

NOTICE
OF
MEETING

BERKSHIRE PENSION BOARD

will meet on

TUESDAY, 11TH SEPTEMBER, 2018

At 1.30 pm

at

MINSTER COURT - 22-30 YORK ROAD MAIDENHEAD

TO: MEMBERS OF THE BERKSHIRE PENSION BOARD

TONY PETTITT (CHAIRMAN), ALAN CROSS (VICE-CHAIRMAN), NIKKI CRAIG, JEFF FORD AND NEIL WILCOX

Karen Shepherd – Service Lead - Democratic Services - Issued: 3 September 2018

Members of the Press and Public are welcome to attend Part I of this meeting. The agenda is available on the Council's web site at www.rbwm.gov.uk or contact the Panel Administrator **Andy Carswell 01628 796319**

Fire Alarm - In the event of the fire alarm sounding or other emergency, please leave the building quickly and calmly by the nearest exit. Do not stop to collect personal belongings and do not use the lifts. Do not re-enter the building until told to do so by a member of staff.

Recording of Meetings –In line with the council's commitment to transparency the meeting will be audio recorded, and filmed and broadcast through the online application Periscope. The footage can be found through the council's main Twitter feed @RBWM or via the Periscope website. The audio recording will also be made available on the RBWM website, after the meeting.

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AGENDA

STANDING ITEMS

| <u>ITEM</u> | <u>SUBJECT</u> | <u>PAGE NO</u> |
|-------------|---|--------------------|
| 1. | <u>INTRODUCTION AND APOLOGIES</u> To receive any apologies for absence. | - |
| 2. | <u>DECLARATIONS OF INTEREST</u> To receive any declarations of interest. | 7 - 8 |
| 3. | <u>MINUTES</u> To approve the Part I minutes of the meeting held on April 17 th 2018. | 9 - 14 |
| 4. | <u>SCHEME AND REGULATORY UPDATE AND INTEGRATED RISK MANAGEMENT</u> To receive a verbal update. | - |
| 5. | <u>INVESTMENT FUND POOLING UPDATE AND NEW INVESTMENT REGULATIONS</u> To receive a verbal update. | - |

FOR INFORMATION

| <u>ITEM</u> | <u>SUBJECT</u> | <u>PAGE NO</u> |
|-------------|--|--------------------|
| 6. | <u>PENSION PANEL MINUTES AND STEWARDSHIP REPORT</u> To note the Minutes of the Berkshire Pension Fund Panel held on July 16 th . | 15 - 17 |
| 7. | <u>ADMINISTRATION UPDATE</u> To receive a verbal update from Kevin Taylor, to include an update on Colleges, Housing Associations and Wokingham Schools. | - |
| 8. | <u>GDPR UPDATE</u> To receive a verbal update from Kevin Taylor, to include updates on Privacy Notices and Memorandum of Understanding regarding compliance with Data Protection Law. | 19 - 36 |
| 9. | <u>ACTION TRACKER</u> To note the Action Tracker. | 37 - 38 |

WORK PROGRAMME

| <u>ITEM</u> | <u>SUBJECT</u> | <u>PAGE NO</u> |
|-------------|--|--------------------|
| 10. | <u>REVIEW OF BOARD WORKPLAN</u> To review the Workplan. | 39 - 40 |
| 11. | <u>REVIEW OF DECLARATIONS OF INTEREST</u> To review Members' declarations of interest. | 41 - 44 |
| 12. | <u>REVIEW OF INVESTMENT STRATEGY STATEMENT</u> To review the Investment Strategy Statement. | 45 - 50 |
| 13. | <u>REVIEW OF FUND'S ANNUAL REPORT AND ACCOUNTS</u> To review the Annual Report. | 51 - 114 |
| 14. | <u>TRAINING REQUIREMENTS</u> To review the Members' training log. | 115 - 116 |

EMERGING ISSUES

| <u>ITEM</u> | <u>SUBJECT</u> | <u>PAGE NO</u> |
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| 15. | <u>NEW OR AMENDED RISKS</u> To discuss any new or amended risks. | - |
| 16. | <u>IDENTIFIED OR REGISTERED BREACHES</u> To note any identified or registered breaches. | - |
| 17. | <u>ANY OTHER BUSINESS</u> To discuss any other items of business. | - |
| 18. | <u>LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC</u> To consider passing the following resolution:- "That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting whilst discussion takes place on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1-7 of part I of Schedule 12A of the Act" | - |

PART II

| <u>ITEM</u> | <u>SUBJECT</u> | <u>PAGE NO</u> |
|-------------|--|--------------------|
| 19. | <u>MINUTES</u> To approve the Part II minutes of the meeting held on April 17 th 2018. <i>(Not for publication by virtue of Paragraph 1, 2, 3, 4, 5, 6a, 7 of Part 1 of Schedule 12A of the Local Government Act 1972)</i> | 117 - 118 |

MEMBERS' GUIDE TO DECLARING INTERESTS IN MEETINGS

Disclosure at Meetings

If a Member has not disclosed an interest in their Register of Interests, they **must make** the declaration of interest at the beginning of the meeting, or as soon as they are aware that they have a DPI or Prejudicial Interest. If a Member has already disclosed the interest in their Register of Interests they are still required to disclose this in the meeting if it relates to the matter being discussed.

A member with a DPI or Prejudicial Interest **may make representations at the start of the item but must not take part in the discussion or vote at a meeting.** The speaking time allocated for Members to make representations is at the discretion of the Chairman of the meeting. In order to avoid any accusations of taking part in the discussion or vote, after speaking, Members should move away from the panel table to a public area or, if they wish, leave the room. If the interest declared has not been entered on to a Members' Register of Interests, they must notify the Monitoring Officer in writing within the next 28 days following the meeting.

Disclosable Pecuniary Interests (DPIs) (relating to the Member or their partner) include:

- Any employment, office, trade, profession or vocation carried on for profit or gain.
- Any payment or provision of any other financial benefit made in respect of any expenses occurred in carrying out member duties or election expenses.
- Any contract under which goods and services are to be provided/works to be executed which has not been fully discharged.
- Any beneficial interest in land within the area of the relevant authority.
- Any licence to occupy land in the area of the relevant authority for a month or longer.
- Any tenancy where the landlord is the relevant authority, and the tenant is a body in which the relevant person has a beneficial interest.
- Any beneficial interest in securities of a body where:
 - a) that body has a piece of business or land in the area of the relevant authority, and
 - b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body **or** (ii) the total nominal value of the shares of any one class belonging to the relevant person exceeds one hundredth of the total issued share capital of that class.

Any Member who is unsure if their interest falls within any of the above legal definitions should seek advice from the Monitoring Officer in advance of the meeting.

A Member with a DPI should state in the meeting: ***'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Or, if making representations on the item: 'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'

Prejudicial Interests

Any interest which a reasonable, fair minded and informed member of the public would reasonably believe is so significant that it harms or impairs the Member's ability to judge the public interest in the item, i.e. a Member's decision making is influenced by their interest so that they are not able to impartially consider relevant issues.

A Member with a Prejudicial interest should state in the meeting: ***'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Or, if making representations in the item: 'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'

Personal interests

Any other connection or association which a member of the public may reasonably think may influence a Member when making a decision on council matters.

Members with a Personal Interest should state at the meeting: ***'I wish to declare a Personal Interest in item x because xxx'. As this is a Personal Interest only, I will take part in the discussion and vote on the matter.***

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Agenda Item 3

BERKSHIRE PENSION BOARD

TUESDAY, 17 APRIL 2018

PRESENT: Tony Pettitt (Chairman), Alan Cross (Vice-Chairman), Jeff Ford and Neil Wilcox

Officers: Shilpa Manek, Rob Stubbs and Kevin Taylor

INTRODUCTION AND APOLOGIES

The Chairman welcomed everyone to the meeting.

There were no apologies for absence.

DECLARATIONS OF INTEREST

Kevin Taylor declared an interest in the item on Pension Pooling, as an officer of the Berkshire Pension Fund.

MINUTES

The Part I minutes of the previous meeting were agreed as an accurate record.

SCHEME AND REGULATORY UPDATE

There were no updates for members. Officers were still awaiting amended regulations at this stage.

POOLING UPDATE

Rob Stubbs, Deputy Director Place and Head of Finance, informed the Board that the business case had been signed in January 2018 by the Berkshire Pension Panel after they had received briefing in December 2017. The LPP Shareholders meeting would be attended by the Head of Finance, Rob Stubbs, the Managing Director, Alison Alexander, the Leader, Councillor Simon Dudley, the Chairman of the Berkshire Pension Panel and the Vice Chairman of the Berkshire Pension Panel. All had now been concluded and dialogue had taken place between staff and LPP. LPP had been given the authority to have dialogue with the actuary if required. Legally, there was a standard document in place which was very similar to other organisations in the country.

A report will be presented to the Berkshire Pension Panel on 21 May 2018 and then assets would start to be transferred from of 1 June 2018 There had been dialogue with the Ministry and they were content with our position.

To begin with the investments team would become a part of LPP and would move to London. The admin team would still be based here in Maidenhead. The plan was to embed the investments team first and then look again at the structure. LPP would make all reasonable adjustments.

LPP will take over the management of 100% of the Pension Fund's assets including all legacy assets and consent assets, on 1 June 2018. This would be reviewed annually. RBWM would still be the responsible authority for the Berkshire Pension Fund. RBWM would still be relying on fund managers of which JP Morgan was the custodian, this would continue for now. LPP

would be managing our fund managers. The Vice Chairman asked about equity and was informed by Rob Stubbs that there were eight buckets but there are none in emerging markets which was currently being looked at sixty percent of assets should be easy to pool, with the remaining forty percent being considered over an 18-month period. RBWM are working very closely with Lancashire County Council. Two investment advisors would give independent advice.

The day to day administration of collecting payments from employees and paying pensions to retired members would still be carried out through administration at RBWM. LPP will now manage all assets with the intention that over ten years, the management fees would be lower.

There would be very little change to the governance structure. A report will be brought to the Panel meeting on 24 May 2018 highlighting that there would be no change to the Pension Board, the Advisory Panel and the Pension Panel. The Investment Working Group would be set up with the Advisory Panel Chairman, Head of Finance, two independent advisors is likely to be made up of the chairman and vice-chairman of the Berkshire Pension Panel, a member of the Advisory Panel, the Borough's 151 officer and 2 independent advisors. IWG will meet will LPP at least on a quarterly basis. This would not be a decision making body, similar to what is in place currently.

Consideration to becoming a full shareholder of LPP will be given over an 18-month period as assets are transferred.

The Chairman had recently attended a LGA Cross Pool Forum. The forum was particularly looking at governance structures and it was stated that local accountability would need to stay with each authority. There was no single model that fitted all as there were many models being used. However, this authority was mirroring at least one other authority. This was working well at Lancashire and at LPFA and we had very good relationships with Lancashire.

ACTION: Explore the appetite to meet with fellow board members, a process by which compares best practice.

STEWARDSHIP REPORT

Kevin Taylor, Deputy Pension Fund Manager, reported that this was a regular quarterly report. However, since there had not been a Panel meeting since November 2017, this report was for two quarters.

The points discussed by the Board included:

- The Liquidity level – this would now settle due to the progress made in pooling with LPP.
- The deficit in table 1 of report – it was hoped that pooling would alleviate some of the stress. A deficit recovery plan is in place to clear the deficit by 2040.
- 53% of the current total active scheme members were now on i-Connect. This was now fully implemented except for Slough and Bracknell. The Pension team was continuing to work with smaller employers to get them on board. Bracknell was in the process of changing its payroll and there had been a large turnover in staff. The Pension team is engaging with Bracknell and Slough and it is hoped they both would be on board by year end 2019.
- Pension Administration Standards Association (PASA) – Over 100 desktop procedures have been written and accreditation applied for.
- General Data Protection Regulation (GDPR) – The Pension Fund was the first to take action in the Borough.
- GMP Reconciliation – This had been resolved. The values were up to date and accurate now.
- Wokingham Schools – On Agenda.

ACTION TRACKER

There were three actions on the Action Tracker as below:

| Action No. | Date of meeting | Action Item Description | Comments | Assigned to | Status |
|------------|-----------------|---|---|---------------|--------|
| 12 | 26/11/2015 | b) Adoption of Training Plan. | Board members to inform the DPFM of any training completed. | Board Members | Open |
| 13 | 26/11/2015 | Pension Administration Strategy. | Board members to provide DPFM with a list of key officers within their organisations to be added to Pension Fund distribution list. | Board Members | Open |
| 14 | 22/02/2016 | Compliance with CIPFA audit guidelines. | Chair to write to s.151 officer regarding Administering Authority's compliance with CIPFA audit guidelines. | Billy Webster | Open |

The Board members discussed these actions and Unanimously agreed to remove action 14.

DRAFT BUSINESS PLAN 2018/19 AND FUNDING STRATEGY STATEMENT

The Board discussed the draft business plan 2018/19. The following points were raised:

- Section 5 – Business targets 2018/19 – it was confirmed that no actuals were shown in the table as the objectives were at borough level and not at corporate level.
- The staff of the Berkshire Pension Fund are employed by the Borough which is also the administering authority for the Royal County of Berkshire Pension Fund. The Pension Fund is not a legal entity in its own right.
- There had been increased levels of sickness but these were for other reasons, not because of the move to LPP.
- The Board asked how staff satisfaction had been measured. It was confirmed that a staff survey had been used. The Chairman suggested that it would be better to record the last value reported. Section 5 was for 2017/18.
- There was a typo on page 43, the word “London” needed to be changed.

COLLEGE FUNDING UPDATE

The Funding Strategy Statement should have been an appendix to the College Funding Update.

Amendments had been made to Paragraphs 3.25, 3.29 and 3.30 of the Funding Strategy Statement.

The Board Unanimously Agreed the changes to paragraphs 3.25, 3.29 and 3.30.

This would be discussed further in Part II.

FUTURE TRAINING REQUIREMENTS

There were currently two vacancies on the Board and that would soon increase to three. The current Vice Chairman, Alan Cross, would no longer be the employer representative after the end of April 2018. Future new Board members would require training.

The constitution stated that the Berkshire Pension Board must consist of 6 Members. This must consist of three Scheme Employer representatives and three Scheme Member representatives. A meeting was quorate when at least 50% of the Scheme member and Scheme Employer Representatives were present with at least 1 member being present from each group. For actions to be agreed, the Chairman or Vice Chairman must be in attendance. A meeting that becomes inquorate may continue but any decisions would be non-binding.

The immediate needs would change. Officers were advised to identify the training needs for new members by the next meeting.

All Board Members would canvass to find new members to join the Board.

ACTION: Officers to identify training needs by next meeting.

ACTION: Board Members to canvas for new members.

ACTION: Chairman and Vice Chairman to email Kevin Taylor all details of additional training that had been carried out.

NEW OR AMENDED RISKS

No new or amended risks identified.

IDENTIFIED OR REGISTERED BREACHES

Wokingham Schools – Wokingham BC has for the last 12 years outsourced its payroll function to a third party provider. When the contract was initially entered into by Wokingham BC an assumption was made that all the data to be passed between payroll and pensions had previously been done electronically but it had been done by paper. As a result, over the years it has become clear that the quality of the pension records maintained by the Borough in respect of scheme members employed directly at Wokingham maintain schools has slowly worsened.. This matter came to a head last year when the Pension Fund decided not to issue the 2017 annual benefits statements to this group of members.

All other members of the Fund (around 97% of members) received their statements within the statutory deadline of 31 August. Consideration was given to reporting this statutory failure to the Pensions Regulator (tPR) but it was decided that this matter was not of material significance providing an appropriate action plan to rectify the problem was put in place without delay. The Pension Fund has therefore entered onto a data matching exercise with all of the 48 Wokingham schools affected.

The action plan has been agreed with both Wokingham BC and its thirds party payroll provider with the aim of issuing the 2017 annual benefit statements by the end of May 2018 and to issue all 2018 statements by August 2018. The Pension Fund has made it clear to Wokingham BC that if these aims are not achieved they would be reported to the Pensions Regulator and that any fines were incurred would be passed on to Wokingham BC.

The Board asked if this risk had been included on the Wokingham Borough Council risk register and Kevin Taylor did not know, however, an Elected Member of Wokingham BC doe sit on the Pension Fund Advisory Panel and so maybe aware of the risk.

Kevin Taylor attended a bursar group in Wokingham to advise them of the action plan and the role they had to play in it.. Since then Kevin has contacted each school directly. The 16/17 contributions had been posted and further information was being collated from the payroll provider.

Kevin Taylor informed the Board that as part of the action plan Wokingham BC were committed to onboarding i-Connect once all pension records had been updated accordingly.

The Board Unanimously endorsed the approach and agreed that it be added to the risk register.

ACTION: Add to risk register.

ANY OTHER BUSINESS

To consider passing the following resolution:-

“That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting whilst discussion takes place on item 14 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1-7 of part I of Schedule 12A of the Act”

RESOLVED UNANIMOUSLY: to exclude the public while confidential discussions relating to funding were carried out.

The meeting, which began at 1.20 pm, finished at 3.30 pm

CHAIRMAN.....

DATE.....

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Agenda Item 6

BERKSHIRE PENSION FUND PANEL

MONDAY, 16 JULY 2018

PRESENT: Councillors John Lenton (Chairman), David Hilton (Vice-Chairman) and Richard Kellaway.

Advisory Members: Councillor Worrall and Councillor Law.

Officers: Philip Boyton, David Cook, Kevin Taylor and Rob Stubbs. Local Pension Partnership (LPP) representatives Chris Rule, Richard J. Tomlinson, Pedro Pardo and Martin Pattinson.

APOLOGIES

Apologies for absence were received by Cllr Alexander, Cllr Jones, Cllr Brooker, Mr Butcher and Mr Dhingra.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MEMBERSHIP AND STAFFING UPDATE

The Panel were informed that there had been changes to the Advisory Panel membership and that Cllr Jones, Cllr Brooker and Cllr Jarvis were new Members.

The Chairman mentioned that the Pension Fund Manager, Mr Greenwood, had left the organisation at the end of May 2018. It was resolved that the Panel thanked Mr Greenwood for all his work over the last eleven years.

The Deputy Pension Fund Manager informed that from 1st June 2018 pooling had taken effect and staff had been transferred to LPP. All investment officers had moved out of Berkshire whilst the administration team remained with the Royal Borough.

MINUTES

Resolved unanimously: that the Part I minutes of the meeting held on 21 May 2018 were approved as a true and correct record.

With regards to the College Funding Levels it was noted that there had yet to be discussions with the Ealing Pension Fund.

PRESENTATION BY LPP

Chris Rule, CIO & MD Investment Business, Richard J. Tomlinson, Head of Investment Strategy, Pedro Pardo and Martin Pattinson, Director of Client Relationships from the Local Pension Partnership (LPP) attended the meeting to give a presentation on pooling with the Berkshire Pension Fund.

It was noted that due to the need to discuss investments future presentation would be in Part II.

The Panel were informed that LPP aimed to be 'a leading pension services business' operating on a 'not-for-profit' philosophy and working in partnership with their clients and other customers. The LPP philosophy was to:

- Aligned interest with clients, employers and members.

- Strong governance.
- Scale through collaboration.
- Investment beliefs for long-term responsible investments.

The company was 2 years old, had 299 employees and managed assets over £16bn.

Cllr Law mentioned that there was the LPP Board and the LPPI Board. The Panel were informed that the LPPI Board was a subsidiary of the LPP Board and was regulated by the Financial Conduct Authority, this was the arm of the company responsible for investments. Details of LPP Investments Ltd were contained within the presentation on agenda pack page 15.

LPP Investments Ltd was a not for profit company and dealt with the strategic objectives and were responsible for investments. There were a number of fund vehicles that they managed and they would buy assets for the pooled pension funds.

