

Royal County of Berkshire Pension Fund

Annual Report and Accounts



2018/2019



THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

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PENSION FUND PANEL AND ADVISORY PANEL MEMBERS AND SCHEME ADVISORS

PENSION FUND PANEL

Chairman	Councillor John Lenton
Vice Chairman	Councillor David Hilton
Other members	Councillor Geoff Hill Councillor Richard Kellaway 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 Tony Jones (Reading Borough Council)
Councillor Preston Brooker (Slough Borough Council)
Councillor Alan Law (West Berkshire Council)
Councillor Rob Stanton (Wokingham Borough Council)
Mr Engin Eryilmaz (University of West London)
UNISON - vacant
Asia Allison (GMB)
Mr Mark Butcher (deferred scheme member)

ADVISERS

Actuary	Barnett Waddingham LLP
Independent Investment Adviser	The Law Debenture Pension Trustee Corporation (Mr Andrew Harrison)
Independent Strategy Advisers (to the Investment Working Group)	Ms Aoifinn Devitt Mr Rohan Worrall

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
Deputy Pension Fund Manager	Kevin Taylor
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)
Mrs Nikki Craig

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 the newly appointed 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 2019 for the Royal County of Berkshire Pension Fund (the "Fund"). I would like to take this opportunity to thank former Cllr. John Lenton as the previous Chairman to the Panels for his hard work and dedication over 12 years involvement with the Pension Fund.

The Royal Borough of Windsor & Maidenhead (RBWM) administers the Fund on behalf of the 6 Berkshire Unitary Authorities and around 250 other public, and private, sector employers. I am 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. 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, 2 Scheme member 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 Group (IG). The IG includes members nominated from both Panels together with our external Investment Strategy Advisers.

With effect from 1 June 2018 and as a result of the Government's initiative to pool Local Authority Pension Funds, The Royal County of Berkshire Pension Fund entered into a Management Agreement with the Local Pensions Partnership Investments Limited (LPPI) meaning that all of the Fund's assets are now managed by LPPI, although those assets remain the property of the Pension Fund. The Pension Fund Panel remains responsible for setting the Investment Strategy and Strategic Allocation of its assets and for monitoring investment performance.

In addition to taking investment decisions the Pension Fund Panels also have a statutory duty to ensure that the Local Government Pension Scheme (LGPS) is governed and administered in line with the LGPS Regulations and other associated legislation. I am grateful to members of our local Pension Board for their input in these areas and their assistance in ensuring that RBWM as the 'Scheme Manager' fulfils its statutory responsibilities.

The LGPS is under greater scrutiny than ever before. The Pensions Regulator issues Codes of Practice that Public Service Pension Schemes, including the LGPS, are expected to adhere to and has the power to intervene where necessary and issue improvement notices and even fines.

However, I have great confidence that the Pension Team will continue to provide a high quality service and excellent support to everyone connected with the Pension Fund as I move into my new role as the Chairman of the Pension Fund Panels.



Councillor Julian Sharpe
Chairman
Berkshire Pension Fund Panel
Berkshire Pension Fund Advisory Panel

8 DECEMBER 2019

PENSION BOARD STATEMENT: APRIL 2018 – MARCH 2019

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 Board focusses mainly on governance and administration issues 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. The Board also acknowledges the appointment of Deloitte as the external auditors to the Pension Fund.

The Board remains apprised of the transfer of assets to the management of the Local Pensions Partnership Investments Limited (LPPI) and receives copies of all papers taken to meetings of the Pension Fund Panels which includes, but is not limited to, the Administering Authority's Investment Strategy and Funding Strategy Statements and all Investment Performance reports produced by LPPI. In addition the Board continues to keep under review the Pension Panels' work-plan offering whatever assistance it can give to the Administering Authority in fulfilling its statutory duties of governance and administration.

