Unitary Authorities with additional clinics being held at other employer locations upon request.

The pension team met with 813 scheme members across the 22 pension surgeries that were held.

Paragraph 3.5 – Newsletters

The Pension Fund produces and distributes 2 bi-annual newsletters. The Quill is issued to active scheme members of the Fund and The Scribe is issued to Retired members of the Fund and a separate version of the Scribe is issued to Deferred members. All have been very well received by scheme members.

Paragraph 3.6 – Pre-Retirement Courses

Scheme 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 very user friendly. During 2009/10 the website averaged 1,457 visits per month.

Paragraph 3.8 – Pension payslips

The Pension Team has issued payslips in accordance with its 50 pence variance rule each month and before payment of pension has been made to each individuals account. The retired members section of the Pension Fund website provides a detailed explanation of a payslip and the Fund will, in due course, be looking at providing on-line payslips.

Paragraph 3.9 – P60s

P60s were issued to all retired scheme members in the second week of May 2010 well in advance of the HMRC deadline.

Paragraph 3.10 – Annual Pension Increase Letter

No pension increase letter was issued in 2010 as pensions were not increased due to the Retail Price Index being negative in September 2009. Instead, an article was included in the spring editions of The Scribe and The Quill for deferred members, explaining why this was.

Paragraph 3.11 – Annual Meeting

The second annual meeting of members and other stakeholders took place on 12th November 2009 and was held at Easthampstead House, Bracknell. 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 overall investment strategy of the Fund is the responsibility of the Pension Fund Panel. In 2009, it was agreed to establish an Investment Working Group to closely monitor and review the performance of the Fund and individual fund managers as well as the Fund's asset allocation.

Two external investment advisors were also appointed to report and assist the Investment Working Group with monitoring global investment market developments and to make recommendations for changes to the Fund's asset allocation and investment strategy, which after consideration of the Investment Working Group might be brought to the Panel for approval in a timely manner. The Investment Working Group also initiated the amendment to the Royal Borough Constitution regarding the powers delegated to the Chairman and Vice-Chairman of the Panel to enable them to take urgent action if required within the limits authorised by the Panel.

Attached at [Appendix 4](#) to this report is the updated Statement of Investment Principles for the Fund that lays down the framework under which the Fund's investments are managed.

The Panel approved a new investment strategy in the first quarter of 2009 with emphasis on much greater diversification across asset classes, geographies and manager styles. Following the adoption of the new investment strategy, a number of changes were made to the allocations and managers previously used by the Fund, decreasing the amount managed in-house and increasing allocations to externally managed funds. The structure of the investments and managers for the Royal County of Berkshire Pension Fund as at 31st March 2010 is shown in the table below:

Asset Class	Value £m	% Fund
Global Equities	396.7	30.1
Bonds	268.8	20.4
Absolute Return	160.3	12.1
Property	96.5	7.3
Commodities	108.0	8.2
Infrastructure	25.6	1.9
Other Current Assets (including Cash and short-term investments)	263.5	20.0
	1319.4	100.0

Each of the external managers is set a performance target with reference to the specific index or composite index covering the assets they manage (or where applicable, cash plus a margin).

As at 31st March 2010, the Fund employed the following external managers (most funded within the previous twelve months):

- Stone Harbor Investment Partners – Emerging Markets Debt
- Legal & General Investment Management – Global High Yield Bonds
- Muzinich & Co – Global High Yield Bonds
- Fidelity international – Investment Grade Bonds and Emerging Markets Equity
- Henderson Global Investors – Senior Loans
- Morgan Stanley Investment Management – Senior Loans, Emerging Markets Equity and Commodities
- Blue Bay Asset Management – Global Convertible Bonds
- JP Morgan Asset Management – Global Convertible Bonds
- Aviva Investors Global Services – Global Convertible Bonds and Global Property
- Informed Portfolio Management AB – Global Equity Enhanced Index
- William Blair International - Emerging Markets Equity
- First State Investments - Emerging Markets Equity
- Wellington Management - Emerging Markets Equity and Global Small Cap Equities
- Blackrock Investment Management – Global Small Cap Equities
- Lyxor Asset Management – Absolute Returns
- Neuberger Berman Europe Ltd – Commodities and Distressed Debt
- MacQuarie Capital Funds – Infrastructure

During the 2009/10 financial year, the Panel agreed to terminate the 3 active currency funds with FX Concepts, The Cambridge Strategy and Neuberger Berman because they were unable to make a satisfactory return from the volatile currency markets now prevailing.

The unprecedented intervention of major central banks since the second half of 2008 to fight the global recession and failure of the global financial system eventually succeeded in halting the sharp decline in asset values around the end of March/early April 2009. This was followed by an equally rapid V-type recovery across financial markets, especially global and emerging market equities. As at 31st March 2010 and over the previous 12 months, UK equities returned 52.3%, North America 43.2%, Europe ex UK 48.8%, Japan 29.6% and Asia Pacific 67.2%. Governments increased their spending budgets and took various other extraordinary measures, and as a consequence liquidity conditions improved in the banking and bond markets, leading to strong performance of all types of bonds, especially private debt and non- government bonds (investment grade, high yield and emerging market debt). Real assets recovered following testing markets in 2008 and early 2009. Infrastructure in particular benefitted from government investment while commodities also did well as a result of the strong economic recovery of emerging markets. The commercial property market benefitted from the improving economic turnaround, albeit on a lagged basis.