The investment teams and structure were shown on agenda pack page 16. The Investment Committee Permanent members were Richard J. Tomlinson (Investment Director Head of Investment Strategy), Chris Rule (Chief Investment Officer and Managing Director Investment Business) and Tom Richardson (Chief Risk Officer).

Cllr Worrall asked who decided which asset class was used and was informed that there was a bottom up approach. Recommendations would be made to the investment committee after they had been to this Panel.

Cllr Law mentioned that the Fund's strategy recommended that 12% be invested into infrastructure and asked if this was the amount the investment team could use. The Panel were informed that the Berkshire Pension Fund set its investment strategy that would be benchmarked with tolerance levels either side.

The Panel were informed that the LPPI main product line was providing a full SAA investment management services to its clients. The delivery of this was via the following vehicles with a portfolio implementation of £15.6bn:

- Public Equity
- Private Equity
- Infrastructure
- Credit
- Legacy Assets
- Property Launching
- Total Return Launching
- Fixed Income

There was also the GLIL infrastructure vehicle that contact northern pooled assets that was aimed to go up to £2 billion and was now open to the other pooled funds to invest in if they wished. This was operated under LPP but may have investors added that LPP did not manage funds.

Cllr Worrall mentioned that the Government had specified that pension pooling had to be over a specific threshold that LPP had not met. The Panel were informed that the Minister had confirmed that there were no issues with LPP. They would continue to look to grow if this was beneficial to their clients.

It was questioned how the Global Equity Fund would benefit existing clients. The Panel were informed that any additional clients would help reduce costs and a business case always looks at the costs of delivery.

The Panel were also shown, on agenda pack page 19, the current Berkshire portfolio position. The review showed that limited actions would be required in the short term with regards to asset allocations. It was proposed to reduce public equity underweight by making an allocation to the LPPI Global Equities Fund of c.£120 million. Forecast for the portfolio suggested that existing commitments for Infrastructure would eliminate the current underweight in the coming years and exposure to property would be increased via participation in the LPPI property pooled fund.

The Panel were also shown the proposed transition plan for assets that were suitable for pooling. Other assets would remain on the schemes balance sheet until they mature or were sold.

In response to questions the Panel were informed that the Total Return vehicle was to be launched in 2018 to allow the pooling of existing platform that had similar assets and it was felt best to create a new investment vehicle. It was noted that there was a difference in the current cash weighting in the presentation then that shown in the Stewardship Report because more cash assets had come in than expected and with officer illness and pooling it had been decided to wait for reallocation.

The Panel noted the presentation.

STEWARDSHIP REPORT

The Panel considered the report that report dealt with the stewardship of the Pension Fund for the period 1 April 2018 to 31 May 2018 (investment performance) and 1 April 2018 to 30 June 2018 (Administration).

Agenda pack page 32 showed the fund and Index returns to 31 May 2018. Overall the nominal returns were below where the Fund would like to be but over three years things looked healthy. Table 4 showed exception performance for those reporting 'amber' which were under review by officers and the IWG.

Cllr Law mentioned that the Fund had looked at investing into emerging markets and asked if there would be an investment vehicle for this. The Panel were informed that LPP were not against this and an amendment to the contract could be made if required. The class of investment vehicles could change overtime taking into account risk and exposure.

(LPP left the room for the remainder of the meeting)

The Panel considered the administration section of the report and were informed that section 2.1 showed scheme membership by status. Active membership had dropped as a number of RBWM employees had been transferred to Achieving for Children along with their pensions into a different fund.

It was noted that transactions by employers using i-Connect achieved a much higher performance rating. All key performance indicators were currently being met.

Section three of the report provided an update on progress with special projects. The project relating to Wokingham Schools was highlighted. There had been ongoing issues with the data supplied by those schools using the WBC payroll system provided by Selima. The Pension Fund had therefore undertaken a complete data matching exercise for Wokingham scheme members employed by maintained schools. A number of queries had been identified and the records would be up to date by year end 2018/19.

Resolved unanimously: that Panel notes the report and:

- **The investment performance and asset allocation of the Fund.**
- **All areas of governance and administration as reported.**

- **All key performance indicators.**

PENSION FUND PANEL WORK PLAN 2018-19

The Panel considered the report relating to the proposed 2018/19 work programme.

The Panel were informed that the Pension Fund Panel, as set out in RBWM's Constitution, retained its responsibilities as the Scheme Manager and was therefore responsible for ensuring that the Administering Authority fulfilled its statutory responsibilities in accordance with the Regulations and the Public Service Pension Act 2013. The proposed work programme was appended to the report.

Resolved unanimously: that Panel notes the report and:

- **Agrees a work-plan for the 2018-19 year in line with that set out in Appendix 1 to the report.**
- **Requests that officers keep the work-plan updated to ensure that Panel fulfils the statutory duties set out in the LGPS Regulations as required of an Administering Authority (Scheme Manager).**

INVESTMENT WORKING GROUP UPDATE

The Chairman informed that the Investment Working Group had held a meeting with LPP prior to this meeting. There would be an ongoing review of how the IWG and LPP work together during the initial stages of pooling.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

RESOLVED UNANIMOUSLY: That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1-7 of part I of Schedule 12A of the Act.

Resolved Unanimously: that the Part II minutes of the meeting on 21 May 2018 be signed as a true and correct record.

The meeting, which began at 4.00 pm, finished at 5.25 pm

CHAIRMAN.....

DATE.....



PRIVACY NOTICE

Privacy Notice – This notice explains when we collect personal data, what we use it for, who we share it with and your rights.

Who are we – The Royal County of Berkshire Pension Fund, 22-30 York Road, Maidenhead, Berkshire, SL6 1SF.

The lawful basis for processing the information – The main legislation governing the Local Government Pension Scheme (LGPS) and provides the lawful basis for processing information is the following:

Principal Regulations

- The Local Government (Discretionary Payments) Regulations 1996
- The Local Government (Early termination) (Discretionary Compensation) (England and Wales) Regulations 2006
- The Local Government Pension Scheme (Amendment) Regulations 2015
- The Local Government Pension Scheme (Miscellaneous Amendments) Regulations 2014
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

Historical Regulations

- The Local Government and other Officers' Superannuation Act 1922
- The Local Government Superannuation Act 1937
- The Local Government Superannuation Act 1953
- The Local Government Superannuation Regulations 1974
- The Local Government Superannuation Regulations 1986
- The Local Government Pension Scheme Regulations 1995
- The Local Government Pension Scheme Regulations 1997

- The Local Government Pension Scheme Transitional Provisions Regulations 1997 (as amended)
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
- The Local Government Pension Scheme (Administration) Regulations 2008
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008

All LGPS regulations may be subject to overriding legislation, consisting of, but not limited to, the following:

Relevant Overriding Legislation

- Pensions Increase Review Orders
- Section 148 Orders
- Income and Corporation Taxes Act 1988 (c1)
- Pensions Schemes Act 1993 (c48)
- Pensions Act 1995 (c26)
- Welfare Reform and Pensions Act 1999 (c30)
- Finance Act 2004 (c12)
- Pensions (Increase) Act 1971
- Pensions (Increase) Act 1974
- Disclosure of Information (Occupational Pension Schemes) Act 2006
- The Registered Pension Scheme (Provision of Information) Regulations 2006
- Public Service Pension Act 2013
- The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014

How do we collect information from you – Personal data is supplied by you as the service user or supplied by your employer or AVC provider participating in the LGPS administered by the Royal County of Berkshire Pension Fund. Accepted methods of receiving data are either paper based, electronically, by telephone or face to face.

A list of paper forms used to collect personal data from you can be found by visiting our website at:

http://www.berkshirerpensions.org.uk/downloads/file/308/berkshire_pension_fund_document_list

What type of information is collected from you – The Royal County of Berkshire Pension Fund is statutorily required to collect and hold National Insurance Number, Surname, Forenames (or Initials), Gender, Date of Birth, Address, Postcode, Date Pensionable Service Started, Expected Retirement Date, current Membership Status and any previous Membership Status.

Other types of personal information collected and held to administer your benefits are Telephone Number, E-mail Address, Marital Status, Hours, Weeks, Salary, Basic Contributions Paid, Additional Contributions Paid, Past LGPS Membership and Transferred In Service, Date Left Pensionable Service, Periods of Absence from Pensionable Employment, Guaranteed Minimum Pension (GMP) Values, and Dependant Details.

How we use the information you have provided – All information provided is used by the Royal County of Berkshire Pension Fund to administer your benefits whilst a current and former contributor to the LGPS and in consideration of the Principle, Historical and Relevant Overriding Legislation described above.

Who has access to the information about you – We store your personal data securely. We have in place security policies which are intended to ensure, as far as possible, the security and integrity of all personally identifiable information.

Your data is stored securely by our software provider, *heywood* Limited Aquila House 35 London Road, Redhill, Surrey RH1 1NJ and accessed only by administrators, of the Royal County of Berkshire Pension Fund, by using their own Username and Password all chosen in line with pre-defined user credentials

Where we have given you (or where you have chosen) an email, username, password or activation code which enables you to access certain parts of our sites, you are responsible for keeping this information confidential and we ask you not to share this information with anyone.

Unfortunately, the transmission of information via the internet is not completely secure. Although we will do our best to protect your personal data, we cannot guarantee the security of your data transmitted to our sites; any transmission is at your own risk. Once we have received your information, we will use strict procedures and security features to try to prevent unauthorised access.

Who we may share your information with – The Royal County of Berkshire Pension Fund will not share personal information with any other parties, except where required and with parties required to carry out its statutory duties and functions or where required by law.

The Royal County of Berkshire Pension Fund participates in data sharing arrangements with other LGPS Pension Funds in England, Wales and Scotland:

- > National Insurance Database - Hosted by the South Yorkshire Pensions Authority to help locate past membership of the LGPS.
- > Tell Us Once (TUO) – Linked to the Department for Work and Pensions (DWP), ensures quicker notification of death of scheme members avoiding potential overpayment of benefits.

Other Arrangements

- > National Fraud Initiative (NFI) – A bi-annual exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.
- > Mortality Screening – A secure service provided by ATMOS to allow the monthly review of scheme member data to identify those who have deceased.

The details of the information which may be shared is contained within these services' privacy notice.

How long we store your information – Upon you exiting the LGPS, administered by the Fund, and extinguishing all right to future benefit - through having received a refund of pension contributions, having transferred to another pension provider or following death - there may be circumstances where you or your dependant needs to be contacted by the Fund and there will be circumstances where the Fund will need to be able to demonstrate to parties associated with the LGPS, that are carrying out their statutory duties and functions or where required by law, how liabilities were settled.

The Fund will endeavor to review the data it collects and holds electronically to ascertain whether or not it is adequate, relevant and limited to what is necessary in relation to the purposes for which it is processed and that personal data shall be accurate and, where necessary, kept up to date; every reasonable step will be taken to ensure that personal data that is inaccurate, having regard to the purposes for which it is processed, is erased or rectified without delay.

With consideration of these points, any personal information held electronically that is deemed unnecessary will be removed from the database, and no longer held by the Fund, 7 years after the end of the financial year in which the last related activity occurred.

Paper documentation received by the Fund and held securely against your membership record will be stored securely on site and destroyed after a period no longer than 12 months after the date that it was received.

Does your service utilise automate decision making? – No.

Your rights

You have a right to access and obtain a copy of the personal data that we hold about you and to ask us to correct your personal data if there are any errors or it is out of date. In some circumstances you may also have a right to ask us to restrict the processing of your personal data until any errors are corrected, to object to processing or to transfer or (in very limited circumstances) erase your personal data. You can obtain further information about these rights from the Information Commissioner's Office at: www.ico.org.uk or via their telephone helpline (0303 123 1113).

If you wish to exercise any of these rights, please contact the Royal County of Berkshire Pension Fund. You also have the right to lodge a complaint in relation to this Privacy Notice or our processing activities with the Information Commissioner's Office, which you can do through the website above or their telephone helpline.

We may from time to time ask for further information from you. If you do not provide such information, or ask that the personal data we already hold is deleted or restricted, this may affect the benefits payable to you from the Royal County of Berkshire Pension Fund. In some cases it could mean that we are unable to put your benefits into payment or have to stop your annual pension, if already in payment.

Contacting us

The Royal County of Berkshire Pension Fund can be contacted in writing at the address shown at the top of this Privacy Notice or as follows:

Telephone: 0845 6027237

E-mail: info@berkshirerpensions.org.uk

Date this version of Privacy Notice produced

16 April 2018

LOCAL GOVERNMENT PENSION SCHEME

Memorandum of Understanding regarding Compliance with Data Protection Law

1 INTRODUCTION

1.1 The Local Government Pension Scheme (“**LGPS**”) in England and Wales is an occupational pension scheme registered under section 153 of the Finance Act 2004 and its rules are currently set out in The Local Government Pension Scheme Regulations 2013 (SI 2013/2356) as amended (“**LGPS Regulations**”).

1.2 The LGPS is administered locally by administering authorities which are defined in Regulation 2 of the LGPS Regulations and listed in Part 1 of Schedule 3 of the LGPS Regulations.

1.3 The Royal Borough of Windsor & Maidenhead (“**Administering Authority**”) is an administering authority under the LGPS Regulations. The Administering Authority manages and administers the Royal County of Berkshire Pension Fund within the LGPS (the “**Fund**”) in accordance with its statutory duty under Regulation 53 of the LGPS Regulations. Employers employing employees who are eligible to be members of the LGPS will participate in the Fund as a “**Scheme Employer**” (as defined in schedule 2 of the LGPS Regulations). The Administering Authority and the Scheme Employer (together the “**Parties**”) are required to share personal data relating to the Scheme Employer’s current and former employees who participate in the Fund (the “**Members**”) and their dependants, in order for the Administering Authority to fulfil its statutory duties to manage and administer the Fund under Regulation 53 of the LGPS Regulations and provide the Members with benefits upon retirement, pay ill-health benefits, pay death grants, pay survivors’ pensions to Members’ spouses, civil partners and co-habiting partners, pay children’s pensions upon the death of the Member, offer Members the option of paying additional voluntary contributions to one or more providers in accordance with Regulations 1 – 52 of the LGPS Regulations.

Scheme Employers are under a statutory obligation, as detailed in Regulation 80 of the LGPS Regulations, to provide certain personal data relating to its Members on a monthly and annual basis to the Administering Authority, including Pay Reference Number, Post Number, National Insurance Number, Surname, Forenames (or Initials), Title, Gender, Date of Birth, Address, Postcode, Date Pensionable Service Started, Marital Status, Hours, Weeks, Pay, Basic Employee and Employer Contributions Paid, Additional Employee and Employer Contributions Paid, Date Left Pensionable Service, Reason Left Pensionable Service and Periods of Absence from Pensionable Service.

1.4 This Memorandum of Understanding sets out:

- (a) the basis on which data will be shared between the Parties;
- (b) the Administering Authority’s expectations of the Scheme Employer during its participation in the Fund;

in order to comply with Data Protection Law, including the General Data Protection Regulation (2016/679) (“**GDPR**”) which will have direct legal effect in the UK on and after 25 May 2018.

1.5 References to “**Data Protection Law**” in this Memorandum of Understanding mean the Data Protection Act 1998, the Data Protection Directive (95/46/EC), the Electronic Communications Data Protection Directive (2002/58/EC), the Privacy and Electronic Communications (EC Directive) Regulations 2003 (SI 2426/2003) (as amended), the General Data Protection Regulation (2016/679) and all applicable laws and regulations relating to personal data and privacy which are enacted from time to time, including (where applicable) the guidance and codes of practice issued by the Information Commissioner’s Office and any other competent authority.

2 DATA CONTROLLERS

2.1 The Parties acknowledge that they will:

- (a) not hold a pool of joint data;
- (b) be separate and independent data controllers in relation to the copies of the Members’ personal data they respectively hold;
- (c) act as data controller in relation to personal data transferred to them;
- (d) each be responsible for complying with the requirements in Data Protection Law that are applicable to them as data controllers.

2.2 References to Members’ personal data includes personal data relating to the Members’ dependants (including children) and surviving partners (where applicable).

3 DATA SHARING

3.1 The Parties confirm that they understand their respective obligations under Data Protection Law as data controllers and agree to only process personal data relating to the Members:

- (a) fairly and lawfully and in accordance with the data protection principles set out in Data Protection Law;
- (b) where there are lawful grounds for doing so; and
- (c) in accordance with Data Protection Law and best practice guidance (including the Data Sharing Code issued by the Information Commissioner’s Office and updated from time to time).

3.2 Each Party will separately inform the Members (as required under Data Protection Law) of the respective purposes for which they will each process their personal data and provide all required information to ensure that the Members understand how their personal data will be processed in each case by the Administering Authority or Scheme Employer (as applicable). The Scheme Employer’s privacy notice to Members will inform them that their personal data will be provided to the Administering Authority and a copy of that notice will be provided to the Administering Authority on request.

3.3 Each Party confirms that it understands its respective obligations under Data Protection Law, to ensure that the Members’ personal data of which it is a data controller is kept and used securely at all times and to take such technical and organisational security measures against unauthorised and unlawful processing of, accidental or unlawful destruction,

loss, alteration, unauthorised disclosure of, or access to the Members' personal data transmitted, stored or otherwise processed as may be required. Such measures will have due regard to the state of technological development and the cost of implementation of these measures, to ensure a level of security appropriate to the harm that might result from such processing and the nature, scope, context and purposes of processing the Members' personal data and the risk or likelihood and severity for the rights and freedoms of data subjects. Such measures will ensure:

- (a) the ongoing confidentiality, integrity, availability and resilience of processing the Members' personal data;
- (b) the ability to restore the availability and access to the Members' personal data in a timely manner in the event of a physical or technical incident;
- (c) carrying out of regular testing, assessing and evaluating the effectiveness of technical and organisational measures for ensuring the security of the processing.

3.4 Each Party undertakes to notify the other as soon as practicable if an error is discovered in the Members' personal data of which it is a data controller and which was received from or a copy of which has been provided to the other Party, to ensure that such other Party is then able to correct its own records. This will happen whether the error is discovered through existing data quality initiatives or is flagged up through some other route (such as the existence of errors being directly notified to the Administering Authority or Scheme Employer (as appropriate) by the Member (or the Member's dependants, surviving partner) themselves).

4 TRANSFER OF MEMBERS' PERSONAL DATA

4.1 The Parties agree that Members' personal data will only be transferred from one Party to the other via an acceptable method specified by the Administering Authority which includes any of the following:

- (a) Postal Service including Courier;
- (b) Secure e-mail;
- (c) SFTP link;
- (d) Secure electronic interface;
- (e) Encrypted removable media;
- (f) Secure web delivery including Employer Self Service (ESS); and
- (g) Other third party solution as agreed by the Parties

4.2 Each Party will, when transferring the Members' personal data of which it is the data controller to the other Party, ensure that that data is secure during transit (whether physical or electronic).

4.3 If either the Administering Authority or the Scheme Employer appoints professional advisers, third party administrators or another entity which provides other services involving

the transfer of Members' personal data, those third parties will be data processors or data controllers in their own right. The Administering Authority or the Scheme Employer (as applicable) will comply with its own obligations in accordance with Data Protection Law (in particular, by ensuring that any entity to which it transfers Members' personal data also complies with Data Protection Law) and shall ensure that that nothing in the terms of engagement between the Administering Authority or the Scheme Employer (as applicable) and such third party would contradict this Memorandum of Understanding.

5 RIGHTS OF MEMBERS (INCLUDING THE MEMBER'S DEPENDANTS, SPOUSES/CIVIL PARTNERS (WHERE APPLICABLE))

5.1 Each Party shall, in respect of the personal data of which it is a data controller, respond to any requests from Members to have access to any of their personal data or a complaint or enquiry relating to that Party's processing of the Members' personal data received by that Party in line with its own obligations under the Data Protection Law.