The last 18 to 24 months has been a period of transition for all Local Government Pension Funds including the Berkshire Fund. There is the ongoing transfer of assets to LPPI, amendments to scheme regulations and over-arching legislation to contend with and numerous and complex consultations by the Government concerning proposals on future changes to the LGPS to be considered, all of which has made for a demanding time for all connected with Local Government Pension Funds. Add to this the ever-increasing scrutiny of the Pensions Regulator and it is clear that the governance and administration of the scheme is more important than ever and a challenge to which the Berkshire Pension Fund has and will continue to meet.

There will always be room for improvement but the work of the Board helps to establish clear priorities for future activity.

PENSION BOARD 2018-19

Chairman: Tony Pettitt
Vice-Chairman: Neil Wilcox

Scheme Employer Representatives

Neil Wilcox (*Slough Borough Council*)
Nikki Craig (*RBWM*)
1 vacancy

Scheme Member Representatives

Tony Pettitt (*Retired Scheme Member*)
Alan Cross (*Deferred Scheme Member*)
Jeff Ford (*Active Scheme Member*)

Dates of meetings:

11 September 2018
20 February 2019

Attendance for 2018/19

Name	Number of meeting eligible to attend	Attended
Tony Pettitt	2	2
Alan Cross	2	2
Neil Wilcox	2	2
Jeff Ford	2	2
Nikki Craig	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	6	6
Councillor Hilton (Vice Chair)	RB Windsor & Maidenhead	6	5
Councillor Hill	RB Windsor & Maidenhead	6	4
Councillor Kellaway	RB Windsor & Maidenhead	6	5
Vacancy	RB Windsor & Maidenhead	6	0
Councillor Brooker	Slough Borough Council	4	2
Councillor Sarfraz	Slough Borough Council	2	0
Councillor Law	West Berkshire Council	6	5
Councillor Stanton	Wokingham Borough Council	1	1
Councillor Jones	Reading Borough Council	6	1
Councillor Worrall	Bracknell Forest Council	6	5

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 Rohan Worrall 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 7 March 2019. 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 AVC Wise, regarding the savings scheme employers can realise by introducing Shared Cost AVCs and the options AVCs provide scheme members 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 64,500 visits from members and employers during the year, an increase of 4.1% when compared to the previous 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.berkshirepensions.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 25 employers start submitting data to the Fund on a monthly basis using i-connect Software during the year. A total of 63 scheme employers are now on board covering a little over 79% 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@berkshirepensions.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. These are constantly reviewed and updated to keep pace with the ever evolving Local Government Pension Scheme.

➤ **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 their own pension details using not just their desktop PC but now using their laptop, tablet or smartphone.

The service continues to prove popular with over 15,500 members now registered, which represents 26% of the total membership the service is accessible to. Registered members 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 3,700 or 6.25% of the membership by post.

The Annual Benefit Statement provides details of benefits built up to 31st March the previous year, benefits projected to Normal Pension Age, 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 539 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 7 November 2018 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 AVC Wise, regarding the benefits AVCs provide at retirement.

➤ **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.

Annual Pension Increase Notice

The administration team issued a notification to all pensioner and dependant members in April 2018 providing details of the 3% increase awarded from 9 April 2018 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 568 notifications with 272 of these received between 1 April 2018 and 31 March 2019 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;
- Payment of transfer values (to 30 June 2018);
- Payment of Refund of Contributions (from 1 July 2018).

Performance for these key procedures over the year was 98.69%, which is a decrease of 0.6% on the 2017/18 year. It is important to note there has been a significant increase in the number of cases processed across a team reduced in size, as highlighted over the page. A summary of achievement in each area is shown in the table below:

Administration Team Performance	Target (working days)	2017/18			2018/19		
		Number received	Number within target	% within target	Number received	Number within target	% within target
Inputting of new members	20	5424	5406	99.67	6538	6489	99.25
Processing of early leavers	20	4670	4644	99.44	6010	5897	98.12
Payment of retirement benefits	5	1115	1080	96.86	1159	1136	98.02
Payment of transfer values	15	54	53	98.15	7	7	100
Payment of Refund of Contributions	10	n/a	n/a	n/a	530	528	99.62