The return on the Fund for the 12 months ended 31st March 2010 was 29.6%; the total return on the Fund for 2008/09 year was -28.2%. The 29.6% return for the year was substantially above the growth in liabilities of 12.6%, however the investment return over the past three years at -4.6% reflects the substantial fall in stock markets during 2008/09. The Pension Fund Panel believes that it is more important to manage the Fund's asset allocation against the growth in its liabilities than instead of the more traditional approach of a static strategic asset allocation and benchmark previously used.

FINANCIAL PERFORMANCE

Movement in Assets and Liabilities (excluding pension liabilities)

During the financial year, the value of assets went up by £290.4 million and the value of financial liabilities was reduced by £20.0 million. The main reason for the increase in the value of the assets was the increase in investment values in the second half of the year. The drop in financial liabilities was due to a reduction in commitments for derivatives. Further detail on the asset movements can be found in the Investment Report.

Timeliness of Receipt of Contributions

In 2009/10, £79.7 million (97.8%) was received on or before the due date, £862k (1.08%) was received one day late and £885k (1.12%) was received between two and eleven days late.

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

Administrative Costs Outturn compared to Budget

The table below shows the outturn compared to budget for the year 2009/10.

Administrative Costs	Outturn 2009/10 £000	Budget 2009/10 £000
Staff	466	474
Premises	78	74
Supplies and Services	322	165
I.T.	17	18
Unit Recharges	63	54
Other Charges	38	36
Income	-2	-
TOTAL	982	821

Staff costs were slightly below budget as there were several vacancies for part of the year. Supplies and Services exceeded budget due to additional expenditure on printing, stationery and postage to improve communication with Pension Fund members e.g. production of the regular newsletters "The Quill" and "The Scribe". The increase in Unit recharges was due to the Fund incurring a higher charge for the time senior Royal Borough managers spent on pension fund matters.

Outturn Report on Fund Cashflow

The table below shows the 2009/10 outturn compared to the forecast:-

Fund Cashflow	Outturn 2009/10 £000	Forecast 2009/10 £000
Employee/Employer Contributions	-79,811	-79,000
Employer Full Cost Early Retirement Receipts	-4,010	-4,000
Transfer Values Received	-9,736	-8,000
Benefits Payable	66,083	69,000
Transfer Values Paid	13,312	12,000
Refunds of Contributions	30	30
Administration Costs (analysed above)	982	1,000
Net additions from Dealing with members	-13,150	-8,970
Investment Income	-20,119	-21,000
Investment Management Expenses	2,148	3,970
Net Inflow to the Pension Fund	-31,121	-26,00

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 employment
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 paperwork up. Monthly payroll of pensions – written procedures are in-place.
Poor quality data	Amendments to active member records should be made at the point at which a change to employment conditions arises. 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. Deferred and pensioner members are

	encouraged to notify changes of personal details via reminders in newsletters and messages on the pension fund website. The Fund participates in the National Fraud Initiative and in regular "life existence" exercises including checking records against death registers.
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 was established in 2008 to focus on fund managers and their performance.

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.
Currency risk – value of investments overseas are affected by unrelated changes in foreign exchange rates	Panel have agreed that wherever practicable the Fund's exposure to exchange rate fluctuations should be hedged. This is normally done by fund

	managers.
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.
Inflation – benefits paid to members are linked (upwards only) to changes in the Consumer Price Index	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.
Employer Covenant – inability of employers to meet their obligations	85% 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.
Governance of the Fund	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.

ACTUARIAL STATEMENT AS AT 31st MARCH 2010

Introduction

The last full triennial valuation of the Royal County of Berkshire Pension Fund was carried out by ourselves as at 31st March 2007 in accordance with the Funding Strategy Statement of the Fund and Regulation 77(1) of the Local Government Pension Scheme Regulations 1997. The results were published in the triennial valuation report dated April 2008.

2007 Valuation Results

The 2007 valuation certified a common contribution rate of 14.8% of pensionable pay to be paid by each employing body participating in the Royal County of Berkshire Pension Fund. In addition to this each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

Contribution Rates

The contribution rates were calculated using the Projected Unit Method

The contribution rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet

- The additional annual accrual of benefits allowing for future pay increases and increases to pension in payment when these fall due
- plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

Asset Value and Funding Level

The smoothed market value of the Fund's assets as at 31st March 2007 for valuation purposes was £1,493m which represented 99.9% of the Fund's accrued liabilities at that date allowing for future increases in pay and pensions in payment.