5.2 Each Party agrees to provide reasonable assistance to the other as is necessary to enable the other Party to comply with any such requests in respect of Members' personal data of which that Party is a data controller and to respond to any other queries or complaints from Members.

6 DATA SECURITY BREACHES AND REPORTING PROCEDURES

6.1 Each Party confirms that it understands its respective obligations under Data Protection Law in the event of any personal data breach, unauthorised or unlawful processing of, loss or destruction of or damage to any of the Members' personal data, including (where necessary) an obligation to notify the Information Commissioner's Office and/or the Member(s).

7 RESPONSIBILITIES OF SCHEME EMPLOYERS

7.1 Notwithstanding the statutory obligations which apply to Scheme Employers under the LGPS Regulations and as a data controller under Data Protection Law, the Administering Authority, as Administering Authority for the Fund, expects Scheme Employers participating in the Fund to comply with the responsibilities set out below in relation to Members' personal data.

7.2 On request, the Scheme Employer will inform Joanne Brazier, Assistant Pension Manager – Communications, at the Administering Authority of any appointed qualified person to fulfil the role of data protection officer ("DPO") together with their contact details. If the Scheme Employer has not appointed a DPO, the Scheme Employer, on request, will inform Joanne Brazier, Assistant Pension Manager - Communications, at the Administering Authority of the details of a nominated person for GDPR compliance purposes.

7.3 The Scheme Employer acknowledges the financial penalties that can be imposed by the Information Commissioner's Office in relation to breaches of Data Protection Law. The Scheme Employer further acknowledges that any liability it may have to pay a financial penalty to the Information Commissioner's Office may result in a revision of the rates and adjustments certificate in accordance with Regulation 62(7) of the LGPS Regulations.

8 COMPLIANCE WITH THE MEMORANDUM OF UNDERSTANDING

8.1 Failure by the Scheme Employer to comply with the terms set out in this Memorandum of Understanding may result in the Administering Authority taking any or all of the following actions:

- (a) Reporting the Scheme Employer's non-compliance to the Information Commissioner's Office;

9 REVIEW AND AMENDMENT OF MEMORANDUM OF UNDERSTANDING

The Administering Authority will review the Memorandum of Understanding from time to time. The Administering Authority reserves the right to amend the Memorandum of Understanding at any time and with immediate effect and will provide written notice to the Scheme Employer of such amendment.

Q&A for LGPS members

What is the GDPR?

The General Data Protection Regulation (GDPR) is a new set of European Union (EU) regulations due to come into force on 25 May 2018. It will change how organisations process and handle data, with the key aim of giving greater protection and rights to individuals.

What laws currently govern data protection in the UK?

Currently in the UK the Data Protection Act 1998 sets out how your personal information can be used by companies, government and other organisations. The GDPR will replace the Data Protection Act 1998 when it comes into force on 25 May 2018.

Will the GDPR still apply to the UK after Brexit?

The UK is in the process of implementing a new Data Protection Bill which largely includes all the provisions of the GDPR. There are some small differences, but once the Bill has passed through Parliament and become an Act, UK law on data protection will largely be the same as that of the GDPR.

So what's new?

There are new and extended rights for individuals in relation to the personal data an organisation holds about them, for example, an extended right to access and a new right of data portability. You can obtain further information about these rights from the Information Commissioner's Office at: www.ico.org.uk or via their telephone helpline (0303 123 1113).

In addition, organisations will have an obligation for better data management and a new regime of fines will be introduced for use when an organisation is found to be in breach of the GDPR.

What are the main principals of the GDPR?

The GDPR states that personal data must be:

- processed lawfully, fairly and in a transparent manner
- collected only for specified, explicit and legitimate purposes
- adequate, relevant and limited to what is necessary
- accurate and kept up to date
- held only for the absolute time necessary and no longer
- processed in a manner that ensures appropriate security of the personal data.

What is personal data?

The GDPR applies to 'personal data' meaning any information relating to an identifiable person who can be directly or indirectly identified in particular by reference to an identifier.

This definition provides for a wide range of personal identifiers to constitute personal data, including name, identification number, location data or online identifier, reflecting changes in technology and the way organisations collect information about people.

How will the GDPR affect LGPS members?

Your LGPS fund will already have procedures in place which comply with similar data protection principles under the Data Protection Act 1998. The new regulations will reinforce these existing requirements, and LGPS members are unlikely to notice a change in the service they receive from their LGPS fund.

How will members know that their LGPS fund is GDPR compliant?

Every LGPS fund will be required to update their privacy notice in line with the new requirements setting out, among other things, why certain data is held, the reason for processing the data, who they share the data with and the period for which the data will be retained. Within the notice, members will also be provided with additional information about their rights under the legislation.

Why do LGPS funds hold personal data?

LGPS funds require various pieces of personal data provided by both the individual member and their employer in order to administer the pension scheme. This data includes, but is not limited to, names, addresses, National Insurance numbers and salary details which are required to maintain scheme records and calculate member benefits.

Who do LGPS funds share personal data with?

On occasion, LGPS funds are required to share personal data with third parties in order to meet regulatory and government requirements, to gather necessary information for the accurate payment of member benefits and to ensure scheme liabilities are met. Each fund's privacy notice will set out who they share data with; this is likely to include bodies such as scheme employers, fund actuaries, auditors and HMRC.

Can LGPS members ask for their data to be deleted?

The GDPR provides individuals with the 'right to be forgotten' in certain limited circumstances. However, in practical terms the exercise of this right in relation to LGPS funds is limited as the deletion of data can prevent the fund from carrying out its duties. LGPS funds are required to process personal data to comply with legal obligations under pension legislation, therefore, the 'right to be forgotten' is unlikely to apply to data held by LGPS funds.

What happens if there is a data breach?

Data breaches are a rare occurrence within LGPS funds. However, should a security breach concerning a member's personal data occur that is likely to result in a risk to that member's rights and freedoms, there will be a direct obligation under the GDPR for the fund to inform the Information Commissioners Office within 72 hours of the breach taking place.

General Data Protection Regulation (GDPR)

Royal County of Berkshire Pension Fund Privacy Notice – Collection of Personal Data



Additional Voluntary Contributions (AVCs)

AVC Admin - AVC instruction form issued to Prudential

AVCTVIN – proposed transfer of Prudential Additional Voluntary Contributions (AVCs)

Additional Pension Contributions (APCs)

APC4 – Additional Pension Contribution application form

Interfund out transfer to another LGPS Fund

IFAOUTAVC - Prudential Admin Request Form

IFAOUTAVC - Prudential Admin Request Form

Death notification

DTH3 - small estates form to claim balance of pension due to the deceased member's estate.

DTH18 - Declaration of Life Certificate for payment of a spouse's pension

DTH19 - request for bank details for payment of a dependants pension

DTH21 - Death Grant Declaration (Death in Service)

DTH22 - Death Grant Declaration (Death in Deferment)

Address Tracing

DWP Trace Letter – Letter issued to member via Department of Work and Pensions when no forwarding address held

Merge Options

A2 - Letter to member offering post 2014 deferred benefits options

B2 - Letter to member offering pre and post 2014 deferred benefits options

D2 - Letter to member offering pre 2014 with no disqualifying break deferred benefits options

D3 - Letter to member offering pre 2014 with a disqualifying break deferred benefits options

Refund of contributions

REF2 - Member's refund election signed within 1 month and 1 day

Retirement from the LGPS

RET2 -Lifetime Allowance Certificate

RET3 - Request for Bank Details Form

RET4 - Covering letter issued with retirement pack to member in month prior to 75th birthday

RET5 - Notification to member's employer advising member must be withdrawn from scheme on eve of 75th birthday

RET6 - Unreduced Retirement Benefit Options - Status 1 & Status 4 (No AVC)

RET7 - Unreduced Retirement Benefit Options - Status 1 & Status 4 (AVC Type 1)

RET8 - Unreduced Retirement Benefit Options ~~33~~ Status 1 & Status 4 (AVC Type 2)

RET9 - Unreduced Retirement Benefit Options - Status 4 (inc. Retained Rights) (No AVC)

RET10 - Unreduced Retirement Benefit Options - Status 4 (inc. Retained Rights) (AVC Type 1)

RET11 - Unreduced Retirement Benefit Options - Status 4 (inc. Retained Rights) (AVC Type 2)

RET12 - Reduced Retirement Benefit Options - Status 1 & Status 4 (No AVC)

RET13 - Reduced Retirement Benefit Options - Status 1 & Status 4 (AVC Type 1)

RET14 - Reduced Retirement Benefit Options - Status 1 & Status 4 (AVC Type 2)

RET15 - Reduced Retirement Benefit Options - Status 4 (inc. Retained Rights) (No AVC)

RET16 - Reduced Retirement Benefit Options - Status 4 (inc. Retained Rights) (AVC Type 1)

RET17 - Reduced Retirement Benefit Options - Status 4 (inc. Retained Rights) (AVC Type 2)

RET26 - Incapable of managing affairs form

LIFECERT - Declaration of Life Certificate

P46LETTER - Issue P46 for an employee with no P45

TOPS Beneficiary Bank Details form – Overseas Payment Service offered to retired scheme members living overseas. This service enables members to have their monthly pension paid into an account in the county of their residence.

Opting in to the LGPS

LGS10 - Opt in form for admission to the LGPS

LGS10B - Application for re-entry to the MAIN Section from the 50/50 Section

LGS5050 - Admission to the 5050 Section of the LGPS

Opting out of the LGPS

LGS1E - Opt out form

Nomination forms

LGS5 - Expression of Wish for payment of a Death Grant

LGS6 - Cohabiting Partner nomination form

Transferring in previous pension rights

LGS13 - Declaration of Previous Pension Rights

TV9 – Election to transfer previous pension rights

TV10 – Declaration to transfer AVC pension rights

Transferring out to another pension provider

TV09 - Transfer Out Election Form

Employer Forms

Employer Policy Statement - Statement of policy regarding LGPS discretionary regulations

Year End Return – employer year end return

Employer Admission Agreement – Admission agreement to participate in the Local Government Pension Scheme

Employer Contribution Return – Monthly spreadsheet notification of employee and employer contributions

EST3 - Estimate request form for an active scheme member

EST4 - Estimate request form for a Deferred scheme member

LGS15A - Admission to the scheme

LGS15B - Changes to pensionable status

LGS15C - Withdrawal from the scheme

LGS15D - Automatic enrolment opt-out / opt-out notification

LGS18 - Final Pay calculation sheet

LGS26 - Ill-health Certificate for a current member of the LGPS

LGS26B - Ill health Certificate for a Deferred Beneficiary who ceased membership as an employee on or after 1 April 2008 and before 1 April 2014

LGS26C - Ill health Certificate for a Deferred Beneficiary who ceased membership as an employee on or after 1 April 1998 and before 1 April 2008

LGS26D - Ill Health Certificate for a Deferred Beneficiary who ceased membership as an employee before 1 April 1998

LGS26E1 - 3rd Tier Ill Health Retirement Review Certificate for a Current 3rd Tier Pensioner where the cessation of employment occurred after 31 March 2014 – England and Wales – Review taking place 18 months after the date of cessation of employment

LGS26E2 - 3rd Tier Ill Health Retirement Review Certificate for a Current 3rd Tier Pensioner where the cessation of employment occurred before 1 April 2014 – England and Wales – Review taking place 18 months after the date of cessation of employment

LGS26E3 - 3rd Tier Ill Health Retirement Review Certificate for a Suspended 3rd Tier Pensioner where the cessation of employment occurred before 1 April 2014 – England and Wales – Review taking place within 3 years of the date of cessation of the 3rd tier pension

LGS26E4 - 3rd Tier Ill Health Retirement Review Certificate for a Suspended 3rd Tier Pensioner where the cessation of employment occurred after 31 March 2014 – England and Wales – Review taking place at the request of the member whilst the 3rd Tier pension is in payment or within 3 years after payment of the 3rd Tier pension has been discontinued

LGS26E5 - 3rd Tier Ill Health Retirement Review Certificate for a Suspended 3rd Tier Pensioner where the cessation of employment occurred before 1 April 2014 – England and Wales – Review taking place 3 or more years after the date of cessation of the 3rd Tier pension

LGS26E6 - 3rd Tier Ill Health Retirement Review Certificate for a Suspended 3rd Tier Pensioner Where the cessation of employment occurred after 31 March 2014 – England and Wales - Review taking place 3 or more years after the date of cessation of the 3rd tier pension

LGS26G - Ill health Certificate for a Deferred Beneficiary who ceased membership as an employee on or after 1 April 2014

SCAPC template letter – letter issued to member containing details of the cost to buy back lost pension due to a period of absence through payment of Shared Cost Additional Pension Contributions (SCAPC)

| Action No. | Date of meeting | Action Item Description | Comments | Assigned To | Status | Status | Date |
|------------|-----------------|----------------------------------|---|---------------|--------|--------|------|
| 12 | 26/11/2015 | b) Adoption of Training Plan. | Board members to inform the DPFM of any training completed. | Board Members | Open | | |
| 13 | 26/11/2015 | Pension Administration Strategy. | Board members to provide DPFM with a list of key officers within their organisations to be added to Pension Fund distribution list. | Board Members | Open | | |

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Agenda Item 10

Local Pension Board

| | Feb-16 | Apr-16 | Aug-16 | Nov-16 | Feb-17 | May-17 | Aug-17 | Nov-17 | Feb-18 | May-18 | Aug-18 | Nov-18 | Feb-19 |
|--|--------------------------------|--------------------------|-------------------------------|---------------------------------------|---------------------------------|---------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Standing Items | | | | | | | | | | | | | |
| Apologies for absence | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Declaration of Interest | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Minutes of last Board & matters arising not on agenda | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Scheme Legal & Regulatory update | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fund update & comments on minutes of PC & ISC | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Review of Risk Register | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Training Item relevant to agenda | IPR Code 14 and record keeping | 2016 Triennial Valuation | Annual Reporting requirements | Data protection and quality standards | Complaints and dispute handling | Fraud prevention and mitigation | | TBC | | TBC | TBC | TBC | |
| Review - how did we do? | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Forward work plan review | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Recurring annual, biennial or triennial main business items: | | | | | | | | | | | | | |
| Board Budget setting | 1 | | | | 1 | | | | 1 | | | | 1 |
| Board KPIs to monitor | 1 | | | | | 1 | | | | 1 | | | |
| Board Annual Report | | 1 | | | | 1 | | | | 1 | | | |
| Review Board's Terms of Reference (if and as required) | | | | 1 | | | | 1 | | | | 1 | |
| Board Annual Training Plan | | | | 1 | | | | 1 | | | | 1 | |
| Review Fund training programme | 1 | | | | 1 | | | | 1 | | | | 1 |
| Code of Conduct & Conflicts of Interest Policy | | | | | | | | | | | | 1 | |
| Review all fund declarations of interest | | | 1 | | | | 1 | | | | 1 | | |
| Review Fund Annual Report and Accounts | | | | 1 | | | | 1 | | | | 1 | |
| IPR Code of Practice 14/record keeping compliance survey results | 1 | | | | | | | | 1 | | | | |
| Input to Annual External Audit Plan | | | | 1 | | | | 1 | | | | 1 | |
| Review External Audit Report | | | | 1 | | | | 1 | | | | 1 | |
| Input to Annual Internal Audit Plan | | | | 1 | | | | 1 | | | | 1 | |
| Review Internal Audit Report | | | | 1 | | | | 1 | | | | 1 | |
| Review Fund Annual Business Plan | | 1 | | | | 1 | | | | 1 | | | |
| Review Admin Strategy | | | | 1 | | | | 1 | | | | 1 | |
| Review fund delegations and internal controls | | | | | 1 | | | | | | | | 1 |
| Review Governance Compliance Statement | | 1 | | | | 1 | | | | 1 | | | |
| Review external advisor appointments/process/controls and internal SLAs | | | | 1 | | | | | | | | 1 | |
| Review Admin Authority Discretions | 1 | | | | | | | | 1 | | | | |
| Review employers compliance (data) | 1 | | | | 1 | | | 1 | | | | 1 | |
| Review fund fraud risk prevention and mitigation measures | | | | 1 | | | | | | | | 1 | |
| Review of data security & business recovery | | | 1 | | | | 1 | | | | 1 | | |
| Review Fund Comms (employers/members) | | 1 | | | | 1 | | | | 1 | | | |
| Review fund website contents/resilience | | | | | 1 | | | | | | | | 1 |
| Review of Fund IDRP procedures & cases | | | | | 1 | | | | | | | | 1 |
| Review Triennial Valuation Process | | | | 1 | | | | | | | | | |
| Review Funding Strategy Statement | | | | | | 1 | | | | | | | |
| Review Statement of Investment Principles/compliance with FRC stewardship code | | | 1 | | | | 1 | | | | 1 | | |
| Results national LGPS KPI survey and funds own KPIs | | | 1 | | | | 1 | | | | 1 | | |
| Review CIPFA Admin and WM investment and other fund benchmarking results | | | | | 1 | | | | 1 | | | | 1 |
| Other ad hoc or irregular business items: | | | | | | | | | | | | | |
| Review GMP reconciliation process | | | | | | | | 1 | | | | | |
| Total number of Agenda Items: | 18 | 17 | 14 | 21 | 19 | 17 | 39 | 19 | 16 | 17 | 16 | 21 | 17 |

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SCHEDULE C – Register of Board members’ interests

Declaration Form

| | |
|--|--|
| Name | Alan Cross |
| Education/Professional Qualifications/Decorations | BSc (Dunelm), GIMA, CPFA, MBA |
| Trade or Profession | Accountant in local government |
| Current employment or office | Head of Finance, Reading Borough Council |
| Directorships | Not remunerated |
| Non-profit organisations with a link to the Berkshire Pension Fund | N/A |
| Consultancies and sponsorships | N/A |
| Trades union membership | Unison |
| Occupational pension schemes | Berkshire |
| Personal or stakeholder pensions | Historic AVC with Prudential |

Signed: _____

Date: 5/11/17

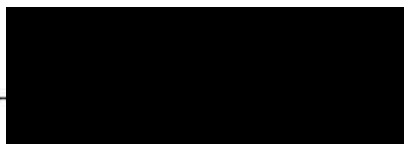
Note: My brother is employed as Director of Enterprise-Wide Risk for RBS

Register of Board members' interests

Declaration Form

| | |
|--|--|
| Name | JEFFREY EDWARD FORD |
| Education/Professional Qualifications/Decorations | ASSOCIATE OF CHARTERED INSTITUTE OF BANKERS |
| Trade or Profession | FINANCE |
| Current employment or office | MUNGEEFORD TOWN COUNCIL |
| Directorships | — |
| Non-profit organisations with a link to the Berkshire Pension Fund | — |
| Consultancies and sponsorships | — |
| Trades Union membership | — |
| Occupational pension schemes | - BARCLAYS BANK PLC - DORSET LGPS |
| Personal or stakeholder pensions | - BIRKSHIRE LGPS - STANDARDS LIFE STAKEHOLDER A/C. |

Signed: _____



Date: 8/3/17 _____

Register of Board members' interests

Declaration Form

| | |
|--|--|
| Name | Neil Wilcox |
| Education/Professional Qualifications/Decorations | LLB (Hons); ACMA |
| Trade or Profession | Accountant |
| Current employment or office | AD Finance & Audit (S151) – Slough Borough Council |
| Directorships | N/A |
| Non-profit organisations with a link to the Berkshire Pension Fund | N/A |
| Consultancies and sponsorships | N/A |
| Trades Union membership | N/A |
| Occupational pension schemes | RBWM Pension Fund |
| Personal or stakeholder pensions | Royal Liverpool – I'm currently seeking to transfer to RBWM Pension Fund |

Signed: _____  _____

Date: 15/6/17 _____

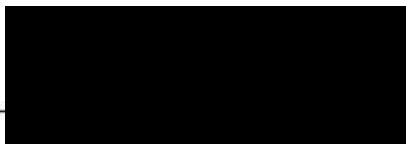


SCHEDULE C – Register of Board members' interests

Declaration Form

| | |
|--|---|
| Name | TONY PETTITT |
| Education/Professional Qualifications/Decorations | BA Human Geography MSc Transport Planning & Management Fellow Chartered Institute of Logistics & Transport Member Institution of Highways & Transportation Member Market Research Society |
| Trade or Profession | Chartered Transport Planner |
| Current employment or office | Chief Finance & Information Officer, Reading Buses |
| Directorships | Reading Buses |
| Non-profit organisations with a link to the Berkshire Pension Fund | N/A |
| Consultancies and sponsorships | None |
| Trades union membership | None |
| Occupational pension schemes | Berkshire Pension Fund (Retired Member) |
| Personal or stakeholder pensions | Scottish Widows (PPP) Friends Life (DC, Reading Buses) |

Signed: _____



Date: _____

4th January 2017

Investment Strategy Statement

The Royal Borough of Windsor & Maidenhead (“RBWM”) acting as the administering authority for The Royal County of Berkshire Pension Fund, a constituent member of The Local Government Pension Scheme in England & Wales, is required by Section 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 to publish an Investment Strategy Statement.