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

Administration Team Performance	Target (working days)	2017/18			2018/19		
		Number received	Number within target	% within target	Number received	Number within target	% within target
Employee estimate requests	7	1428	1192	83.47	2223	1828	82.23
Employer estimate requests	5	391	354	90.54	291	249	85.57
Changes to personal details	15	5977	5616	93.96	5340	4824	90.34
Issue of 'my pension ONLINE' Activation Keys	5	2247	2217	98.66	1569	1548	98.66
APC Quotes	20	213	100	100	205	203	99.02

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 41,500 procedures we carried out in 2018/19.

Administration Team Performance	Target (working days)	2017/18			2018/19		
		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	2	2	100%	0	n/a	n/a

Key Staffing and Membership Numbers

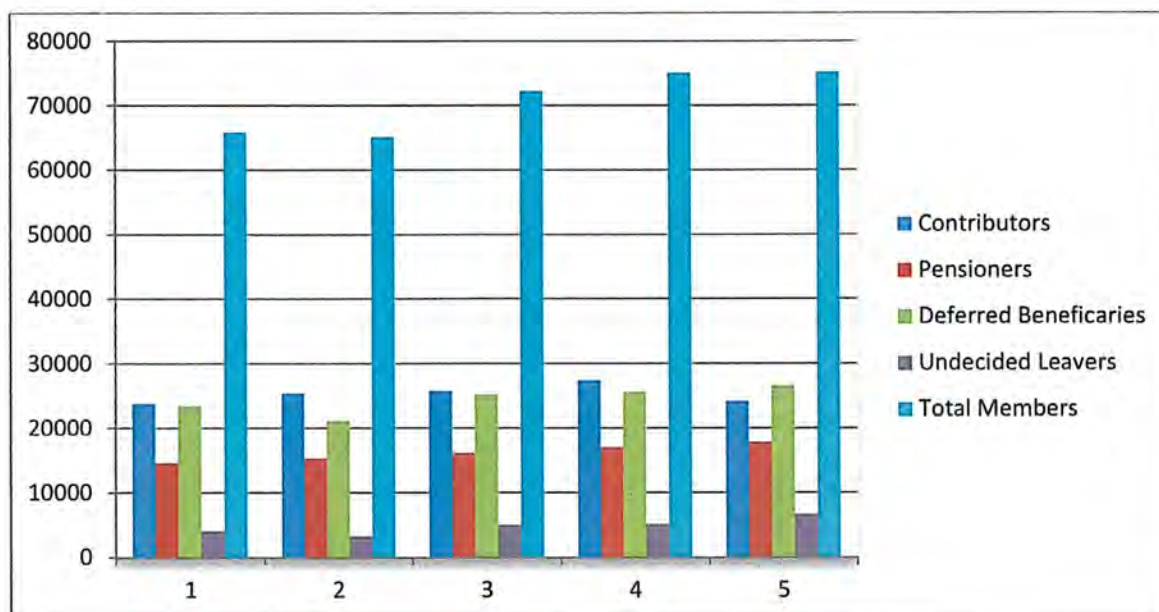
Staffing

The administration team is made up of the following members:

Year	2017/18	2018/19
Deputy Pension Fund Manager	1.0	1.0
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
Assistant Technical Analyst	n/a	1.0
Senior Pension Administrators	2.0	1.0
Pension Administrators	4.5	2.5
Trainee Pension Administrators	3.0	4.0
Payroll Supervisor	0.7	0.7
Pension & Payroll Administrator	1.0	1.0
Administration Support Officer	1.0	1.0
Clerical Support	0.6	0.6
Total	17.8	16.8

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 2019.



	31 March 2015	31 March 2016	31 March 2017	31 March 2018	31 March 2019
Contributors	23,783	25,434	25,845	27,369	24,203
Pensioners	14,610	15,243	16,126	16,955	17,763
Deferred Beneficiaries	23,415	21,187	25,256	25,624	26,626
Undecided Leavers	4,083	3,271	5,015	5,127	6,650
Total Members	<u>65,891</u>	<u>65,135</u>	<u>72,242</u>	<u>75,075</u>	<u>75,242</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 1:4478 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.