To be consistent with the market related valuation of assets the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date as follows;

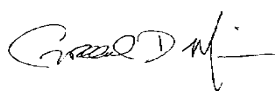
- | | |
|--|----------------|
| • Rate of return on investments | 6.6% per annum |
| • Rate of increases in pay | 4.8% per annum |
| • Rate of Increases to pensions in payment | 3.3% per annum |

Post Valuation Events – Changes in market conditions

Since March 2007 investment returns have been less than assumed at the 2007 valuation although liabilities may have also reduced due to an increase in the real discount rate underlying the valuation funding model.

Overall we estimate that the funding level as at 31st March 2010 will be less than the funding level as at the 2007 valuation.

The next actuarial valuation is due as at 31st March 2010 and the resulting contribution rates required by the employers will take effect from 1st April 2011. We will continue to monitor the financial position of the Fund.



Graeme D Muir FFA

Partner

29 November 2010

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

AUDIT STATEMENT

Opinion on the Royal County of Berkshire Pension Fund Accounts

We have audited the Royal County of Berkshire Pension Fund accounts for the year ended 31st March 2010 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Royal Borough of Windsor & Maidenhead, 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 Royal Borough of Windsor & Maidenhead, 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 Royal Borough of Windsor & Maidenhead, 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 auditors

The Head of Finance's responsibilities for preparing the pension fund accounts in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009. In preparing this pension fund accounts, the Head of Finance is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgments and estimates that were reasonable and prudent;
- keeping proper accounting records which were up to date;
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year. We also report to you whether, in our opinion, the information which comprises the commentary on the financial performance included within the Pension Fund Annual Report, is consistent with the pension fund accounts. That information comprises of the basic fund information section.

We review whether the governance compliance statement published in the Pension Fund Annual Report reflects compliance with the requirements of Regulation 34(1)(e) of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We report if it does not meet the requirements specified by the Department of Communities and Local Government or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

We read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements, the Governance of the fund section, the administration report, the investment report and the actuarial position section. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

Opinion

In our opinion:

- the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009, the financial transactions of the pension fund during the year ended 31st March 2010, and the amount and disposition of the fund's assets and liabilities as at 31st March 2010, other than liabilities to pay pensions and other benefits after the end of the fund year; and
- the information given in the commentary on financial performance included within the Pension Fund Annual Report is consistent with the pension fund accounts.

Neil Thomas (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Statutory Auditor
London
10 November 2010

FUND ACCOUNT FOR YEAR ENDED 31st MARCH 2010

	Notes	2009/10 £000	2008/09 £000
Contributions and Benefits			
Contributions Receivable:			
Employer Normal Contributions	Note 2	55,093	52,320
Employer Deficit Funding		68	65
Employees	Note 2	24,650	23,456
Full Cost Contributions Early Retirement	Note 2	4,010	2,149
Transfer Values Received		9,736	5,046
Less:	Note 3		
Benefits Payable:			
Pensions		50,723	45,696
Lump Sum Retirement Grants	Note 2	15,360	10,999
Transfer Values Paid	Note 6	13,312	5,718
Contribution Refunds	Note 4	30	22
Administrative & Other Expenses		982	877
Net Additions from Dealing with Members		13,150	19,724
Returns on Investments			
Investment Income	Note 9	20,119	38,099
Change in Market Value of Investments		279,238	(439,137)
Less Investment Management Expenses	Note 5	(2,148)	(2,974)
Net Return on Investments		(297,209)	(404,012)
Net Increase/(Decrease) in Fund During Year		310,359	(384,288)
Net Assets of Scheme at 1 st April		1,009,050	1,393,338
Net Assets of Scheme at 31st March		1,319,409	1,009,050

NET ASSET STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

	Notes	2009/10 UK £000	2009/10 Foreign £000	2009/10 Total £000	2008/09 Total £000
Quoted Investments at Market Value					
Fixed Interest					
Public Sector		1,941	1,576	3,517	25,869
Other		30,435	42,115	72,550	83,195
Index Linked Securities				0	33,892
Equities		10,561	45,910	56,471	379,684
Managed Funds					
Unit Trusts - Property		74,107	16,736	90,843	90,547
Unitised Insurance Policies		45,320		45,320	4,908
Other Managed Funds		177,358	763,028	940,386	339,639
Derivatives	Note 11	158	52	210	1,184
Total Investments	Note 10	339,880	869,417	1,209,297	958,918
Current Assets					
Short Term Loan to RBWM	Note 13			3,115	7,227
Sundry Debtors				7,619	9,302
Cash Held by Fund Managers				227	15,180
Cash at Bank				100,494	39,730
Total Current Assets				111,455	71,439
Current Liabilities					
Commitments for Derivatives	Note 11			(36)	(19,829)
Cash Overdrawn Managers				(53)	
Sundry Creditors				(1,254)	(1,478)
Net Current Assets				110,112	50,132
TOTAL NET ASSETS	Note 12			1,319,409	1,009,050

The Royal Borough of Windsor and Maidenhead operates a scheme within the Local Government Pension Scheme (LGPS) Regulations which covers local government employees throughout the geographical area of Berkshire (other than teachers and fire personnel who have their own schemes). As at 31st March 2010 there were 20,153 contributing members of the Fund and 11,512 pensioners or dependants receiving continuing benefits from the Fund. There are also 16,432 former contributing members whose deferred pensions will be paid on their eventual retirement.