This is the second such statement published by the Royal Borough and in accordance with the Regulations it will be reviewed regularly and at no more than 3 year intervals.

The Regulations require the administering authority to outline how it meets each of 6 objectives:

1. A requirement to invest fund money in a wide range of instruments.

RBWM’s policy is that the pension fund (the “Fund”) should have a highly diversified investment portfolio spread across different asset classes and different asset managers using differing approaches as appropriate. This ensures that the fund money is invested in a wide range of instruments.

RBWM’s Pension Fund Panel has established an Investment Group which meets at least quarterly to review the pension fund’s performance, asset allocation and ability to meet its target return. In addition the Investment Group Committee reviews potential new investment ideas and products offered by its investment manager, Local Pensions Partnership Investments Limited (the “Investment Manager”) and opines whether such ideas are consistent with the investment strategy of the Fund and a suitable investment.

The Investment Group receives advice from suitably qualified Officers and Independent Advisers. It also makes use of information derived from the Investment Manager. It will commission specialist work from an external adviser when it believes that neither Officers nor the Independent Advisers have sufficient experience or expertise in a particular field.

To achieve sufficient diversification the Fund divides assets across 4 broad categories: equities, bonds, real assets and absolute return strategies. The size of each bucket will vary depending on investment conditions but each bucket will itself be diversified.

Any investment strategy will have associated risks, including primarily that of not meeting the returns required to ensure the long-term ability of the fund to pay benefits as they fall due. To mitigate these risks the Investment Group regularly reviews both the performance and the expected returns from the portfolio to measure whether it has met and is likely to continue to meet its return objective.

In addition the Investment Group notes that there will be an increasing gap between contributions received and benefits – i.e. that the Fund will become cash-flow negative. The Pension Fund Panel does not wish the Fund to sell assets to pay benefits. Consequently, it has resolved that a secondary objective of the investment strategy of the Fund should be to ensure that there is sufficient investment income generated from the Fund's investments to meet any cash-flow shortfall. This has been formalised as a medium term objective to generate a 2% income return across the investment portfolio (i.e. investment income should be at least equivalent to 2% of the Fund's assets).

2. The authority's assessment of the suitability of particular investments and types of investments.

In assessing the suitability of investments RBWM relies on the Investment Manager to take into account relevant factors including, but not limited to, prospective return, risks, concentration or diversification of risk as well as geographic and currency exposures, as well as possible interactions with other investments in the portfolio.

Performance benchmarks are set for the Fund as a whole (target return UK CPI+4.5%) as well as for individual allocations. The Fund's target return is greater than the actuarial discount rate used to value liabilities and has been set at a level sufficient to assist in meeting the funding gap whilst not taking excessive investment risk. Furthermore the Pension Fund Panel has agreed that the Fund should aim to achieve its target return with a low level of volatility in those returns. Whilst the Fund as a whole has an absolute return target, RBWM recognises that for measuring the performance of individual asset classes relative to specific benchmarks may be more appropriate.

In ensuring the suitability of investments RBWM expects Local Pensions Partnership Investments to pay regard to both the potential returns and risk (including possible interactions with other investments in the portfolio). RBWM will also consider the reputational risk of being connected with or investing in any investment proposal made by the Investment Manager. RBWM expects its managers to take into account Environmental, Social and Governance (ESG) issues when making an investment.

RBWM measures the returns and the volatility of those returns on a quarterly basis and publishes the results relative to a global group of investment funds with a similar diversified approach to investment on the Fund web-site.

3. The authority's approach to risk, including the ways in which risks are to be measured and managed

There are a variety of risks to be addressed when managing a pension fund with investment risk being just one of them. In 2016, in accordance with the principles of Pensions Regulator guidance, RBWM commissioned Lincoln Pensions to undertake an Integrated Risk Management (“IRM”) study of the Fund. This study looked at the interaction of employer covenant risk – the ability of the employers to meet future contributions, support the investment risk (volatility of returns) and underwrite funding risk (volatility of actuarial deficit). The study concluded that:

- The future contributions estimated by the Fund’s Actuary (on the GAD’s funding test, i.e. aimed at removing an actuarial deficit over 20 years) are likely to be affordable across the Fund’s employers over the next 10 years.
- Some of the Fund’s larger employers, notably unitary authorities, do face a number of challenges in the near term which could constrain affordability of future contributions, particularly given their statutory duties to provide adequate services.

In reaching these conclusions, the Fund’s assets, liabilities, and its participating employers have been subjected to a number of adverse stress scenarios to assess resilience, which serve to test and constrain affordability. Where employers find themselves under stress, they would be required to identify and utilise financial levers in order to maintain contributions at the level required. Such levers could include support from central Government or other employers, increases in council tax rates, increasing borrowings (subject to restrictions) and pledging assets to the Fund.

Looking specifically at investment risk RBWM is of the view that the diversification of the Fund investment portfolio is so broad that investment risk (volatility of returns) is low and will continue to be low. Ex ante volatility estimates require forecasts by asset class of volatility and correlation and whilst historic data can be used to estimate volatility for listed assets, it is much more difficult for unlisted (e.g. private equity, infrastructure, real estate) assets. Furthermore RBWM notes that correlations continually change and in times of financial stress all risk assets trend to a correlation with each other of 1. This “tail risk” means that most risk models either understate risk in times of stress or conservatively over-estimate volatility in normal markets.

The Fund targets a long-term return of UK CPI+4.5%; this is sufficient for it to meet its long-term liabilities. In setting the investment strategy, the Pension Fund Panel decided that this return should be achieved with a low degree of volatility – currently the Fund targets volatility below 10% per annum over the medium term.

As a patient long-term investor the Fund is prepared to ride-out short term volatility in investment markets and may, if suitable opportunities arise, adapt its investment strategy accordingly. At each review of the Investment Strategy Statement the assumptions on risk and return and their impact on asset allocation will be reviewed.

4. The authority's approach to pooling investments, including the use of collective investment vehicles.

RBWM has broad experience of investing in pooled vehicles be they collective investment vehicles or other “collectives” such as multi-partner Limited Partnerships.

When deciding whether to invest in a collective scheme or to seek a segregated account RBWM, will pay close attention to:

- The relative costs between a collective investment scheme and a segregated account with a focus on the Total Cost of Ownership
- The suitability and ability of a collective investment scheme to meet the mandate requirements of RBWM.

In recognition of the government's requirement for LGPS funds to pool their investments RBWM has agreed to become an Investment Client of the Local Pensions Partnership Investments Limited. RBWM anticipates that it will become a client of the Local Pensions Partnership Investments Limited by 1 June 2018 at which time pooling of assets will commence.

5. The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

RBWM accepts that stakeholders will have differing views on how social, environmental and corporate governance considerations should be taken into account and believes that no “one-size fits all” policy can possibly be implemented across such a diverse portfolio such as that of the Fund. Nevertheless RBWM seeks to protect its reputation as an institutional investor and ensures that the Investment Manager takes into account these issues when selecting investments for purchase, retention or sale. RBWM will not place social, environmental or corporate governance restrictions on the Investment Manager but relies on it to adhere to best practices in the jurisdictions in which they are based, operates and invests.

Furthermore RBWM has implemented three investment theses under “ESG” principles: investment in the food chain, housing and infrastructure. Specifically RBWM has made private equity investments in a “food and water” segregated account within its private equity portfolio, two farmland funds in its property portfolio, a number of infrastructure fund investments both globally and in the UK (in particular it was the seed investor in the Gresham House British strategic Investment Fund focussed on small scale infrastructure and Housing projects) as well as investments to support house builders via the purchase of residual shared equity loan books and a fund specialising in acquiring brownfield land for residential developments.

6. The authority’s policy on the exercising of the rights (including voting rights) attaching to investments.

RBWM expects the Investment Manager to exercise all rights attaching to investments including voting in accordance with recognised responsible investment guidelines. RBWM expects the Investment Manager to comply with the principles of the UK Stewardship Code.

RBWM confirms that the Berkshire Pension Fund has no investments in entities that are connected with the authority but if in future it does these will be limited to no more than 5% of the Fund’s assets.

Table one sets out the asset class limits as agreed by the Berkshire Pension Fund Panel on 21 May 2018

Table one: Asset Class Limits

| Asset Class | Policy Portfolio Benchmark | Tolerance Range | Relevant LPPI pool | Investment Objective |
|---------------------|-----------------------------------|------------------------|------------------------------------|---|
| Credit | 10% | 5-15% | LPP I Credit Investment LP | GBP LIBOR plus 3-5% |
| Fixed Income | 3% | 0-6% | LPP I Fixed Income Fund | Barclays Global Aggregate Index GBP Hedged plus 0.5% |
| Global Equities (*) | 40% | 30-50% | LPP I Global Equities Fund | MSCI All Country World GBP Index (net dividends reinvested) plus 2% |
| Private Equity | 13% | 8-18% | LPP I PE Investments (No. 3) LP | MSCI All Country World GBP Index (net dividends reinvested) plus 4-6% |
| Total Return | 4% | 0-10% | LPP I Total Return | 1 month GBP LIBOR plus 2-4% |
| Infrastructure | 12.5% | 8-16% | LPP I Infrastructure Investment LP | UK CPI plus 4-6% |
| Real Estate | 16.5% | 10-20% | LPP I Property Pool | UK CPI plus 4-6% |
| Cash | 1% | 0-5% | | |

Approved by the Berkshire Pension Fund Panel: 21 May 2018
Next review date: April 2019

Royal County of Berkshire Pension Fund

Annual Report and Accounts



2017/2018



THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

PENSION FUND PANEL

| | |
|---------------|---|
| Chairman | Councillor John Lenton |
| Vice Chairman | Councillor David Hilton |
| Other members | Councillor Geoff Hill Councillor Jack Rankin (to 15 May 2017) Councillor Richard Kelleway (from 16 May 2017) One vacancy |

PENSION FUND ADVISORY PANEL

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

Councillor David Worrall (Bracknell Forest Borough Council)
Councillor Glenn Dennis (Reading Borough Council)
Councillor KKhaula Usmani (Slough Borough Council)
Councillor Alan Law (West Berkshire Council)
Councillor Rob Stanton (Wokingham Borough Council)
Mr Engin Eryilmaz (University of West London)
Ms Sue Nicholls (UNISON) (to 15 May 2017)
Asia Allison (GMB)
Mr Mark Butcher (deferred scheme member)

ADVISERS

| | |
|--|--|
| Actuary | Barnett Waddingham LLP |
| Independent Investment Adviser | The Law Debenture Pension Trustee Corporation (Mr Inder Dhringa) |
| Independent Strategy Advisers (to the Investment Working Group) | Ms Aoifinn Devitt Mr Scott Jamieson (to 31 December 2017) |

Global Custodian

JP Morgan Worldwide Securities Services

Additional Voluntary Contribution Provider

Prudential Assurance Company

Royal Borough of Windsor & Maidenhead Pension Fund Officers

| | |
|--------------------------------|----------------|
| Head of Finance | Rob Stubbs |
| Pension Fund Manager | Nick Greenwood |
| Deputy Pension Fund Manager | Kevin Taylor |
| Investment Manager | Pedro Pardo |
| Pension Administration Manager | Philip Boyton |

PENSION BOARD

In accordance with the provisions of the Public Service Pensions Act 2013 a Pension Board was constituted on 22 July 2015.

Chairman Mr Tony Pettitt

Vice-Chairman Mr Alan Cross

Employer Representatives

Mr Alan Cross (Reading Borough Council)
Mr Neil Wilcox (Slough Borough Council)
1 vacancy

Scheme Member Representatives

Mr Tony Pettitt (Retired Scheme member)
Mr Jeff Ford (Active Scheme member)
1 vacancy

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 31 March 2018 for the Royal County of Berkshire Pension Fund.

The Royal Borough of Windsor & Maidenhead administers the Fund on behalf of the 6 Berkshire Unitary Authorities and around 250 other public, and private, sector employers. I am once again most grateful to the administration team for the efficient service they have provided to all of our employers and their continued professionalism in maintaining the highest standards of service to our Scheme members

The Berkshire Pension Fund Panel has powers delegated to it under the Constitution of the Royal Borough of Windsor & Maidenhead's Council Constitution. The Panel comprises of five Councillors from the Royal Borough of Windsor & Maidenhead and receives invaluable support from the Pension Fund Advisory Panel, which consists of representatives from the other 5 Berkshire Unitary Authorities, three other Scheme employer representatives and the trades unions. The Panels are additionally assisted by an independent advisor.

In practice decisions are taken at joint meetings of the two Panels. Investment decisions by the Pension Fund Panel are made after considering recommendations from the Investment Working Group (IWG). The IWG includes members nominated from both Panels together with our external Investment Strategy Advisers.

The Fund managed a nominal investment return of 4.3% over the financial year and 6.7% per annum over the last three years. In real terms, the Fund's investment return achieved was 1.8% over one year to March 2018 and 4.8% over the last three years, thus underperforming the 4.5% real return target for the Fund's investments over one year but slightly exceeding it over the three-year period.

All asset classes experienced strong positive returns until January 2018 when various geopolitical concerns, normalising monetary policies and other uncertainties triggered higher volatility and significant market corrections despite robust economic data. Major central banks are now reducing or preparing to reduce the level of monetary stimulus by raising rates and reducing their balance sheet, whose impact on markets and economic fundamentals will become clearer over the next 12 months.

Following successful discussions over the last few months, The Royal County of Berkshire Pension Fund will be partnering with the Local Pensions Partnership (LPP) to manage the fund's assets which will remain the property of the Berkshire Pension Fund.

I also wish to thank the members of the Pension Panel and Advisory Panel for their invaluable contributions to the work of the Fund during the year.

Finally I would like to thank our Pension Fund Manager and the Pension Fund Team for their continuous hard work and invaluable contribution to the efficient running of the service.



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

PENSION BOARD STATEMENT: APRIL 2017 – MARCH 2018

The Pension Board was set up in 2015 in accordance with the requirements defined in the Public Sector Pensions Act 2013.

The Board has a statutory duty to:

- Ensure the Fund's compliance with legislation, regulation and guidance, along with the Pension Regulator's (TPR) requirements;
- Ensure that the Fund's governance and administration is effective and efficient.

The main focus of the Board has been to embed the governance structure for the Board itself, which was done through the management of a clearly defined work programme of reviews, monitored through an action tracker. In addition, the Board has sought to deliver effective advice and assurance in line with the agreed Terms of Reference and the Administering Authority's Constitution.

The Board has continued the process of developing the knowledge and skills of the Board Members to enable them to undertake their duties with confidence. It has also given attention to the compliance of the Fund's administration, reviewing statutory documentation as it has been published throughout the year and building on the positive outcome of the internal audit of the Administering Authority's compliance with the TPR Code of Practice 14.

Pension Fund investment pooling has dominated the last year and has rightly been the main area of focus for the Pension Fund Panels. Whilst the Board has had no direct influence over the decisions taken by the Administering Authority, it has remained apprised of the situation with Board members receiving copies of all papers taken to meetings of the Pension Fund Panels. The Board has, however, felt it necessary to limit somewhat the number of its own meetings held this year pending the outcome of the pooling decision.

The Board welcomes the decision that has been taken to become a client of the Local Pensions Partnership Investment Limited (LPP I) and will continue to review the actions taken by the Administering Authority in formulating its Investment Strategy and Funding Strategy Statements. The Board will remain apprised of the asset allocation and investment performance reported by LPP I to the Pension Fund Panels on a quarterly basis. In addition the Board will keep under review Pension Panels' work-plan for the forthcoming year offering whatever assistance it can give to the Administering Authority in fulfilling its statutory duties of governance and administration.

Overall it has been a successful year with the work of the Board providing further evidence of the compliant, effective and efficient running of the Fund. There will always be room for improvement but our work helps to establish clear priorities for future activity.

PENSION BOARD 2017-18

Chairman: Tony Pettitt
Vice-Chairman: Alan Cross

Scheme Employer Representatives

Alan Cross (*Reading Borough Council*)
Neil Wilcox (*Slough Borough Council*)
1 vacancy

Scheme Member Representatives

Tony Pettitt (*Retired Scheme Member*)
Jeff Ford (*Active Scheme Member*)
1 vacancy

Dates of meetings:

14 June 2017
30 November 2017
20 March 2018 (postponed to 17 April 2018 – 2018/19 year)

Attendance for 2017/18

| Name | Number of meeting eligible to attend | Attended |
|--------------|--------------------------------------|----------|
| Tony Pettitt | 2 | 2 |
| Alan Cross | 2 | 2 |
| Neil Wilcox | 2 | 2 |
| Jeff Ford | 2 | 2 |

SCHEME ADMINISTRATION REPORT

INTRODUCTION

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 2013 (as amended).

The Royal Borough has delegated its role as administering authority to the Pension Fund Panel. This Panel consists of five Royal Borough councillors and is assisted by the Pension Fund Advisory Panel. This latter panel includes the five Royal Borough councillors plus one councillor drawn from each of the other five unitary authorities in the Fund, one representative from the University of West London on behalf of the other employing bodies in the Fund, two Trade Union representatives (one each from Unison and GMB) acting for the active members of the Fund and one independent adviser.

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

| Name | Authority | Number of Meetings eligible to attend | Attended |
|--------------------------------|---------------------------|---------------------------------------|----------|
| Councillor Lenton (Chair) | RB Windsor & Maidenhead | 5 | 5 |
| Councillor Hilton (Vice Chair) | RB Windsor & Maidenhead | 5 | 5 |
| Councillor Hill | RB Windsor & Maidenhead | 5 | 2 |
| Councillor Kellaway | RB Windsor & Maidenhead | 4 | 4 |
| Councillor Rankin | RB Windsor & Maidenhead | 1 | 0 |
| Councillor Usmani | Slough Borough Council | 1 | 0 |
| Councillor Sarfraz | Slough Borough Council | 4 | 0 |
| Councillor Law | West Berkshire Council | 5 | 4 |
| Councillor Stanton | Wokingham Borough Council | 5 | 3 |
| Councillor Dennis | Reading Borough Council | 5 | 4 |
| Councillor Worrall | Bracknell Forest Council | 5 | 2 |

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

In addition to the invaluable support and advice offered by the Pension Fund Advisory Panel the Pension Fund Panel is assisted by a variety of advisers including Mr Inder Dhingra as an independent adviser and Mr Graeme Muir of Barnett Waddingham, the Actuary to the Fund. The Investment Working Group, a sub-group of the panels, is independently advised by Mr Scott Jamieson and Ms Aoifinn Devitt. Additional advice from other professional advisers is

sought as necessary. Many of the duties of the Panel are delegated to Officers in accordance with the Royal Borough's constitution.