Employer bodies who are members of the Fund can be classified as either Scheduled (these being obliged by legislation to participate in the Fund) or Admitted (these participate at the discretion of the Administering Authority). Those bodies who are classified as scheduled and the rules applicable to bodies who can be admitted into the scheme are covered by the LGPS Regulations. A list of Employers contributing to the Fund can be found in the Annual Report.

The benefits due and contributions to be paid by employees who are members of the scheme are fixed according to the relevant LGPS Regulations. Employer contributions for each of the scheduled or admitted bodies within the scheme are set and reviewed at three-yearly intervals by the Actuary to the Fund. The employer rates in place for the year ended 31st March 2010 were based on the valuation of the scheme as at 31st March 2007 and became payable with effect from 1 April 2008. The individual contribution rate of each employer is calculated according to the long-term contribution rate required, assuming 100% funding of future pension liabilities and after allowing for the deficit on the Fund and the individual liability profile of each employer.

The main assumptions that the Actuary makes about the factors that affect the Fund's future finances are:- inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover.

At the valuation of 31st March 2007 the Actuary valued the Fund's assets at £1,492 million and assessed that the Fund had an actuarial deficit of £0.88 million. Arrangements for the recovery of the deficit are covered in the Funding Strategy Statement of the Fund. The level of funding at this date was 99.9%.

The Funding Strategy Statement and more detailed information about the management of the Fund are included in the Pension Fund Annual Report.

1. Accounting Policies

Accounting Standards

The accounts have been prepared in accordance with the provisions of chapter 2 of the Pensions Statement of Recommended Practice (SORP) 2007 and the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Basis of Preparation

Income and expenditure are credited and debited to the revenue account when earned or incurred (that is, on an accruals basis), not when received or paid. Transfer values arise when a contributor transfers to or from the Fund. They have been included in the accounts on the basis of actual amounts received and paid due to the lack of sufficient information to account for them on an accruals basis. The accounts do not take account of liabilities to pay pensions and other benefits after the period end.

Investments

Investments are shown in the accounts at their market value, which have been determined by HSBC, the Fund's Custodian, as follows:

FTSE-100 and Reserve List stocks are valued using the SETS volume weighted average price over the last ten minutes of trading on 31st March 2010.

Other listed securities and securities on other domestic markets at bid-market price at the close of business on 31st March 2010 as supplied by Extel.

Unlisted securities using latest dealings, professional valuations, asset values and other appropriate financial information.

Investments held in overseas securities at bid-market price at the close of dealing on 31st March 2010 translated into sterling at the rate that day.

Derivatives are valued at bid-market prices at the close of dealing on 31st March 2010.

A statement of investment principles (SIP) has been prepared.

2. Contributions Received and Pensions Paid

Analysis by type of Employer	Employers Contribs £'000	Employees Contribs £'000	Pensions Payable £'000
Berkshire County Council	-	-	14,030
Administering Authority	7,628	3,521	4,862
Scheduled Bodies	40,883	18,318	27,619
Admitted Bodies	6,582	2,811	4,212
Total	55,093	24,650	50,723

There are two closed employers who make annual deficit payments. There is no deficit funding element in the employer contribution rates in 2009/10.

3. Transfer Values Received

There were no bulk transfers of staff benefits into the Fund during the year.

4. Transfer Values Paid

There were no bulk transfers of staff benefits from the Fund during the year.

5. Administrative and Other Expenses

The full costs of both the investment and the administration of pensions are charged to the Fund. A breakdown of the Investment Management Expenses is shown below:

	£'000
Investment Managers' Fees	1,259
Staff	436
Professional Fees	274
Bank Charges	102
Other Recharges	77
	<hr/>
	2,148
	<hr/>

6. Lump Sum Death Benefits

Lump Sum Death Benefits totalling £1,453,000 are included in this figure (2008/9 £1,204,000).

7. Officers' Emoluments

The Fund has no directly appointed employees. The management and administration of the Fund is carried out by employees of the Royal Borough of Windsor and Maidenhead and statements of emoluments are covered in those accounts.

8. Stock Lending

There was no stock on loan via HSBC Global Investor Services (Fund Custodian) as at 31st March 2010.

9. Investment Income

Investment income includes dividends and interest earned and is analysed by asset class as follows:-

Asset Class	2009/10 £'000	2008/09 £'000
Fixed Interest	5,820	8,111
Equities	7,264	19,977
Managed Funds	2,600	3,049
Property Trusts	4,223	3,784
Property	73	819
Cash	139	2,359
Total	20,119	38,099

The fall in income is a result of lower equity dividends and lower interest rates as well as the reallocation of the assets of the Fund towards funds where capital appreciation is the major proportion of total returns.

10. Investments (excluding cash)

The table below reconciles the opening and closing market value of investments excluding cash balances):-

Assets	Market Value 31st Mar 09 £'000	Purchases at Cost & Derivative Payments £'000	Sale Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Market Value 31st Mar 10 £'000
Fixed Interest	109,064	64,196	(109,433)	12,240	76,067
Index Linked	33,892		(33,207)	(685)	0
Equities	379,684	341,370	(749,399)	84,815	56,470
Property Trusts	90,547	19,862	(17,792)	(1,774)	90,843
Managed Funds	344,547	630,589	(122,332)	132,903	985,707
Derivatives	(18,645)	24,275	(17,832)	12,376	174
Total	939,089	1,080,292	(1,049,995)	239,875	1,209,261

The Property Trusts balance at 31st March 2009 has reduced by £4,908,000 as the L & G holding is now included under Managed Funds as a Unitised Insurance Policy. The increase in the market value of investments mainly reflects the increase in the value of Managed Funds in the last few months of the year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions and stamp duty. These costs amounted to £927,634 in 2009/10 (£1,105,981 in 2008/09).

11. Derivative Contracts

In order to maintain appropriate diversification of investments within the portfolio, a proportion of the underlying investment portfolio is in derivative contracts. They are used to manage risk and improve portfolio returns. The maximum gross derivatives exposure is limited to 50% of the external manager's net assets.

Futures

The Fund had futures contracts outstanding at year end relating to its overseas bond portfolio as follows:-

Nature	Notional	Duration	Asset Value at 31 st Mar 10	Liability Value at 31 st Mar 10
	Million		£'000	£'000
LIFFE Long Gilt	9.6 GBP	June 10	158	
German Government Bond	0.4 EUR	June 10	1	
German Government Bond	-4.3 EUR	June 10	35	
German Government Bond	-2.1 EUR	June 10	16	
US 2 year Treasury	-0.6 USD	June 10		8
US 5 year Treasury	-0.8 USD	June 10		8
US 10 year Treasury	-1.5 USD	June 10		17
US 20 year Treasury	2.6 USD	June 10		3
Total			210	36

12. Net Assets

The Fund's assets are managed partly in-house and partly by external managers. At 31st March 2010, the split of assets was as follows:

	£M	%
External Managers		
Fleming Investment Management	76.2	5.8
Managed In-House		
UK Equities	10.6	0.8
Overseas Equities	45.9	3.5
UK Managed Funds	222.7	16.9
Overseas Managed Funds	763.0	57.8
Property Unit Trusts	90.9	6.9
Other (including Cash)	110.1	8.3
Total	1319.4	100.0

The increase in the market value of investments mainly reflects the increase in the value of managed funds markets in the last few months of the year.

There are two investments, managed In-House, which exceed 5% of the value of the Fund. They are IPM RAFI Global valued at £163.2m and Lyxor Hedge Fund valued at £94.5m, both included in the valuation under Overseas Managed Funds.

13. Short Term Loan

Cash on loan to the Royal Borough of Windsor and Maidenhead earns interest at the seven-day rate.

14. Related Party Transactions

Officers have no relevant connections with related parties to declare. Members of the Pension Fund Panel are concerned with the overview of the Pension Fund rather than particular transactions.

15. Statement of Investment Principles

A more detailed Annual report for the Berkshire Pension Fund is produced as a separate document to these accounts. This report contains the Statement of Investment Principles for the Fund and a list of the participating employer bodies and can be found on the RBWM website.

16. Trustees Fees

This is a Local Government Pension Scheme so it does not have trustees. No fees were paid to the Panel members during the year.

17. Post Balance Sheet Statement

The asset values quoted in the balance sheet refer to market values at the date of the closure of the accounts, 31st March 2010. Any subsequent market movements are not reflected.

The Actuary, as part of assessing the employer contribution rates to be paid, uses a long-term smoothed approach to account for movements in asset values.

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 that 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 96 employing authorities 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.

2.4 Quarterly Employer Group Meetings

Quarterly meetings are held between officers involved in the administration 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 the 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 authorities 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.

2.7 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

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 general drop-in days as arranged by the employer. The Pension Fund has produced a leaflet setting out the services that it can provide for employers.

3.0 **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

Upon receipt of a new starter notification from the employer, a welcome pack is sent, by the pension administration team to the home address of the new active member. This pack includes:

- A statutory notification of entry into the scheme
- An employee guide to the scheme
- A guide to increasing pension benefits
- Transfer request details
- Details on protection for the family
- An expression of wish form for payment of a death grant
- A guide containing an election form for nominating a co-habiting partner
- A guide to civil partnerships
- A guide to working part-time
- A guide to making contributions following a period of absence
- A copy of the Pension Fund's Service Standards
- A guide to keeping records up to date

3.3 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 sent to members' home addresses and 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.

3.4 Pension Clinics

One to one meetings are available at the Pension Fund offices for any member of the Fund and formal Pension Clinics are held on an ad hoc basis at the offices of employers as arranged by the employer.

3.5 Newsletters

Newsletters are sent out periodically to members covering an update of the changes affecting the LGPS and any operational issues. These are sent out to individual addresses as and when issues arise. The newsletters may be tailored to the recipient according to the type of member e.g. active, deferred, retired and are available for downloading from the Pension Fund website.