CUSTOMER SATISFACTION

The landscape of the Local Government Pension Scheme continues to evolve greatly resulting in the need for our administration team to continue using a variety of methods to understand our members and employers needs. Their needs, experiences of the service we provide and their perception of the Pension Fund help us to continually improve and become more efficient and effective.

The 1 April 2014 saw a significant change to the Local Government Pension Scheme with the introduction of a career average scheme, fundamentally different to the final salary scheme previously in place. This event undoubtedly made the Scheme more complex to administer with increased scrutiny from The Pensions Regulator.

During the last year the team has continued to communicate with members to ensure that they are aware of the impact the changes to the Scheme will make to their pension benefits and to ensure employers are fully educated and understand their responsibilities to provide timely and accurate information together with the consequences of their failure to do so.

There is no doubt our relationship and need to continue working with our scheme employers and their members is ever more important.

Compliance with Communications Policy Statement

Under Regulation 61 of the Local Government Pension Scheme Regulations 2013 (as amended) 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, members and employers of the Pension Fund.

The administering authority keeps the policy statement under review. During the year the Fund undertook:

> Communication with Employers

Annual Employers Meeting

All employers were invited to attend a meeting on 15 March 2018. They were provided with details of the data they are required to submit to the administration team so that members' records are correct, an actuarial update of the Pension Fund, and a presentation by Prudential (the Pension Fund's approved AVC provider), regarding the options AVCs provide at retirement.

Training for Employers

The Administration Team continues to hold ad-hoc training sessions throughout the year on request. These sessions are designed to educate both new and current employers about the important role they play in helping the team administer the Scheme and the importance of holding clean and accurate data to process benefits quickly and efficiently. These sessions were well received with the team immediately seeing a more proactive approach towards the submission and quality of data by employers.

Regular Updates on the LGPS

"The Inscribe" bulletin is distributed to employers on a quarterly basis with other global emails distributed to employers when deemed necessary.

Pension Fund website

The Pension Fund website continues to prove a valuable source of information for our Scheme employers and their members.

The website contains sections dedicated to the following:

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

The site received over 62,000 visits from members and employers during the year and has been described as easily accessible and having many links making navigation user friendly.

The administration team continue to review and remodel the website to ensure members are aware of the impact any changes to the Scheme will make to their pension benefits but also to ensure a point of reference for employers to help continually educate them and understand their responsibilities.

The website address is www.berkshirerpensions.org.uk

Employer Self Service (ESS)

The Pension Fund launched ESS on 19 October 2017. ESS is accessible to all registered scheme employers and enables them to view and amend their own scheme members' pension data remotely and securely from the comfort of their workplace.

ESS also enables scheme employers to calculate quickly and efficiently the value of their scheme members benefits any respective strain cost payable thus avoiding the need to contact the administration team.

i-connect Software

The Pension Fund continues to build on the success it has experienced since February 2016 by seeing a further 34 employers start submitting data to the Fund on a monthly basis using i-connect Software. A total of 57 scheme employers are now on board covering a little over 50% of the total active scheme membership.

This has saved the team a significant administration time by removing the need for manual input, but most importantly helping maintain the accuracy of member data. No doubt employers and the team will continue to benefit from this service throughout the next 12 months.

General Guidance and Assistance

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

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.

➤ **Communication with All Members**

Member Self Service - 'my pension ONLINE'

The Pension Fund's 'my pension ONLINE' service enables members to securely access and update your own pension details using not just their desktop PC but now using their laptop, tablet or smartphone.

The service continues to prove popular with members of all status who can quickly gain access to their own pension record to check their details are correct and calculate the current and future value of their own benefits and their dependants. This removes the need to contact the administration team and wait for an estimate to be sent to them.

Welcome Pack

With the implementation of 'my pension ONLINE' each new member receives a letter containing an activation code and guidance as to how to access their welcome pack online. If a member chooses not to register for 'my pension ONLINE' a paper version of the welcome pack will be sent to the member's home address upon request.

Annual Benefit Statements

Each active and deferred member of the pension scheme receives an annual benefit statement. With the availability of 'my pension ONLINE' these statements are available for viewing, downloading or printing on-line and means the Fund only issues a paper statement to approximately 5,000 or 9.6% of the membership by post.

The Annual Benefit Statement provides details of benefits built up to 31st March the previous year, death in service benefits and details of the member's nominated beneficiaries.

Pension Surgeries

During the year two pension surgeries were held at each of the six Unitary Authorities with additional pension surgeries being held at other employer locations upon request. These pension surgeries provide an opportunity for members to discuss any aspect of their pension benefits. The administration team met with 711 scheme members across the pension surgeries held.

To accompany these pension surgeries the administration team provide pre-retirement courses and presentations aimed at those members considering retirement in the near future.

Newsletters

The Pension Fund produces and distributes bi-annual newsletters. 'The Quill' is issued to active and deferred members and 'The Scribe' is issued to pensioner and dependant members. Both continue to be very well received by members. Since the implementation of 'my pension ONLINE' newsletters are available for viewing, downloading or printing on-line.

Annual Meeting

A meeting took place on 9 November 2017 held at the Town Hall in Maidenhead. At the same time, the pension team invited members to attend an open day at the same location. In attendance were members of the administration and payroll teams, representatives from Barnett Waddingham (the Pension Fund Actuary) and Prudential (the Fund's approved AVC provider).

➤ **Communication with Pensioner and Dependant Members**

The Pension Fund has a dedicated payroll team dealing with former members now receiving payment of their pension benefits. As well as responding to their enquiries the payroll team are responsible for ensuring we meet our regulatory requirements.

Pension Payslips

The administration team has issued payslips in accordance with its 50 pence variance rule each month and before payment has been made. The Retired Members area of the Pension Fund website provides a detailed explanation of a payslip. Since the implementation of 'my pension ONLINE' payslips are available for viewing, downloading and printing on-line.

P60s

The administration team issued P60s to all pensioner and dependant members in April 2017 well in advance of the HMRC deadline. The Retirement Members area of the Pension Fund website provides a detailed explanation of a P60, which was also contained in our Spring edition of *'The Scribe'*. Since the implementation of 'my pension ONLINE' P60s are available for viewing, downloading and printing on-line in a format approved by HM Revenue & Customs.

Guaranteed Minimum Pension (GMP) Reconciliation

In January 2018 the Pension Fund successfully completed the reconciliation of GMP amounts held against those held by HM Revenue & Customs on 31 January 2018. Working in partnership with ITM Limited this exercise resulted in the correction of over 800 Annual Pension payments.

Annual Pension Increase Notice

The administration team issued a notification to all pensioner and dependant members in April 2017 providing details of the 1% increase awarded from 10 April 2017 in line with the Consumer Price Index (CPI).

Tell Us Once (TUO)

A service designed to provide Funds with details of those members having died and their next of kin via the General Registry Office (GRO), the Fund was one of the first Local Government Pension Funds to on board and up load membership data and since going LIVE in March 2016 has received 296 notifications with 155 of these received between 1 April 2017 and 31 March 2018 alone.

This helped the Fund make contact with the next of kin more quickly and avoid any potential overpayment of benefits.

MANAGEMENT PERFORMANCE

Key Administration Performance Indicators

The administration team monitor the time it takes to complete procedures. The key foundation to achieving the performance standards we set to complete procedures is by ensuring we maintain quality data.

Our key procedures reported to the Pension Fund Panel on a quarterly basis are:

- Inputting of new members;
- Processing of early leavers;
- Payment of retirement benefits; and
- Payment of transfer values.

Performance for these key procedures over the year was 99.29%, which is a decrease of 0.05% on the 2016/17 year. A summary of achievement in each area is shown in the table below:

| Administration Team Performance | Target (working days) | 2016/17 | | | 2017/18 | | |
|---------------------------------|-----------------------|-----------------|----------------------|-----------------|-----------------|----------------------|-----------------|
| | | Number received | Number within target | % within target | Number received | Number within target | % within target |
| Inputting of new members | 20 | 5144 | 5115 | 99.44 | 5424 | 5406 | 99.67 |
| Processing of early leavers | 20 | 3971 | 3952 | 99.52 | 4670 | 4644 | 99.44 |
| Payment of retirement benefits | 5 | 1040 | 1022 | 98.27 | 1115 | 1080 | 96.86 |
| Payment of transfer values | 15 | 50 | 49 | 98.00 | 54 | 53 | 98.15 |

A further top five procedures in terms of cases completed are shown in the table below:

| Administration Team Performance | Target (working days) | 2016/17 | | | 2017/18 | | |
|--|-----------------------|-----------------|----------------------|-----------------|-----------------|----------------------|-----------------|
| | | Number received | Number within target | % within target | Number received | Number within target | % within target |
| Employee estimate requests | 7 | 2650 | 2238 | 84.45 | 1428 | 1,192 | 83.47 |
| Employer estimate requests | 5 | 454 | 398 | 87.67 | 391 | 354 | 90.54 |
| Changes to personal details | 15 | 6121 | 5871 | 95.92 | 5,977 | 5,616 | 93.96 |
| Issue of 'my pension ONLINE' Activation Keys | 5 | 1212 | 1195 | 98.60 | 2247 | 2217 | 98.66 |
| APC Quotes | 20 | 235 | 230 | 97.87 | 213 | 213 | 100 |

Complaints

The administration team monitor the complaints received on a monthly basis and ensure we respond promptly having investigated thoroughly and learn from them to improve the service.

The complaints are monitored in two distinct ways:

- Complaints about our service and the way we apply the regulations; and
- Under the LGPS members can use a three stage Internal Dispute Resolution Procedure (IDRP) to settle any disagreement or complaint that they may have about decisions made under scheme rules.

The table below shows the number of complaints in each category. These represent a minimal percentage when compared to more than 41,000 procedures we carried out in 2017/18.

| Administration Team Performance | Case Type | Target (working days) | 2016/17 | | | 2017/18 | | |
|---------------------------------|-----------|-----------------------|-----------------|----------------------|-----------------|-----------------|----------------------|-----------------|
| | | | Number received | Number within target | % within target | Number received | Number within target | % within target |
| | Service | 10 | 0 | n/a | n/a | 0 | n/a | n/a |
| | IDRP | n/a | 1 | 1 | 100% | 2 | 2 | 100% |

Key Staffing and Membership Numbers

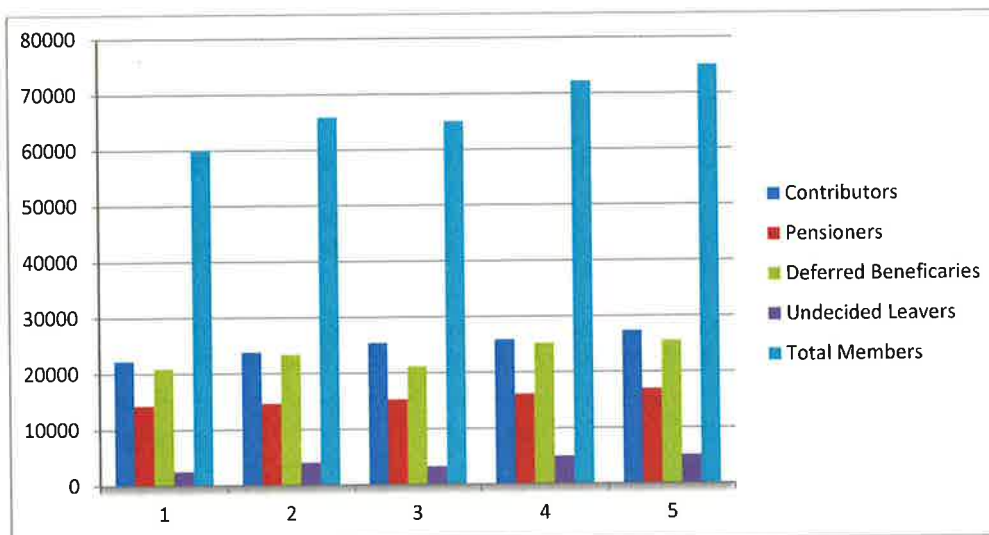
Staffing

The administration team is made up of the following members:

| Year | 2016/17 | 2017/18 |
|--|-------------|-------------|
| Pension Administration Manager | 1.0 | 1.0 |
| Deputy Pension Administration Manager | 1.0 | 1.0 |
| Assistant Pension Manager (Communications) | 1.0 | 1.0 |
| Technical Analyst | 1.0 | 1.0 |
| Senior Pension Administrators | 2.0 | 2.0 |
| Pension Administrators | 5.6 | 4.6 |
| Trainee Pension Administrators | 2.0 | 3.0 |
| Payroll Supervisor | 0.7 | 0.7 |
| (Trainee) Payroll Assistant | 1.0 | n/a |
| Pension & Payroll Administrator | n/a | 1.0 |
| Clerical Support | 0.6 | 0.6 |
| Total | 15.9 | 15.9 |

Membership

Membership of the Pension Fund continues to grow. The chart and table overleaf show the number of contributors, deferred beneficiaries and pensioners (including dependants) and Undecided Leaver member records (individuals may have more than one membership record) over the last five years to 31 March 2018.



| | 31 March 2014 | 31 March 2015 | 31 March 2016 | 31 March 2017 | 31 March 2018 |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contributors | 22,276 | 23,783 | 25,434 | 25,845 | 27,369 |
| Pensioners | 14,254 | 14,610 | 15,243 | 16,126 | 16,955 |
| Deferred Beneficiaries | 20,960 | 23,415 | 21,187 | 25,256 | 25,624 |
| Undecided Leavers | 2,503 | 4,083 | 3,271 | 5,015 | 5,127 |
| Total Members | <u>59,993</u> | <u>65,891</u> | <u>65,135</u> | <u>72,242</u> | <u>75,075</u> |

NOTES:

- Contributors are employees currently contributing to the Local Government Pension Scheme and include some employees who have more than one contract of employment, each contract being treated separately for administration purposes.
- Pensioner members are in receipt of a pension and include all dependants of former members.
- Deferred beneficiaries are former contributors who have elected to retain their rights in the Scheme until such time as they become payable.
- Undecided Leavers are former contributors who have an entitlement to receive a return of contributions paid less mandatory deductions.

The result is a large Pension Fund being administered by a small team. The administrator to scheme member ratio remains consistent with the previous year at 1:4,721 with the administration team continuing to provide a highly regarded and professional service across the entire membership.

Benchmarking

The Pension Fund has not taken part in any formal benchmarking exercise since 2006 but is always prepared to take the opportunity to compare ourselves against other Pension Funds of a comparable size in terms of membership. The Pension Fund most recently took the opportunity when exploring the option of the administration team working in partnership with the Local Pensions Partnership (LPP).

Gathering Assurance

The Pension Fund recognises the importance of gathering assurance over the effective and efficient operation of the pension and payroll administration software used, *altair*. Provided by *heywood* Limited, both our teams utilise the workflow functionality afforded to us ensuring thorough checks are performed by senior members of the team in all areas of administration.

The Pension Fund is also proactive in responding to enquiries received from both internal (Royal Borough of Windsor & Maidenhead) and external (KPMG) auditors.

THE FUTURE

Whilst there has been much uncertainty following the Government's announcement about pooling of LGPS investments to create "British Wealth Funds" by 1 April 2018 and the possible impact this may have on administration team we will be certain to remain committed and focus our efforts on communicating with both our scheme employers and their members. We will ensure that members understand and appreciate the value of the Scheme, which forms a significant part of the pay and reward package provided by their employer.

Ensuring the timely and accurate submission of data from employers is crucial to the administration team continuing to deliver a quality service to members. We will continue to endeavour to introduce further efficiencies and better ways of working to further improve on the systems that are currently in place.

These improvements will be delivered to not only ensure the quality of our members data is maintained to the standard required by the Pensions Regulator (tPR) but is also protected as required by the introduction of the Government Data Protection Regulation (GDPR) from 25 May 2018.

Customer service will continue to be a priority as the next few years will be challenging for both members and employers. To demonstrate our commitment and ensure this continues we will ask for our members and employers opinion on our services in a variety of ways. We will continue to survey a sample of our active, deferred, pensioner and dependant members by post, at pension surgeries, presentations and on-line via our website.

Investment Report

The structure of the investments and managers for the Royal County of Berkshire Pension Fund as at 31 March 2018 and previous year end is shown below:

| Asset Class | 31-Mar-18 | | 31-Mar-17 | |
|------------------------------------|-----------|--------|-----------|--------|
| | Value £m | % Fund | Value £m | % Fund |
| Global Equities | 944.0 | 45.3% | 961.7 | 48.4% |
| Bonds | 260.8 | 12.5% | 263.1 | 13.2% |
| Absolute Returns | 81.3 | 3.9% | 180.3 | 9.1% |
| Property | 272.0 | 13.0% | 259.8 | 13.1% |
| Commodities | 70.4 | 3.4% | 55.4 | 2.8% |
| Infrastructure | 129.0 | 6.2% | 132.4 | 6.7% |
| Other Current Assets / Liabilities | 327.7 | 15.7% | 133.1 | 6.7% |
| | 2,085.3 | 100.0% | 1,985.8 | 100.0% |

As at 31 March 2018, the Fund employed the following external managers (excluding General Partners of Limited Partnerships in which the Fund has a partnership interest across various asset classes including private equity, private debt and infrastructure):

| Asset Class | Managers |
|--------------------------|--|
| Global Convertible Bonds | Aviva Investors Blue Bay Asset Management |
| UK & Global Property | Aviva Investors Global Services |
| Global Equities | Kames Capital RWC Partners |
| Emerging Markets Equity | Fidelity International First State Investments Morgan Stanley Investment Management William Blair International |
| Absolute Returns | Grosvenor Capital Management (legacy) |

The Fund managed a nominal investment return of 4.3% over the financial year and 6.7% per annum over the last three years. In real terms, the Fund's investment return achieved was 1.8% over one year to March 2018 and 4.8% over the last three years, thus underperforming the 4.5% real return target for the Fund's investments over one year but slightly exceeding it over the three-year period. All asset classes experienced strong positive returns until January 2018 when various geopolitical concerns, normalising monetary policies and other uncertainties triggered higher volatility and significant market corrections despite robust economic data. Major central banks are now reducing or preparing to reduce the level of monetary stimulus by raising rates and reducing their balance sheet, whose impact on markets and economic fundamentals will become clearer over the next 12 months.