3.6 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.

3.7 Pension Fund Web Site

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

3.8 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.

3.9 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.

3.10 Annual Pension Increase Letter

Retired members will receive a pension increase letter each year to inform them of any inflation increase 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.

3.11 Annual Meeting

An Annual Meeting of the Royal County of Berkshire Pension Fund is held which members are able 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.

3.12 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.

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. Two 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. Subject to the approval of the Advisory Panel and Fund Panel it is intended that an annual meeting for employers and members be held annually commencing in 2008.

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.berkshirerensions.org.uk/policies.htm) and is available on request from the Pension Fund Manager.
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Appendix 3 – 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 2008.

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
- 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 2011. 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 formerly the Office of the Deputy Prime Minister 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 20 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 2004 valuation for the financial years 2008/09, 2009/10 and 2010/11. 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 market 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 very long-term nature of the liabilities, a long-term view of prospective returns from equities is taken. For the 2007 valuation, it is assumed that the Fund's equity investments will deliver an average additional real return of 2.5% a year in excess of the return available from investing in index-linked government bonds at the time of the valuation.

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 Best Value 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 Best Value 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.

Type of Employer	Maximum Length of Recovery Period
<i>Unitary Councils and Associated employers</i>	<i>20 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>Best Value 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 (1st April 2008 for the 2007 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

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

The phasing in of the rate rises for the 2007 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 four 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 2004 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. Best Value Admission Bodies are also ineligible for pooling.

As at the 2007 valuation separate pools were operated for the following types of employer.

- i) Colleges
- ii) Housing Associations
- iii) Community Admission Bodies

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 Best Value Admission Bodies are assumed to expire at the end of the contract.

Admission Agreements for Community 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 Community or Best Value 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 Best Value 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 Community Admission Bodies that elect to voluntarily terminate their participation, 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.

Under (a) and (b), any shortfall would be levied on the departing Community or Best Value Admission Body 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 Administering Authority has adopted a strategic benchmark, which sets out the proportion of assets to be invested in key asset classes such as equities, bonds and property. As at 31st March 2007 the strategic benchmark allocation for these three major asset classes was as follows:

Equities	70%
Bonds	19%
Property	10%
Cash	1%

During 2008 an Asset Liability Study of the Fund was commissioned and following this the Pension fund Panel resolved to broaden the strategic asset allocation of the Fund by introducing allocations to Commodities, Global Property, Hedge Funds, Infrastructure together with a broadening of the allocation to fixed interest securities with allocations to Emerging Market Debt and High Yield Bonds. Following an extensive tender process new managers were appointed and/or allocations made to pooled funds covering these asset classes. The Asset Liability Study was repeated in February 2009 following the substantial falls in world stock markets in late 2008 and early 2009. The Panel agreed that the Asset Allocation of the Fund should be amended to:

Equities	32.5%
Bonds	24.0%
Absolute Return	17.5%
Property	10.8%
Commodities	9.2%
Infrastructure	6.0%

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 and future pensions increases are both linked to the UK Retail Price Index (RPI).

The strategic benchmark of the Fund includes a significant holding in equities in pursuit of the expected long-term higher returns from this asset class in relation to index-linked bonds. The Administering Authority's strategy recognises the relatively immature liabilities of the Fund and the secure nature of the majority of the employer covenants.

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% per annum in excess of the return available from investing in index linked government bonds.

The funding policy at the 2007 valuation assumed an equity risk premium of 2.5% a year, which is 0.5% a year less than the best estimate return. This anticipated excess return will vary over time as a dynamic equity risk premium model which allows for changes in market conditions is used to determine the appropriate equity risk premium.

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 70% 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.

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 under-performing.
- 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 a Fund specific asset allocation.
- 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.

5.2.3 A fall in the risk-free returns on Government Bonds, leading to a rise in the value placed on the liabilities.

Summary of Control Mechanisms

- Inter-valuation monitoring as above.
- Maintain some investment in bonds to help mitigate the risk.

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.

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 Inland Revenue 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 the ODOM 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 Best Value 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 Best Value 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 Best Value 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 Best Value Admission Bodies to reduce the risk of a significant debt crystallising on the termination of their agreement.

Appendix A Employers Contributions, Spreading and Phasing Periods

Employer	Minimum contributions for the year ending		
	31 March 09	31 March 10	31 March 11
Scheduled Bodies			
Unitary Authorities & Associated Employers			
Bracknell Forest	15.5%	15.5%	15.5%
<i>Binfield Parish Council.</i>			
<i>Bracknell Town Council.</i>			
<i>Crowthorne Parish Council</i>			
<i>South Hill Park Trust</i>			
<i>Winkfield Parish Council.</i>			
Windsor & Maidenhead	14.7%	14.7%	14.7%
<i>Bray Parish Council.</i>			
<i>White Waltham Parish Council.</i>			
<i>Cox Green Parish Council.</i>			
<i>Sunningdale Parish Council.</i>			
<i>Sunninghill & Ascot Parish Council.</i>			
West Berkshire	14.8%	15.0%	15.2%
<i>Newbury Town Council.</i>			
<i>Thatcham Town Council</i>			
<i>Tilehurst Parish Council.</i>			
<i>Denefield School</i>			
<i>Thames Valley Valuation Tribunal Group</i>			
<i>Stratfield Mortimer Parish Council.</i>			
Reading Borough Council	14.7%	14.7%	14.7%
<i>John Madejski Academy</i>			
<i>Kendrick School</i>			
<i>Reading School</i>			
<i>Reading Girls School</i>			
<i>Prospect Technical College</i>			
<i>Blessed Hugh Farringdon School</i>			

Employer**Minimum contributions for the year ending
31 March 09 31 March 10 31 March 11**

Slough Borough Council	15.3%	15.3%	15.3%
<i>Castleview Combined School</i>			
<i>Cippenham Middle School</i>			
<i>Herschel Grammar School</i>			
<i>Holy Family Combined School</i>			
<i>Langley Grammar School</i>			
<i>Lynch Hill Combined School</i>			
<i>Pippins School</i>			
<i>Priory Combined School</i>			
<i>Ryvers School</i>			
<i>Slough Grammar School (Upton)</i>			
<i>The Westgate School</i>			
<i>Wexham Court Parish Council</i>			
Wokingham Borough Council	14.5%	15.0%	15.3%
<i>Barkham Parish Council.</i>			
<i>Earley Town Council</i>			
<i>Finchampstead Parish Council.</i>			
<i>Shinfield Parish Council.</i>			
<i>Swallowfield Parish Council</i>			
<i>Winnersh Parish Council</i>			
<i>Wokingham Town Council. Woodley Town Council</i>			
<i>Whitelocke Infant School</i>			
Other Scheduled Bodies			
Royal Berks Fire & Rescue	17.0%	17.0%	17.0%
Thames Valley Probation	14.0%	14.0%	14.0%
Community Admission Bodies			
<i>Age Concern Berkshire</i>			
<i>Association of South East Colleges</i>			
<i>Berkshire Maestros</i>			
<i>Berks County Blind Society.</i>			
<i>Elizabeth Fry Hostel</i>	15.6%	15.6%	15.6%
<i>Mary Hare Grammar School</i>			
<i>Parents & Children Together</i>			
<i>Reading Voluntary. Action Co. Ltd.</i>			

Employer**Minimum contributions for the year ending
31 March 09 31 March 10 31 March 11***Rethink**St Helens & St Katherines School**S E Centre for the Built Environment**Slough Community Leisure**Slough Community Transport/Shopmobility**Slough Council for Voluntary Service**Woodley Age Concern***Colleges***Berks College of Agriculture**Bracknell & Wokingham College.**East Berks College**Newbury College***15.2%****15.2%****15.2%***Thames Valley University - Reading**Thames Valley University - Slough***Housing Associations***Housing Solutions**New Support Options Ltd***17.5%****17.5%****17.5%***Turnstone Support Ltd**Windsor Housing Association***Transferee Admission Bodies***Berkshire Connexions***14.0%****14.0%****14.0%***CfBT Berks Careers Guidance***15.6%****15.6%****15.6%***APCOA Parking Services***20.0%****20.0%****20.0%***Enterprise PLC***16.6%****16.6%****16.6%***Fitzpatrick***24.4%****24.4%****24.4%***Greenwich Leisure Ltd***16.0%****16.0%****16.0%***Holyroyd Howe Limited***15.7%****15.7%****15.7%***Interserve Limited***13.0%****13.0%****13.0%***MITIE PFI Limited***16.7%****16.7%****16.7%***National Car Parks Ltd***19.2%****19.2%****19.2%***Northgate Info. Solutions***14.5%****14.5%****14.5%***People 1st (ALMO)***16.9%****16.9%****16.9%**

Employer**Minimum contributions for the year ending
31 March 09 31 March 10 31 March 11****Closed Employers**

Corn Exchange Trust	14.3%	14.3%	14.3%
Reading Transport Limited	18.7%	19.7%	20.7%
	(plus £2,000 per annum index-linked to Pensions Increase Orders)		
Sovereign Housing Assoc.	21.0%	21.0%	21.0%
	(plus £62,600 per annum index-linked to Pensions Increase Orders)		

Appendix B – 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 C – Definitions

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

Best Value 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 under a "best value" arrangement 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.

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 and two trade union representatives representing active members.) The Advisory Panel will be expanded to include two representatives drawn from the membership of the Fund in early 2010.
- 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 (HSBC 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 Advisor

The independent advisor has no specific duties but attends meetings of the Panel and gives general advice on the topics under consideration.

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.

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 maximum and minimum permitted investment levels for each asset class. Although an active tactical asset allocation policy has been examined by the Pension Fund Panel, the Panel has determined that this process will be carried out by the periodic rebalancing of the Fund's assets in line with the maximum and minimum levels agreed for investment.

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 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.

The Pension Fund Panel is reviewing how best to measure its effectiveness as a decision-making body.