There were minimal changes in the Fund investments during the financial year as the primary strategic initiative agreed by the Panel was the pooling of the pension fund assets as requested by Government at the end of 2015. Following successful discussions over the last few months, The Royal County of Berkshire Pension Fund will be partnering with the Local Pensions Partnership (LPP) to manage the fund's assets which will remain the property of the Berkshire

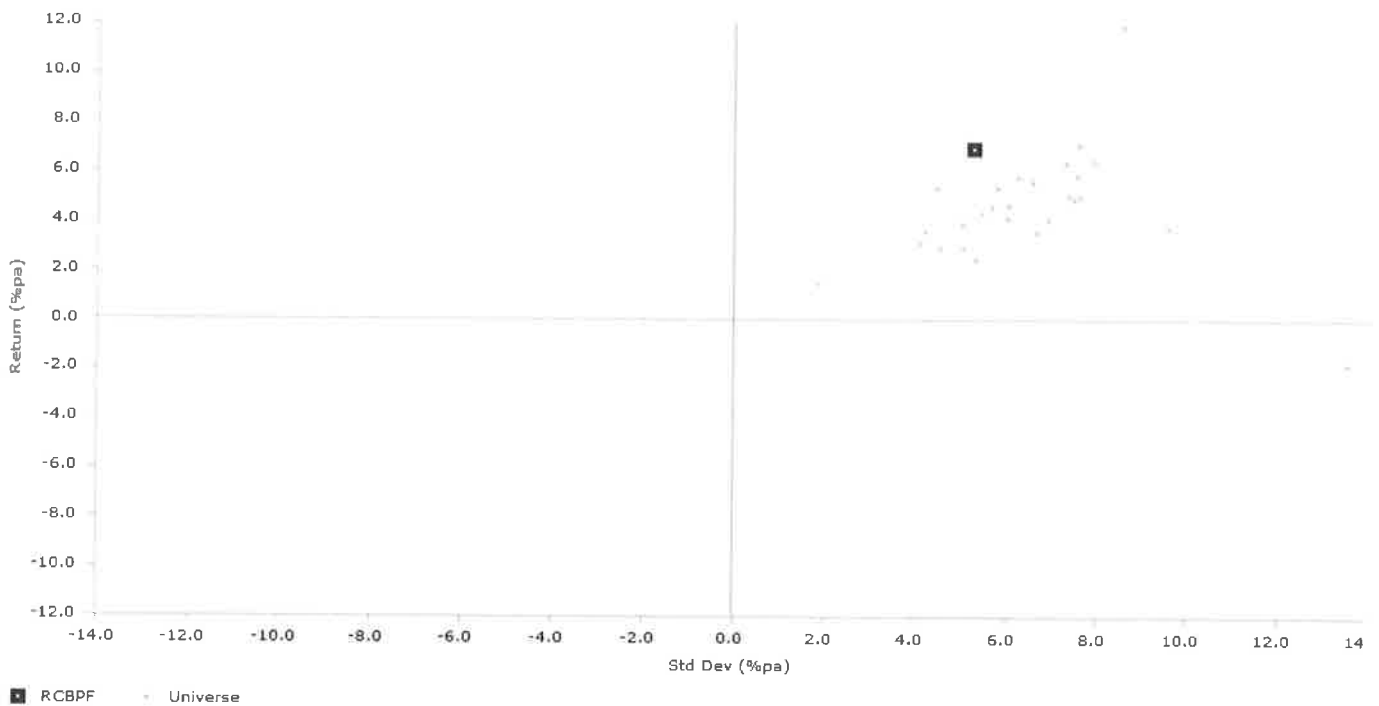
Pension Fund. Other than this, the strategic reduction of the absolute return portfolio formerly advised by Grosvenor was completed at the end of December 2017. The Fund also increased exposure marginally to other private debt and private equity funds both in the UK and Globally. The higher than usual liquidity will soon be redeployed according to the model portfolio recently agreed with LPP.

More detailed information about the performance of the Fund can be found in the Investments section of the Fund's web-site (<http://www.berkshirepensions.org.uk>).

The chart below shows that against funds with a similar investment strategy the Berkshire Pension Fund has, since the inception of our bespoke strategy, continued to outperform against other similar funds with a higher than average return and a lower than average level of risk.

Berkshire Pension Fund

Return and Std Deviation in GBP (after fees) over 7 yrs ending March-18
 Comparison with the International Multi-asset GBP (Net) universe (quarterly calculations)



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Financial Performance

Movement in Net assets of the scheme

During the financial year, the value of the net assets of the scheme increased by £88.3 million.

Timeliness of Receipt of Contributions

| | 2017/18 | 2016/17 | 2015/16 |
|--|---------|---------|---------|
| Percentage of contributions received on or before the due date | 97.65% | 98.43% | 98.49% |

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

Administrative Costs Actual compared to Budget

| | 2017/18 Actual £000's | 2017/18 Budget £000's |
|-----------------------|-----------------------|-----------------------|
| Staff | 557 | 446 |
| Supplies and Services | 518 | 337 |
| Unit Recharges | 267 | 62 |
| TOTAL | 1,342 | 845 |

Income and Expenditure

| | 2017/18 Actual £000's | 2017/18 Forecast £'000's |
|--|-----------------------|--------------------------|
| Employee/Employer Contributions | 106,341 | 96,500 |
| Employer additional contributions for early retirements | 2,250 | 1,300 |
| Transfer Values Received | 13,403 | 6,300 |
| Pensions Payable | -80,065 | -82,000 |
| Retirement Lump Sums and Death Grants | -20,428 | -20,600 |
| Transfer Values Paid and Refund of Contributions | -10,184 | -2,700 |
| Management Expenses | -9,204 | -6,200 |
| Net additions/(withdrawals) from dealing with members | 2,113 | -7,400 |

RISK MANAGEMENT

The Royal Borough of Windsor and Maidenhead as the administering authority for The Royal County of Berkshire Pension Fund (“the Fund”) places great emphasis on risk management. The Fund differentiates between operational and strategic risks in order to secure the effective governance and administration of the Local Government Pension Scheme (LGPS). The main internal controls for the Fund set out the arrangements and procedures to be followed in administration, governance and management of the Scheme and the systems required for ensuring those arrangements are met.

Operational risk

Operational risk covers such areas as administration of members’ records and payment of benefits, receipt of contributions as well as such things as 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.

A number of key operational risks and the action taken to mitigate them are detailed below:

| Risk | Mitigating Action |
|---|--|
| Failure to comply with Scheme regulations and associated pension law. | Staff training, employer training and external guidance provided. Desk top procedures in place and systems software provider competent. |
| Payments of incorrect benefits. | <p>Annually each active member’s contributions and pay details are confirmed with their employer.</p> <p>On leaving employment an individual’s scheme membership history and pay details will be confirmed with their employer.</p> <p>Pension Fund is moving toward an automated and secure method of data transfer between employers and the Fund.</p> |
| Pension benefits not paid on time. | <p>A schedule of payment dates is maintained and written procedures adopted.</p> <p>Sufficient cover is provided to ensure payments are made at the correct time.</p> |

| | |
|--|--|
| Ongoing pension benefits paid to a deceased member. | The Fund undertakes a monthly mortality screening exercise and takes part in the biennial National Fraud Initiative (NFI) |
| Failure to maintain a high quality database. | <p>The Fund's preferred method of receiving data from scheme employers is through a secure electronic data transfer system called i-connect thereby maintaining member records in real-time.</p> <p>Pro-active data checks are undertaken before benefits are paid.</p> <p>Both members and employers have access to self-service systems enabling them to check data.</p> |
| Failure to hold data securely. | <p>Database is hosted off-site and backed-up in 2 separate locations.</p> <p>Access to systems is via dual-password and username.</p> <p>Data transferred between systems is encrypted.</p> <p>Compliant with data protection and IT policies.</p> |
| Contribution payments received late from scheme employers. | <p>Receipt of contributions is monitored robustly with employers being reminded of their statutory duty if payments are received late.</p> <p>Procedures in place to issue notices of unsatisfactory performance to employers who fail to make payments on time and to report them to the Pensions Regulator where deemed materially significant.</p> |
| Failure to communicate properly with stakeholders. | <p>The Fund has a Communication Policy and a Communications Manager.</p> <p>The website is maintained to a high standard at all times.</p> <p>Newsletters and factsheets are issued to both scheme members and scheme employers.</p> <p>Training is provided to scheme employers.</p> |

| | |
|------------------------------|---|
| Loss of office premises | A comprehensive business continuity plan is in place. Systems are hosted and so can be accessed remotely from home or from an alternative office space. |
| Loss of funds through fraud. | The Fund is externally and internally audited annually to test that controls are adequate. The Fund participates on the biennial National Fraud Initiative (NFI) |

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. A number of key strategic risks and the action taken to mitigate them are detailed in the table below:

| Risk | Mitigating Action |
|--|---|
| Funding level below 100%. | The Fund has issued a Funding Strategy Statement and Investment Strategy Statement. Deficit recovery plan is in place. |
| Unstable employer contributions. | The Fund aims to keep employer contribution rates stable by agreeing with scheme employers and the Actuary an appropriate deficit recovery plan. |
| Unsatisfactory investment performance. | The Fund has issued an Investment Strategy Statement and monitors closely the performance of its Investment Manager. An Investment Group meets quarterly with the Investment Manager to discuss investment performance and asset allocation. |
| Inappropriate funding targets. | The Fund has a broadly diversified portfolio with no one asset class dominating. Targets are reviewed quarterly with the Investment Manager. |
| Scheme employer covenants. | The Fund monitors closely the ability of scheme employers to meet their obligations. A cessation valuation is undertaken by the Actuary when a scheme employer |

| | |
|-------------------------------|---|
| | <p>exits the Scheme.</p> <p>A funding report and covenant assessment is provided by the Actuary when an employer becomes a new admission body to the Fund.</p> |
| <p>Governance of the Fund</p> | <p>The Pension Fund is governed by the Pension Fund Panel and Pension Fund Advisory Panel.</p> <p>The Pension Board assist the Panels in fulfilling their statutory duties.</p> <p>Law Debenture have been appointed as an independent Governance Advisor to both Panels.</p> <p>Officers arrange training on specific matters as required during the year.</p> |

Royal County of Berkshire Pension Fund

Actuary's Statement as at 31 March 2018

Barnett Waddingham LLP

17 May 2018

Introduction

The last full triennial valuation of the Royal County of Berkshire Pension Fund was carried out as at 31 March 2016 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2017.

2016 valuation results

The results for the Fund at 31 March 2016 were as follows:

- The Fund as a whole had a funding level of 73% i.e. the assets were 73% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £597m which is higher than the deficit at the previous valuation in 2013.
- To cover the cost of new benefits and to also pay off the deficit over a period of 24 years, an average total employer contribution rate of 22.0% of pensionable salaries would be required.
- However, the contribution rate for each employer was set as the cost of new benefits accruing in future plus an adjustment (expressed either as a percentage of payroll or as a lump sum payment) required to fund their individual deficit over an appropriate period.

Assumptions

The assumptions used to value the liabilities at 31 March 2016 are summarised below:

| Assumption | 31 March 2016 |
|--------------------------|---|
| Discount rate | Unitary employers - 5.7% p.a. Non unitary employers - 5.5% p.a. |
| Pension increases (CPI) | 2.4% p.a. |
| Salary increases | In line with CPI until 31 March 2020 and 3.9% p.a. thereafter |
| Pension increases on GMP | Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases. |
| Mortality | S2PMA tables with a 95% multiplier for male and female members, a 115% multiplier for male dependants and the S2DFA tables for female dependants with an 80% multiplier, with projected improvements in line with the CMI 2015 model allowing for a long term rate of improvement of 1.5% p.a. |
| Retirement | Each member retires at a single age, weighted based on when each part of their pension is payable unreduced |
| Commutation | Members will convert 50% of the maximum possible amount of pension into cash |

Further details of these assumptions can be found in the relevant actuarial valuation report.

Assets

At 31 March 2016, the market value of the assets was £1,656m.

The assumptions used to value the liabilities are smoothed based on market conditions around the valuation date and the asset value used at the valuation is adjusted in a consistent manner although the difference between the smoothed and market values was not significant.

Updated position since the 2016 valuation

Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities will, however, have also increased due to the accrual of new benefits as well as a decrease in the real discount rate underlying the valuation funding model. Overall, we estimate that the funding position as at 31 March 2018 has improved compared with the position as at 31 March 2016 although the primary rate has also increased due to changes in market conditions.

The next formal valuation will be carried out as at 31 March 2019 with new contribution rates set from 1 April 2020.

Graeme D Muir FFA
Partner, Barnett Waddingham LLP

Audit Statement

TBC

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:

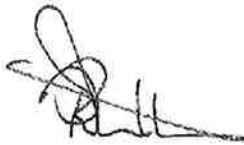
- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Pension Fund Manager is the officer fulfilling that responsibility;
- To manage its affairs so as to secure economic, 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.



Rob Stubbs
Deputy Director and Head of Finance

PENSION FUND ACCOUNTS

The Royal County of Berkshire Pension Fund Account

| 2016/17 £'000 | | Notes | 2017/18 £'000 |
|------------------|--|-------|------------------|
| | Dealings with members, employers and others directly involved in the Fund | | |
| (98,745) | Contributions | 7 | (108,591) |
| (9,826) | Transfers in from other pension funds | 8 | (13,403) |
| (108,571) | | | (121,994) |
| 96,585 | Benefits | 9 | 100,493 |
| 6,966 | Payments to and on account of leavers | 10 | 10,184 |
| 103,551 | | | 110,677 |
| (5,020) | Net (additions)/withdrawals from dealings with members | | (11,317) |
| 8,378 | Management expenses | 11 | 9,204 |
| 3,358 | Net (additions)/withdrawals including fund management expenses | | (2,113) |
| | Returns on investments | | |
| (34,915) | Investment income | 12 | (40,770) |
| 2,207 | Taxes on income | 13 | 3,036 |
| | Profits and losses on disposal of investments and changes in the market value of investments | 14 | (48,421) |
| (238,086) | | | (85,155) |
| (270,794) | Net return on investments | | (85,155) |
| (267,436) | Net (increase)/decrease in the net assets available for benefits during the year | | (88,268) |
| 1,656,559 | Opening net assets of the scheme | | 1,923,995 |
| 1,923,995 | Closing net assets of the scheme | | 2,012,263 |

Net Assets Statement for the year ended 31 March 2018

| 2016/17 £'000 | | Notes | 2017/18 £'000 |
|------------------|---|-------|------------------|
| 1,981,322 | Investment assets | 14 | 2,082,344 |
| (65,020) | Investment liabilities | 14 | (63,402) |
| 1,916,302 | Total net investments | | 2,018,942 |
| 10,241 | Current assets | 21 | 9,048 |
| (2,548) | Current liabilities | 22 | (15,727) |
| 1,923,995 | Net assets of the fund available to fund benefits at the end of the reporting period | | 2,012,263 |

The fund's financial statements do not take account of liabilities to pay pensions and others benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

NOTES TO THE PENSION FUND

Notes to the Royal County of Berkshire Pension Fund Accounts for the year ended 31 March 2018

1 Description of Fund

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

The following description of the fund is a summary only. For more detail, reference should be made to the Royal County of Berkshire Pension Fund Annual Report 2017/18 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

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

b) Membership

Membership of the LGPS is voluntary. Employees are automatically enrolled into the scheme and are free to choose whether to remain in the scheme, opt-out of the scheme, or make their own personal arrangements outside the scheme.

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

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

There are 186 active employer organisations within the Royal County of Berkshire Pension Fund including the administering authority itself, and 70,310 individual members, as detailed below:

| The Royal County of Berkshire Pension Fund | 31 March 2017 | 31 March 2018 |
|--|------------------|------------------|
| Number of employers with active members | 218 | 186 |
| Number of employees in scheme | | |
| Administering authority | 2,432 | 1,867 |
| Unitary authorities | 15,097 | 12,741 |
| Other employers | 8,541 | 12,990 |
| Total | 26,070 | 27,598 |
| Number of pensioners | | |
| Administering authority | 1,723 | 1,792 |
| Unitary authorities | 8,324 | 8,822 |
| Other employers | 6,070 | 6,314 |
| Total | 16,117 | 16,928 |
| Deferred pensioners | | |
| Administering authority | 3,603 | 3,635 |
| Unitary authorities | 14,941 | 15,332 |
| Other employers | 6,358 | 6,817 |
| Total | 24,902 | 25,784 |
| Total number of members in pension scheme | 67,089 | 70,310 |

NOTES TO THE PENSION FUND

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2018. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. During 2017/18, employer contribution rates ranged from 9.1% to 31.3% of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

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

From 1 April 2014, the scheme became a career average revalued earnings (CARE) scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Royal County of Berkshire Pension Fund website.

2 Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ('the code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

NOTES TO THE PENSION FUND

3 Summary of significant accounting policies

Fund account - revenue recognition

a) Contribution income

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

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

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

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013 (see Notes 8 and 10).

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

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see note 3m) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account - expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be payable during the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities (Note 22).

e) Taxation

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

f) Management expenses

The code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs (2016)*.

Administrative expenses

All administration expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment management expenses

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

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

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2017/18, no estimated fees are included in investment management fees (2016/17: zero).

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

Net Assets Statement

g) Financial assets

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 16). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Foreign currency transactions

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

NOTES TO THE PENSION FUND

i) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes (see note 15).

j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

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

k) Financial liabilities

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

l) Actuarial present value of promised retirement benefits

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

As permitted under the code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

m) Additional voluntary contributions

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

The fund has previously used Equitable Life and Clerical Medical as alternative AVC providers to Prudential.

AVCs are not included in the accounts in accordance with section 4(1)(b) of the LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

n) Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

NOTES TO THE PENSION FUND

4 Critical judgements in applying accounting policies

Pension fund liability

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 20.

These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the financial statements and notes at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|--|--|---|
| Actuarial present value of promised retirement benefits | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £81.3 million. A 0.1% increase in the long term salary increases assumption would increase the value of liabilities by approximately £7.0 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £157.7 million. |
| Private equity investments | Private equity investments are valued at fair value in accordance with the International Private Equity and Venture Capital Board guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | The total private equity investments in the financial statements are £597 million. There is a risk that this investment may be under- or overstated in the accounts. |

6 Events after the balance sheet date

There have been no events since 31 March 2018, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

NOTES TO THE PENSION FUND

7 Contributions receivable

By category

| 2016/17 | | 2017/18 |
|---------------|---------------------------------------|----------------|
| £'000 | | £'000 |
| 26,433 | Employees' contributions | 26,650 |
| | Employers' contributions | |
| 53,021 | Normal contributions | 61,089 |
| 17,291 | Deficit recovery contributions | 18,602 |
| 2,000 | Augmentation contributions | 2,250 |
| 72,312 | Total employer's contributions | 81,941 |
| 98,745 | | 108,591 |

By authority

| 2016/17 | | 2017/18 |
|---------------|---------------------------|----------------|
| £'000 | | £'000 |
| 90,217 | Scheduled bodies | 98,681 |
| 4,759 | Admitted bodies | 4,657 |
| 3,769 | Transferee admission body | 5,253 |
| 98,745 | | 108,591 |

8 Transfers in from other pension funds

| 2016/17 | | 2017/18 |
|--------------|---|---------------|
| £'000 | | £'000 |
| 9,826 | Individual transfers from other pension funds | 13,356 |
| - | AVC to purchase scheme benefits | 47 |
| 9,826 | | 13,403 |

9 Benefits payable

By category

| 2016/17 | | 2017/18 |
|---------------|--|----------------|
| £'000 | | £'000 |
| 75,843 | Pensions | 80,065 |
| 17,733 | Commutation and lump sum retirement benefits | 17,520 |
| 3,009 | Lump sum death benefits | 2,908 |
| 96,585 | | 100,493 |

By authority

| 2016/17 | | 2017/18 |
|---------------|---------------------------|----------------|
| £'000 | | £'000 |
| 87,847 | Scheduled bodies | 91,265 |
| 6,780 | Admitted bodies | 6,554 |
| 1,958 | Transferee admission body | 2,674 |
| 96,585 | | 100,493 |

10 Payments to and on account of leavers

| 2016/17 | | 2017/18 |
|--------------|---|---------------|
| £'000 | | £'000 |
| 366 | Refunds to members leaving service | 478 |
| 6,600 | Individual transfers to other pension funds | 9,706 |
| 6,966 | | 10,184 |

11 Management expenses

| 2016/17 | | 2017/18 |
|--------------|--------------------------------|--------------|
| £'000 | | £'000 |
| 1,316 | Administrative costs | 1,342 |
| 6,940 | Investment management expenses | 7,816 |
| 122 | Oversight and governance costs | 46 |
| 8,378 | | 9,204 |

a) Investment management expenses

| 2016/17 | | 2017/18 |
|--------------|-----------------|--------------|
| £'000 | | £'000 |
| 6,714 | Management Fees | 7,583 |
| 226 | Custody Fees | 233 |
| 6,940 | | 7,816 |

NOTES TO THE PENSION FUND

12 Investment income

| 2016/17 £'000 | | 2017/18 £'000 |
|------------------|--|------------------|
| 17,148 | Income from equities | 19,090 |
| 1,125 | Income from bonds | 2,348 |
| 5,281 | Private equity income | 7,671 |
| 9,594 | Pooled property investments | 9,199 |
| 1,348 | Pooled investments - unit trusts and other managed funds | 1,616 |
| 419 | Interest on cash deposits | 846 |
| 34,915 | Total before taxes | 40,770 |

13 Other fund account disclosures

a) Taxes on income

| 2016/17 £'000 | | 2017/18 £'000 |
|------------------|---|------------------|
| 687 | Withholding tax - equities | 1,064 |
| 1,201 | Withholding tax - pooled property investments | 1,342 |
| 319 | Withholding tax - pooled investments | 630 |
| 2,207 | | 3,036 |

b) External audit costs

| 2016/17 £'000 | | 2017/18 £'000 |
|------------------|--------------------------------------|------------------|
| 26 | Payable in respect of external audit | 30 |
| 26 | | 30 |

14 Investments

| Market value 31 March 2017 £'000 | | Market value 31 March 2018 £'000 |
|--|-------------------------------------|--|
| | Investment assets | |
| 84,320 | Bonds | 100,456 |
| 471,187 | Equities | 458,806 |
| 387,279 | Pooled investments | 332,724 |
| 81,518 | Pooled liquidity funds | 295,208 |
| 259,548 | Pooled property investments | 271,613 |
| 580,664 | Private equity | 583,269 |
| | Derivative contracts: | |
| 21,426 | - Forward currency contracts | 3,929 |
| 31,119 | Cash deposits | 32,836 |
| 3,120 | Investment income due | 3,503 |
| 61,141 | Amounts receivable for sales | - |
| 1,981,322 | Total investment assets | 2,082,344 |
| | Investment liabilities | |
| | Derivative contracts: | |
| (820) | - Forward currency contracts | (289) |
| (64,200) | - Longevity Insurance Policy | (63,113) |
| (65,020) | Total investment liabilities | (63,402) |
| 1,916,302 | Net investment assets | 2,018,942 |

NOTES TO THE PENSION FUND

a) Reconciliation of movements in investments and derivatives

| | Market value 1 April 2017 | Purchases during the year and derivative payments | Sales during the year and derivative receipts | Change in market value during the year | Market value 31 March 2018 |
|---|------------------------------|---|---|---|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Bonds | 84,320 | 20,347 | - | (4,211) | 100,456 |
| Equities | 471,187 | 77,408 | (77,447) | (12,342) | 458,806 |
| Pooled investments | 387,279 | 763 | (44,218) | (11,100) | 332,724 |
| Pooled liquidity funds | 81,518 | 320,537 | (105,647) | (1,200) | 295,208 |
| Pooled property investments | 259,548 | 25,283 | (45,730) | 32,512 | 271,613 |
| Private equity | 580,664 | 128,326 | (128,686) | 2,965 | 583,269 |
| | 1,864,516 | 572,664 | (401,728) | 6,624 | 2,042,076 |
| Derivative contracts: | | | | | |
| - Forward currency contracts | 20,606 | 28,105 | (97,689) | 52,618 | 3,640 |
| - Longevity insurance policy | (64,200) | 6,894 | - | (5,807) | (63,113) |
| | 1,820,922 | 607,663 | (499,417) | 53,435 | 1,982,603 |
| Other investment balances: | | | | | |
| - Cash deposits | 31,119 | | | (5,014) | 32,836 |
| - Amount receivable for sales of investments | 61,141 | | | | - |
| - Investment income due | 3,120 | | | | 3,503 |
| Net investment assets | 1,916,302 | | | 48,421 | 2,018,942 |

| | Market value 1 April 2016 | Purchases during the year and derivative payments | Sales during the year and derivative receipts | Change in market value during the year | Market value 31 March 2017 |
|---|------------------------------|---|---|---|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Bonds | 85,131 | 19,432 | (30,793) | 10,550 | 84,320 |
| Equities | 215,784 | 233,074 | (57,107) | 79,436 | 471,187 |
| Pooled investments | 707,409 | 31,779 | (447,175) | 95,266 | 387,279 |
| Pooled liquidity funds | 72,580 | 526,639 | (517,797) | 96 | 81,518 |
| Pooled property investments | 189,902 | 23,575 | - | 46,071 | 259,548 |
| Private equity | 415,680 | 172,954 | (92,624) | 84,654 | 580,664 |
| | 1,686,486 | 1,007,453 | (1,145,496) | 316,073 | 1,864,516 |
| Derivative contracts: | | | | | |
| - Forward currency contracts | 3,498 | 226,382 | (130,506) | (78,768) | 20,606 |
| - Longevity insurance policy | (65,071) | 6,297 | - | (5,426) | (64,200) |
| | 1,624,913 | 1,240,132 | (1,276,002) | 231,879 | 1,820,922 |
| Other investment balances: | | | | | |
| - Cash deposits | 15,942 | | | 6,207 | 31,119 |
| - Amount receivable for sales of investments | 5,032 | | | | 61,141 |
| - Investment income due | 1,415 | | | | 3,120 |
| - Payment made in advance | 3,050 | | | | - |
| Net investment assets | 1,650,352 | | | 238,086 | 1,916,302 |

Purchases and sales of derivatives are recognised in note 14a above as follows:

Forward currency contracts - forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

Longevity insurance policy - the payments or receipts under the contract are reported in the above reconciliation table.

NOTES TO THE PENSION FUND

b) Analysis of investments

| 31 March 2017 | | 31 March 2018 | |
|---|-------------------------------------|---------------|--|
| £'000 | | £'000 | |
| Investment assets | | | |
| Bonds | | | |
| Overseas | | | |
| 84,320 | Corporate quoted (Overseas) | 100,456 | |
| 84,320 | | 100,456 | |
| Equities | | | |
| UK | | | |
| 96,330 | Quoted | 95,766 | |
| Overseas | | | |
| 374,857 | Quoted | 363,040 | |
| 471,187 | | 458,806 | |
| Pooled investments - additional analysis | | | |
| UK | | | |
| 209,456 | Unit Trusts | 221,673 | |
| Overseas | | | |
| 177,823 | Unit Trusts | 111,051 | |
| 387,279 | | 332,724 | |
| Other investment assets | | | |
| 81,518 | Pooled liquidity funds | 295,208 | |
| 259,548 | Pooled property investments | 271,613 | |
| 580,664 | Private Equity | 583,269 | |
| 21,426 | Derivative contracts | 3,640 | |
| 31,119 | Cash deposits | 32,836 | |
| 3,120 | Investment income due | 3,503 | |
| 61,141 | Amounts receivable for sales | - | |
| 1,038,536 | | 1,190,069 | |
| 1,961,322 | Total investment assets | 2,082,055 | |
| Investment liabilities | | | |
| (65,020) | Derivative contracts | (63,113) | |
| (65,020) | Total investment liabilities | (63,113) | |
| 1,916,302 | Net investment assets | 2,018,942 | |

c) Investments analysed by fund manager

| Market value 31 March 2017 | | Market value 31 March 2018 | | |
|----------------------------|------|---|-----------|------|
| £'000 | % | | % | |
| 1,214,524 | 63.4 | Royal County of Berkshire Pension Fund in-house investment team | 1,342,739 | 66.5 |
| 213,028 | 11.1 | Aviva Global Investors | 221,659 | 11.0 |
| 242,276 | 12.6 | Kames Capital | 242,880 | 12.0 |
| 225,868 | 11.8 | RWC Partners | 207,192 | 10.3 |
| 20,606 | 1.1 | The Cambridge Strategy | 4,472 | 0.2 |
| 1,916,302 | | 2,018,942 | | |

All the above organisations are registered in the United Kingdom.

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

| Security | Market value 31 March 2017 £'000 | % of total fund | Market value 31 March 2018 £'000 | % of total fund |
|-----------------------------------|-------------------------------------|-----------------|-------------------------------------|-----------------|
| Aviva Global Real Estate | 148,550 | 7.8 | 153,161 | 7.6 |
| JP Morgan Sterling Liquidity Fund | 11,150 | 0.6 | 158,931 | 7.9 |

NOTES TO THE PENSION FUND

15 Analysis of derivatives

Objectives and policies for holding derivatives

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

- Forward foreign currency

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

- Longevity Insurance Policy

In December 2009 the fund entered into an insurance contract with ReAssure Ltd to cover a closed group of pensioner members. The fund pays ReAssure a pre-determined fixed annual premium and ReAssure reimburses the fund for pensions paid to the insured members. The contract is valued by an external firm of actuaries by considering what adjustment to the discount rate assumption (based on the Merrill Lynch LIBOR swap curve) would be required if the contract had a zero value at the date of inception. A similar adjustment is then made to the discount rate assumption at the accounting date to calculate the updated value of the contract.

Open forward currency contracts

| Settlement | Currency bought | Local value 000 | Currency sold | Local value 000 | Asset value £000 | Liability value £000 |
|--|-----------------|--------------------|---------------|--------------------|---------------------|-------------------------|
| One to six months | GBP | 492,402 | USD | (690,363) | 1,878 | |
| One to six months | GBP | 136,019 | EUR | (153,156) | 1,407 | |
| One to six months | GBP | 10,918 | AUD | (19,374) | 357 | |
| One to six months | GBP | 11,513 | NOK | (124,644) | 204 | |
| One to six months | USD | 22,478 | GBP | (15,924) | 47 | |
| One to six months | USD | 1,176 | BRL | (3,859) | 16 | |
| One to six months | USD | 1,170 | TRY | (818) | 14 | |
| One to six months | USD | 1,262 | CLP | (757,586) | 4 | |
| One to six months | USD | 867 | SGD | (1,595) | 1 | |
| One to six months | USD | 1,179 | INR | (77,372) | 1 | |
| One to six months | USD | 1,228 | KRW | (1,303,855) | | (1) |
| One to six months | GBP | 605 | EUR | (693) | | (3) |
| One to six months | GBP | 521 | USD | (742) | | (7) |
| One to six months | GBP | 10,942 | CAD | (19,840) | | (8) |
| One to six months | USD | 1,236 | MXN | (23,290) | | (18) |
| One to six months | JPY | 2,112,904 | GBP | (14,229) | | (40) |
| One to six months | CHF | 18,111 | GBP | (13,740) | | (212) |
| Open forward currency contracts at 31 March 2018 | | | | | 3,929 | (289) |
| Net forward currency contracts at 31 March 2018 | | | | | | 3,640 |
| Prior year comparative | | | | | | |
| Open forward currency contracts at 31 March 2017 | | | | | 21,426 | (820) |
| Net forward currency contracts at 31 March 2017 | | | | | | 20,606 |

NOTES TO THE PENSION FUND

16 Fair value - Basis of valuation

The basis of the valuation of each class of investment asset is set below. There has been no change in the valuation techniques during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

| Description of asset | Valuation hierarchy | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|--|---------------------|--|--|---|
| Market quoted investments | Level 1 | Published bid market price ruling on the final day of the accounting period | Not required | Not required |
| Quoted bonds | Level 1 | Fixed interest securities are valued at a market value based on current yields | Not required | Not required |
| Exchange traded pooled investments | Level 1 | Closing bid values on published exchanges | Not required | Not required |
| Forward foreign exchange derivatives | Level 2 | Market forward exchange rates at the year-end | Exchange rate risk | Not required |
| Pooled investments - overseas unit trusts and property funds | Level 2 | Closing bid price where bid and offer prices are published Closing single price where single price published | NAV-based pricing set on a forward pricing basis | Not required |
| Unquoted equity | Level 3 | Comparable valuation of similar companies in accordance with <i>International Private Equity and venture Capital Guidelines (2012)</i> | EBITDA multiple Revenue multiple Discount for lack of marketability Control premium | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts |

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018.

| | Assessed valuation range (+/-) | Value at 31 March 2018: | Value on increase | Value on decrease |
|-----------------------------|--------------------------------|-------------------------|-------------------|-------------------|
| | | £'000 | £'000 | £'000 |
| Pooled property investments | 0% | 271,613 | 271,613 | 271,613 |
| Private equity | 3% | 583,269 | 600,767 | 565,771 |
| Derivative contracts | 0% | (63,113) | (63,113) | (63,113) |
| Total | | 791,769 | 809,267 | 774,271 |

NOTES TO THE PENSION FUND

a) Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

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

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

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

| Values at 31 March 2018 | Quoted market price Level 1 £'000 | Using observable inputs Level 2 £'000 | With significant unobservable inputs Level 3 £'000 | Total £'000 |
|---|--|--|---|------------------------|
| Financial assets | | | | |
| Financial assets at fair value through profit and loss | 814,713 | 377,010 | 854,882 | 2,046,605 |
| Loans and receivables | 44,777 | | | 44,777 |
| Total financial assets | 859,490 | 377,010 | 854,882 | 2,091,382 |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit and loss | (279) | | (63,113) | (63,392) |
| Financial liabilities at amortised cost | (15,727) | | | (15,727) |
| Total financial liabilities | (16,006) | - | (63,113) | (79,119) |
| Net financial assets | 843,484 | 377,010 | 791,769 | 2,012,263 |

| Values at 31 March 2017 | Quoted market price Level 1 £'000 | Using observable inputs Level 2 £'000 | With significant unobservable inputs Level 3 £'000 | Total £'000 |
|---|--|--|---|------------------------|
| Financial assets | | | | |
| Financial assets at fair value through profit and loss | 596,627 | 449,102 | 840,212 | 1,885,941 |
| Loans and receivables | 105,622 | | | 105,622 |
| Total financial assets | 702,249 | 449,102 | 840,212 | 1,991,563 |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit and loss | (820) | | (64,200) | (65,020) |
| Financial liabilities at amortised cost | (2,548) | | | (2,548) |
| Total financial liabilities | (3,368) | - | (64,200) | (67,568) |
| Net financial assets | 698,881 | 449,102 | 776,012 | 1,923,995 |

NOTES TO THE PENSION FUND

b) Reconciliation of fair value measurements within level 3

| | Market value 31 March 2017 | Purchases during the year and derivative receipts | Sales during the year and derivative receipts | Unrealised gains/(losses) | Realised gains/(losses) | Market value 31 March 2018 |
|-----------------------------|----------------------------|---|---|---------------------------|-------------------------|----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Private equity | 580,664 | 128,326 | (128,686) | (32,060) | 35,025 | 583,269 |
| Pooled property investments | 259,548 | 25,283 | (45,730) | 32,710 | (198) | 271,613 |
| Derivative contracts | (64,200) | 6,894 | - | (5,807) | - | (63,113) |
| | 776,012 | 160,503 | (174,416) | (5,157) | 34,827 | 791,769 |

17 Financial instruments

a) Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading

| Fair value through profit and loss | 31 March 2017 | | Financial liabilities at amortised cost | Fair value through profit and loss | 31 March 2018 | |
|------------------------------------|---------------|---------|---|------------------------------------|---------------|----------|
| | £'000 | £'000 | | | £'000 | £'000 |
| | | | Financial assets | | | |
| | 84,320 | | Bonds | 100,456 | | |
| | 471,187 | | Equities | 458,806 | | |
| | 387,279 | | Pooled investments | 332,724 | | |
| | 81,518 | | Pooled liquidity funds | 295,208 | | |
| | 259,548 | | Pooled property investments | 271,613 | | |
| | 580,664 | | Private equity | 583,269 | | |
| | 21,426 | | Derivative contracts | 3,929 | | |
| | | 35,699 | Cash | | 36,131 | |
| | | 64,261 | Other investment balances | | 3,503 | |
| | | 5,661 | Debtors | | 5,753 | |
| | 1,885,942 | 105,621 | | 2,046,005 | 45,387 | |
| | | | Financial liabilities | | | |
| | (65,020) | | Derivative contracts | (63,402) | | |
| | | | Creditors | | | (15,727) |
| | (65,020) | - | | (63,402) | - | (15,727) |
| | 1,820,922 | 105,621 | (2,548) | 1,982,603 | 45,387 | (15,727) |

b) Net gains and losses on financial instruments

| 31 March 2017 | | 31 March 2018 | |
|---------------|------------------------------------|---------------|--|
| £'000 | | £'000 | |
| 231,879 | Fair value through profit and loss | 53,435 | |
| 6,207 | Loans and receivables | (5,014) | |
| 238,086 | Total | 48,421 | |

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

18 Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

a) Market risk

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

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

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

The fund manages these risks in two ways:

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

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

Other price risk

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

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

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

NOTES TO THE PENSION FUND

Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year the council has determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period:

| Asset type | Potential market movements (+/-) |
|-----------------------|----------------------------------|
| Bonds | 9.5% |
| Equities | 9.0% |
| Private Equity | 9.2% |
| Pooled investments | 11.5% |
| Pooled Property Funds | 4.2% |

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

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

| Asset type | Value as at 31 March 2018 | Potential market movement | Value on increase | Value on decrease |
|-------------------------------------|------------------------------|------------------------------|----------------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Investment portfolio assets: | | | | |
| Bonds | 100,456 | 9,543 | 109,999 | 90,913 |
| Equities | 458,806 | 41,293 | 500,099 | 417,513 |
| Pooled investments | 332,724 | 38,263 | 370,987 | 294,461 |
| Pooled Property Funds | 271,613 | 11,408 | 283,021 | 260,205 |
| Private Equity | 583,269 | 53,661 | 636,930 | 529,608 |
| Net derivative liabilities | (59,473) | - | (59,473) | (59,473) |
| Cash and cash equivalents | 328,044 | - | 328,044 | 328,044 |
| Investment income due | 3,503 | - | 3,503 | 3,503 |
| Amounts receivable for sales | - | - | - | - |
| Payment made in advance | - | - | - | - |
| Current assets: | | | | |
| Debtors | 5,753 | - | 5,753 | 5,753 |
| Cash balances | 3,295 | - | 3,295 | 3,295 |
| Current liabilities | (15,727) | - | (15,727) | (15,727) |
| Total | 2,012,263 | | 2,166,431 | 1,858,095 |

| Asset type | Value as at 31 March 2017 | Potential market movement | Value on increase | Value on decrease |
|-------------------------------------|------------------------------|------------------------------|----------------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Investment portfolio assets: | | | | |
| Bonds | 84,320 | 8,010 | 92,330 | 76,310 |
| Equities | 471,187 | 42,407 | 513,594 | 428,780 |
| Pooled investments | 387,279 | 44,537 | 431,816 | 342,742 |
| Pooled Property Funds | 259,548 | 10,901 | 270,449 | 248,647 |
| Private Equity | 580,664 | 53,421 | 634,085 | 527,243 |
| Net derivative liabilities | (43,594) | - | (43,594) | (43,594) |
| Cash and cash equivalents | 112,637 | - | 112,637 | 112,637 |
| Investment income due | 3,120 | - | 3,120 | 3,120 |
| Amounts receivable for sales | 61,141 | - | 61,141 | 61,141 |
| Payment made in advance | - | - | - | - |
| Current assets: | | | | |
| Debtors | 5,661 | - | 5,661 | 5,661 |
| Cash balances | 4,580 | - | 4,580 | 4,580 |
| Current liabilities | (2,548) | - | (2,548) | (2,548) |
| Total | 1,923,995 | | 2,083,271 | 1,764,719 |

NOTES TO THE PENSION FUND

Interest rate risk

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

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

The fund's direct exposure to interest rate movements as at 31 March 2018 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

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

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

| Asset exposed to interest rate risk | Value as at 31 March 2018 | Change in year in the net assets available to pay benefits | |
|--|------------------------------|--|--------------|
| | | + 100 BPS | - 100 BPS |
| | £'000 | £'000 | £'000 |
| Cash and cash equivalents | 328,044 | - | - |
| Cash balances | 3,295 | - | - |
| Bonds | 100,456 | (4,379) | 4,379 |
| Total change in assets available: | 431,795 | (4,379) | 4,379 |

| Asset exposed to interest rate risk | Value as at 31 March 2017 | Change in year in the net assets available to pay benefits | |
|--|------------------------------|--|--------------|
| | | + 100 BPS | - 100 BPS |
| | £'000 | £'000 | £'000 |
| Cash and cash equivalents | 112,637 | - | - |
| Cash balances | 4,580 | - | - |
| Bonds | 84,320 | (3,926) | 3,926 |
| Total change in assets available: | 201,537 | (3,926) | 3,926 |

| Income exposed to interest rate risk | Amount receivable in year ending 31 March 2018 | Effect on income values | |
|--|---|-------------------------|----------------|
| | | + 100 BPS | - 100 BPS |
| | £'000 | £'000 | £'000 |
| Cash balances/cash and cash equivalents | 846 | 3,280 | (3,280) |
| Bonds | 2,348 | - | - |
| Total change in income receivable | 3,194 | 3,280 | (3,280) |

| Income exposed to interest rate risk | Amount receivable in year ending 31 March 2017 | Effect on income values | |
|--|---|-------------------------|----------------|
| | | + 100 BPS | - 100 BPS |
| | £'000 | £'000 | £'000 |
| Cash balances/cash and cash equivalents | 419 | 1,203 | (1,203) |
| Bonds | 1,125 | - | - |
| Total change in income receivable | 1,544 | 1,203 | (1,203) |

NOTES TO THE PENSION FUND

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency risk

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

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

Currency risk - sensitivity analysis

Following analysis of historical data, the council considers the likely volatility associated with foreign exchange rate movements to be 10.1% (as measured by one standard deviation).