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 PENSIONS 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 around 100 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 the 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 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.

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 Disputes 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 – LIST OF EMPLOYING BODIES AND CONTRIBUTIONS RECEIVED

Contributions Received 2009/10

Employer	Employee £000	Employer £000
Age Concern Berkshire	8.2	15.2
Association of SE Colleges	7.4	18.1
Barkham Parish Council	0.5	1.0
Berkshire College Of Agriculture	125.1	287.4
Berkshire County Blind Society	2.7	6.5
Berkshire Fire & Rescue (Training)	1.6	4.1
Berkshire Fire & Rescue Service	267.3	673.2
Berkshire Maestros	25.2	61.4
Binfield Parish Council	1.7	4.1
Blessed Hugh Farringdon School	18.5	48.5
Bracknell & Wokingham College	169.3	387.9
Bracknell Forest BC	2908.3	6718.1
Bracknell Forest Homes	334.0	849.2
Bracknell Town Council	28.0	67.3
Bray Parish Council	0.9	2.1
Care UK	11.0	38.8
Castleview School	16.0	39.0
Central Parking Systems	3.5	10.8
CfBT Berks Careers Guidance	14.1	31.3
Connexions Berkshire	215.4	460.5
Connexions Thames Valley	61.7	127.5
Corn Exchange Trust	6.7	15.0
Cox Green Parish Council	2.4	5.6
Crowthorne Parish Council	3.0	7.6
Denefield School	37.5	92.6
Dimensions UK	18.5	49.8
Earley Town Council	26.0	56.1
East Berkshire College	239.1	536.3
Elizabeth Fry Hostel	9.5	22.1
Enterprise Ltd	44.1	119.3
Finchampstead Parish Council	1.1	2.6
Fitzpatrick Ltd	6.3	18.4
Greenwich Leisure Ltd	12.3	31.5
Herschel Grammar School	30.7	75.5
Holroyd Howe Ltd	0.7	1.9
Holy Family School	8.0	19.2
Housing Solutions	201.8	520.1
Hungerford Town Council	0.7	1.5
Interserve	54.2	119.9
John Madejski Academy	54.0	114.2
Kendrick School	26.8	54.2
Langley Academy	49.6	121.7
Langley Grammar School	37.6	73.8
Learning Plus UK	11.2	26.9

Lynch Hill School	16.7	42.2
Mary Hare Grammar School	109.0	258.1
MITIE	1.3	3.3
Newbury College	88.7	203.7
Newbury Town Council	14.9	33.4
Northgate	10.0	21.0
PACT	81.1	168.4
People 1st Slough	133.4	340.9
Priory School	16.8	44.3
Prospect College	38.8	92.4
Reading BC	4294.2	9458.9
Reading Girls School	25.9	48.9
Reading School	27.1	58.8
Reading Transport Ltd	78.6	254.2
Reading Voluntary Action Co Ltd	20.2	47.9
Rethink	0.9	2.1
Royal Borough of Windsor & Maidenhead	3520.8	7627.9
Ryvers School	20.1	52.5
S.E.Centre for the Built Environment	7.7	16.9
Sandhurst Parish Council	4.9	10.8
School of St Helen & St Katharine	45.3	104.5
SEBEPB	5.7	14.7
Shinfield Parish Council	2.3	5.6
Slough BC	2870.3	6517.0
Slough Community & Leisure Ltd	60.8	142.3
Slough Community Transport & Shopmobility	2.1	4.8
Slough Council For Voluntary Service	12.0	28.0
Slough Grammar School	26.0	62.6
South Hill Park Trust	11.1	24.1
Sovereign Housing Association	56.6	189.6
Stratfield Mortimer Parish Council	1.5	3.3
Sunningdale Parish Council	4.6	6.3
Sunninghill & Ascot Parish Council	0.4	0.9
Swallowfield Parish Council	0.0	0.0
Thames Valley Probation Board	1015.6	2076.4
Thames Valley University Reading	238.0	531.6
Thames Valley University Slough	204.1	440.8
Thames Valley Valuation Tribunal Group	4.1	9.0
Thatcham Town Council	7.7	17.7
Tilehurst Parish Council	5.3	12.3
Turnstone Support	7.4	19.1
West Berkshire DC	3438.3	7568.8
Westgate School	28.1	70.7
Wexham Court Parish Council	0.8	1.8
White Waltham Parish Council	1.5	3.3
Windsor Housing	18.5	53.0
Winkfield Parish Council	7.9	18.8
Winnersh Parish Council	1.2	2.9
Wokingham BC	2880.2	6371.0

Wokingham Town Council	39.5	36.8
Wolseley UK Ltd	2.2	9.0
Woodley Age Concern	7.7	19.4
Woodley Town Council	30.1	70.7
Total	24650.2	55161.2

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
 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
 Shinfield Park Day Nursery
 Slough Community Centre Trust
 St Benedict's School
 St Crispin's Sports Centre
 Wargrave PC
 Westminster College
 Whitelocke Infant School

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	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

The majority of 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.