A 10.1% fluctuation in the currency is considered reasonable based on analysis of long-term historical movements in the month-end exchange rates over a rolling 3 year period.

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

A 10.1% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

| Assets exposed to currency risk | Asset value as at 31 | | Change to net assets available to pay benefits | |
|---|----------------------|---------------|--|--------|
| | March 2018 | | +10.1% | -10.1% |
| | £'000 | £'000 | £'000 | £'000 |
| Overseas equities | 363,040 | 36,667 | (36,667) | |
| Overseas unit trusts | 111,051 | 11,216 | (11,216) | |
| Total change in assets available | 474,091 | 47,883 | (47,883) | |

| Assets exposed to currency risk | Asset value as at 31 | | Change to net assets available to pay benefits | |
|---|----------------------|---------------|--|--------|
| | March 2017 | | +10.1% | -10.1% |
| | £'000 | £'000 | £'000 | £'000 |
| Overseas equities | 374,857 | 37,861 | (37,861) | |
| Overseas unit trusts | 177,823 | 17,960 | (17,960) | |
| Total change in assets available | 552,680 | 55,821 | (55,821) | |

NOTES TO THE PENSION FUND

b) Credit risk

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

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

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

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

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

The council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31 March 2018 was £331.3m (31 March 2017: £117.2m). This was held with the following institutions:

| | Rating | Balances as at 31 March 2017 | Balances as at 31 March 2018 |
|------------------------------|--------|---------------------------------|---------------------------------|
| | | £'000 | £'000 |
| Money Market funds | | | |
| Aviva | A+ | 25,003 | 41,090 |
| JP Morgan | A+ | 11,629 | 177,106 |
| Legal & General | A+ | 24,925 | 36,009 |
| Northern Trust | AA- | 19,960 | 41,002 |
| Bank deposit accounts | | | |
| JP Morgan | A+ | 31,119 | 32,836 |
| Bank current accounts | | | |
| Lloyds | A+ | 4,580 | 3,295 |
| Total | | 117,216 | 331,339 |

c) Liquidity risk

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

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

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those which will take longer than three months to convert to cash. As at 31 March 2018 the value of illiquid assets was £854.9m, which represented 42.5% of the total fund assets (31 March 2017: £840.2m, which represented 43.7% of the total fund assets).

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

Refinancing risk

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

NOTES TO THE PENSION FUND

19 Funding arrangements

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. The next valuation will take place as at 31 March 2019.

The key elements of the funding policy are:

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

The aim is to achieve 100% solvency over a period of 24 years from the valuation date and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2016 actuarial valuation, the Fund was assessed as 73% funded (75% at the March 2013 valuation). This corresponded to a deficit of 597 million (2013 valuation: 527 million) at that time.

At the 2016 actuarial valuation the average required employer contribution to restore the funding position to 100% over the next 24 years was 22.0% of pensionable pay.

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

Financial assumptions

| | |
|--|--|
| Discount Rate | 5.9% per annum |
| Pension and Deferred Pension Increases | 2.4% per annum |
| Short term pay increases | CPI for period from 31 March 2016 to 31 March 2020 |
| Long term pay increases | 3.9% per annum |

Mortality assumptions

| | |
|----------------------|---|
| Current mortality | 95% of the S2PA tables |
| Mortality Projection | 2015 CMI Model with a long-term rate of improvement of 1.5% p.a |

Commutation assumption

It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum of £1 of pension.

NOTES TO THE PENSION FUND

20 Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

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

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2018 was £4,264 million (31 March 2017: £4,185 million). The net assets available to pay benefits as at 31 March 2018 was £2,010 million (31 March 2017: £1,924 million). The implied fund deficit as at March 2018 was therefore £2,254 million (31 March 2017: £2,261 million).

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2016 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

IAS19 assumptions used

| | |
|--|-------|
| Inflation/pension increase rate assumption | 2.30% |
| Salary increase rate | 3.80% |
| Discount rate | 2.55% |

21 Current assets

| 31 March 2017 | | 31 March 2018 |
|---------------|-------------------|---------------|
| £'000 | | £'000 |
| 4,905 | Contributions due | 5,157 |
| 756 | Sundry debtors | 596 |
| 5,661 | Debtors | 5,753 |
| 4,580 | Cash balances | 3,295 |
| 10,241 | | 9,048 |

Analysis of debtors

| 31 March 2017 | | 31 March 2018 |
|---------------|--------------------------------|---------------|
| £'000 | | £'000 |
| 2,363 | Other local authorities | 1,549 |
| 3,298 | Other entities and individuals | 4,204 |
| 5,661 | | 5,753 |

22 Current liabilities

| 31 March 2017 | | 31 March 2018 |
|---------------|------------------|---------------|
| £'000 | | £'000 |
| (2,452) | Sundry creditors | (15,727) |
| (96) | Benefits payable | - |
| (2,548) | | (15,727) |

Analysis of creditors

| 31 March 2017 | | 31 March 2018 |
|---------------|--------------------------------|---------------|
| £'000 | | £'000 |
| (886) | Central government bodies | (902) |
| (253) | Other local authorities | (11,940) |
| (1,409) | Other entities and individuals | (2,885) |
| (2,548) | | (15,727) |

NOTES TO THE PENSION FUND

23 Additional voluntary contributions

| Market value 31 March 2017 | | Market value 31 March 2018 | |
|-------------------------------|------------------|-------------------------------|--|
| £'000 | | £'000 | |
| 14,068 | Prudential | 13,874 | |
| 4 | Equitable Life | 4 | |
| 18 | Clerical Medical | 18 | |
| 14,090 | Total | 13,896 | |

AVC Contributions of £2.051 million were paid directly to Prudential during the year (2016/17: £2.029 million).

24 Related party transactions

The Royal Borough of Windsor and Maidenhead

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

During the reporting period, the council incurred costs of £1.342m (2016/17 £1.316m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the 5th largest employer of members of the pension fund and contributed £9.7m (2016/17 £11.0m).

Governance

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

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

Key management personnel

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

25 Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2018 totalled £321.046m (31 March 2017: £397.835m).

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

26 Contingent assets

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

Royal County of Berkshire Pension Fund

Pension accounting disclosure as at 31 March 2018
Prepared in accordance with IAS26

Barnett Waddingham LLP

9 May 2018

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Introduction

We have been instructed by the Royal Borough of Windsor and Maidenhead, the administering authority to the Royal County of Berkshire Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2018.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

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

This advice complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

Valuation data

Data sources

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

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes and the results of the 31 March 2017 IAS26 report which was carried out for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2018;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2017 and 31 March 2018; and
- Details of any new early retirements for the period to 31 March 2018 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Fund membership statistics

The table below summarises the membership data, as at 31 March 2016.

| Member data summary | Number | Salaries/Pensions | Average age |
|---------------------|--------|-------------------|-------------|
| | | £000s | |
| Actives | 25,050 | 390,997 | 45 |
| Deferred pensioners | 29,817 | 36,630 | 46 |
| Pensioners | 15,269 | 71,952 | 71 |

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2018.

We have been notified of 95 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £791,600.

The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £4,467,000. This figure has been included within the service cost in the statement of profit or loss.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2018 is estimated to be 5%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Royal County of Berkshire Pension Fund as at 31 March 2018 is as follows:

| Asset breakdown | 31 Mar 2018 | | 31 Mar 2017 | |
|-------------------------|------------------|-------------|------------------|-------------|
| | £000s | % | £000s | % |
| Equities | 934,720 | 46% | 953,343 | 50% |
| Other Bonds | 295,759 | 15% | 283,103 | 15% |
| Property | 271,613 | 14% | 259,548 | 13% |
| Cash | 326,541 | 16% | 205,196 | 11% |
| Target Return Portfolio | 80,293 | 4% | 119,171 | 6% |
| Commodities | 35,507 | 2% | 35,415 | 2% |
| Infrastructure | 128,977 | 6% | 132,417 | 7% |
| Longevity Insurance | -63,113 | -3% | -64,176 | -3% |
| Total | 2,010,297 | 100% | 1,924,017 | 100% |

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2018 is likely to be different from that shown due to estimation techniques.

Unfunded benefits

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

Actuarial methods and assumptions

Valuation approach

To assess the value of the Fund's liabilities at 31 March 2018, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with IAS19.

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

It is not possible to assess the accuracy of the estimated liability as at 31 March 2018 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2018 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

The Fund entered into a longevity insurance contract in 2009 and this has been included in the assets. To value the longevity insurance contract we have considered what adjustment to the discount rate assumption (based on the Merrill Lynch LIBOR swap curve) would be required if the contract had a zero value at the date of inception. This is consistent with the approach taken last year, with the exception that this year we have only considered the cashflows over the remaining term of the contract (rather than including any cashflows in historic years). This has been updated following discussions with KPMG. A similar adjustment is then made to the discount rate assumption at the accounting date to calculate the updated value of the contract. Further details on this, or the approach adopted last year, can be provided on request.

Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 95%. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65 are:

| Life expectancy from age 65 (years) | 31 Mar 2018 | 31 Mar 2017 |
|-------------------------------------|-------------|-------------|
| Retiring today | | |
| Males | 23.1 | 23.0 |
| Females | 25.2 | 25.0 |
| Retiring in 20 years | | |
| Males | 25.3 | 25.1 |
| Females | 27.5 | 27.4 |

We have also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions

The financial assumptions used to calculate the results in the Appendices are as follows:

| Assumptions as at | 31 Mar 2018 | 31 Mar 2017 | 31 Mar 2016 |
|-------------------|-------------|-------------|-------------|
| | % p.a. | % p.a. | % p.a. |
| Discount rate | 2.55% | 2.80% | 3.70% |
| Pension increases | 2.30% | 2.70% | 2.40% |
| Salary increases | 3.80% | 4.20% | 4.20% |

These assumptions are set with reference to market conditions at 31 March 2018.

Our estimate of the Fund's past service liability duration is 20 years.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond

yield curve (where the spot curve is assumed to be flat beyond the 30 year point). The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.3% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is a slightly higher deduction than at the last accounting date where we assumed that CPI was 0.9% lower than RPI.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

Results and disclosures

We estimate that the net liability as at 31 March 2018 is a liability of £2,253,325,000.

The results of our calculations for the year ended 31 March 2018 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2018;
- Appendix 2 details a reconciliation of assets and liabilities during the year; and
- Appendix 3 shows a sensitivity analysis on the major assumptions.

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

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



Graeme Muir FFA
Partner

Appendix 1 **Statement of financial position as at 31 March 2018**

| Net pension asset as at | 31 Mar 2018 | 31 Mar 2017 | 31 Mar 2016 |
|---|------------------|------------------|------------------|
| | £000s | £000s | £000s |
| Present value of the defined benefit obligation | 4,263,622 | 4,185,496 | 3,343,040 |
| Fair value of Fund assets (bid value) | 2,010,297 | 1,924,017 | 1,656,533 |
| Net liability in balance sheet | 2,253,325 | 2,261,479 | 1,686,507 |

*Present value of funded obligation consists of £4,138,597,000 in respect of vested obligation and £125,025,000 in respect of non-vested obligation.

Appendix 2 **Asset and benefit obligation reconciliation for the year to 31 March 2018**

| Reconciliation of opening & closing balances of the present value of the defined benefit obligation | Year to | Year to |
|---|------------------|------------------|
| | 31 Mar 2018 | 31 Mar 2017 |
| | £000s | £000s |
| Opening defined benefit obligation | 4,185,496 | 3,343,040 |
| Current service cost | 156,636 | 104,992 |
| Interest cost | 116,277 | 122,454 |
| Change in financial assumptions | (127,915) | 805,393 |
| Change in demographic assumptions | - | (41,075) |
| Experience loss/(gain) on defined benefit obligation | - | (81,380) |
| Liabilities assumed / (extinguished) on settlements | - | - |
| Estimated benefits paid net of transfers in | (97,795) | (96,477) |
| Past service costs, including curtailments | 4,467 | 2,565 |
| Contributions by Scheme participants and other employers | 26,456 | 25,984 |
| Unfunded pension payments | - | - |
| Closing defined benefit obligation | 4,263,622 | 4,185,496 |

| Reconciliation of opening & closing balances of the fair value of Fund assets | Year to | Year to |
|--|------------------|------------------|
| | 31 Mar 2018 | 31 Mar 2017 |
| | £000s | £000s |
| Opening fair value of Fund assets | 1,924,017 | 1,656,533 |
| Interest on assets | 53,936 | 61,243 |
| Return on assets less interest | 29,630 | 237,477 |
| Other actuarial gains/(losses) | - | (27,389) |
| Administration expenses | (1,862) | (1,211) |
| Contributions by employer including unfunded | 75,915 | 67,893 |
| Contributions by Scheme participants and other employers | 26,456 | 25,984 |
| Estimated benefits paid plus unfunded net of transfers in | (97,795) | (96,477) |
| Settlement prices received / (paid) | - | (36) |
| Closing Fair value of Fund assets | 2,010,297 | 1,924,017 |

The total return on the Fund's assets for the year to 31 March 2018 is £83,566,000.

Appendix 3 **Sensitivity analysis**

| Sensitivity analysis (£000s) | | | | |
|--|-----------------------|--------------|-----------------|-----------------|
| Present value of total obligation | | | 4,263,622 | |
| | Sensitivity to | +0.5% | +0.1% | -0.1% |
| | | | | -0.5% |
| Discount rate | | 3,799,031 | 4,182,308 | 4,346,599 |
| Long term salary increase | | 4,219,355 | 4,270,579 | 4,256,707 |
| Pension increases and deferred revaluation | | 4,567,949 | 4,339,764 | 4,188,947 |
| | Sensitivity to | | + 1 Year | - 1 Year |
| Life expectancy assumptions | | | 4,421,357 | 4,111,689 |

| Training Framework | AC | JF | NC | NW | TP |
|--|----|----|----|----|----|
| TPR's Public Sector Online Toolkit (7 modules): | | | | | |
| Conflicts of Interest | | | | 3 | |
| Managing Risk and Internal Control | | | | 3 | |
| Maintaining Accurate Records | | | | 2 | |
| Maintaining Member Contributions | | | | 2 | |
| Providing Information to Members and Others | | | | 3 | |
| Resolving Internal Disputes | | | | 3 | |
| Reporting Breaches of the Law | | | | 3 | |
| TPR Code of Practice No.14 | | | | | |
| Governing Your Scheme | 3 | 3 | | 3 | 3 |
| Managing Risks | 4 | 3 | | 3 | 4 |
| Administration | 3 | 3 | | 2 | 4 |
| Resolving Issues | 4 | 3 | | 2 | 3 |
| Pensions Legislation | | | | | |
| The Legislative Framework for Pensions in the UK | 3 | 1 | | 3 | 3 |
| LGPS Regulations and Statutory Guidance | 4 | 4 | | 2 | 3 |
| LGPS Discretions | 4 | 2 | | 2 | 4 |
| Other Legislation | 2 | 1 | | 2 | 2 |
| Pensions Governance | | | | | |
| Understanding National and Local Governance Structure | 3 | 2 | | 3 | 3 |
| Knowledge of Pension Fund Stakeholders | 4 | 2 | | 4 | 3 |
| Knowledge of Pension Fund Stakeholder Consultation and Communication | 3 | 1 | | 2 | 3 |
| Governance Policies | 3 | 2 | | 3 | 4 |
| Pension Administration | | | | | |
| Understanding Best Practice | 3 | 3 | | 2 | 3 |
| Interaction with HMRC | 2 | 1 | | 2 | 3 |
| Additional Voluntary Contributions | 3 | 3 | | 2 | 3 |
| The Role of the Scheme Employer | 4 | 3 | | 2 | 4 |
| Stewardship Report | 3 | 2 | | 2 | 3 |
| Pensions Accounting and Auditing Standards | | | | | |
| Understanding the Accounts and Audit Regulations | 5 | 1 | | 3 | 4 |
| The Role of Internal and External Audit | 5 | 2 | | 3 | 4 |
| Third Party Contracts | 3 | 1 | | 2 | 4 |
| Investment Performance and Risk Management | | | | | |
| Monitoring Assets and Assessing Long-Term Risk | 3 | 2 | | 4 | 4 |
| Myners Principles of Performance Management | 3 | 1 | | 2 | 3 |
| Awareness of Support Services | 3 | 2 | | 2 | 3 |
| Understanding Risk and Return of Fund Assets | 3 | 2 | | 3 | 3 |
| Understanding the Financial Markets | 3 | 2 | | 4 | 3 |
| LGPS (Management and Investment of Funds) Regulations | 3 | 1 | | 4 | 3 |
| HMRC and Overseas Taxation | 3 | 1 | | 2 | 3 |
| Actuarial Methods , standards and practices | | | | | |
| General understanding of the role of the fund actuary | 3 | 2 | | 3 | 4 |
| Knowledge of valuation process | 3 | 3 | | 3 | 4 |
| Monitoring ill health and strain costs | 3 | 3 | | 3 | 4 |
| Impact of employers joining and leaving the fund | 3 | 3 | | 4 | 3 |
| Understanding outsourcings and bulk transfers | 3 | 1 | | 3 | 3 |
| Employer covenants | 3 | 1 | | 3 | 4 |
| Procurement and Relationship Management | | | | | |
| Public Procurement Policy and Procedures | 3 | 2 | | 3 | 4 |
| Brief Overview of UK and EU Procurement Legislation | 3 | 2 | | 3 | 4 |
| How the Pension Fund Monitors and Manages its Outsourced Providers | 3 | 2 | | 2 | 3 |
| Additional Training | | | | | |
| Induction Training 03/08/2015 | | | | | |
| Overview of the LGPS Training 18/01/2016 | | | | | |
| LGPS Introduction and Benefits Training - UNISON | | | | | |
| Investment training delivered by Nick Greenwood 14/02/17 | | | | | |
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By virtue of paragraph(s) 1, 2, 3, 4, 5, 6a, 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

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