Gathering Assurance and Data Quality

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.

In addition it is fundamentally important to measure the presence and accuracy of both Common and Scheme Specific data held to administer benefits on behalf of scheme members and their beneficiaries and to have plans in place to resolve discrepancies where they are found. In consideration of the Pension Regulators (tPR) requirements in this area the Pension Fund entered into a three year agreement with *heywood* Limited during August 2018 with feedback received during November 2018 that our results were well above average.

The exercise of monitoring the accuracy of data will be performed annually and will demonstrate how serious the Pension Fund is with regard to holding accurate data on behalf of scheme members and their beneficiaries.

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

The Future

We 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 Government Data Protection Regulation (GDPR).

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

In continuing with the UK Government's initiative for Local Government Pension Funds to take advantage of pooling their investments, the management of the Fund's assets has transferred to the Local Pensions Partnership (LPP). The assets remain the legal property of the Royal County of Berkshire Pension Fund.

LPP has set up and oversees the investment of seven pooled fund vehicles. The majority of the Fund's on balance assets have transferred into the pooled funds. LPP is in the process of setting up an eighth pooled fund vehicle for the asset class of Real Estate. The Fund's asset allocation can be seen the following table:

Asset Class	31-Mar-19		31-Mar-18	
	Actual weighting	Target Weighting	Actual Weighting	Target Weighting
Credit	12.5%	10.0%	12.0%	10.0%
Diversifying Strategies	3.6%	4.0%	4.0%	4.0%
Fixed Income	2.9%	3.0%	3.2%	3.0%
Infrastructure	9.0%	12.5%	6.2%	12.5%
Private Equity	12.9%	13.0%	12.6%	13.0%
Public Equity	38.3%	40.0%	33.6%	40.0%
Real Estate	13.3%	16.5%	13.1%	16.5%
Cash	7.5%	1.0%	15.3%	1.0%
	100.0%	100.0%	100.0%	100.0%

N.B. "Target Weighting" shown above represents the agreed Strategic Asset Allocation ('SSA').

Over the reporting period The Strategic Asset Allocation weightings / Target Weightings remained unaltered. The Fund is currently through an actuarial valuation (which occurs every three years) and the appropriateness of the SAA will be reviewed as part of establishing the funding level and determining longer term ambitions.

The Fund's exposure to Public Equities and Infrastructure increased over the reporting period (by circa 5% and 3% respectively) whilst the cash weighting reduced significantly.

How did the investments perform?

Over the twelve month period to the end of March 2019 the Fund generated a positive return of 6.7%. This represents an outperformance of 0.2% against the Policy Portfolio (the "Policy Portfolio" weightings are reflective of the Strategic Asset Allocation weighting). During this period the asset classes of Credit, Infrastructure and Real Estate added to the outperformance, whilst Diversifying Strategies and Public Equity underperformed.

Over a three year horizon to the end of Q1 2019, the Fund delivered an 8.8% annualised return outperforming its policy portfolio by 1.9%. Credit was the stellar performer over this period whilst Diversifying Strategies once again struggled.

Economic Update

The year through to March 2019 was a period of slowing global economic activity. The deceleration in global gross domestic product ("GDP") growth was relatively synchronised across the developed and emerging markets. Inflation, within the UK, Eurozone and United States, subsided from key central bank levels in the first quarter of 2019. GDP growth and inflation are two key macroeconomic variables that impact most asset classes (to varying degrees and over different time horizons). Amid this trend of lower growth and inflation, all the major central banks pivoted to a more "dovish" stance (i.e. accommodative policy) either through their forward guidance and/or

their monetary policy tools. For major developed and emerging market equity indices, Q4's market turbulence led to negative full-year returns for the first time since 2015. In a rebounding move, 2019 started strongly for all major equity and credit markets.

FINANCIAL PERFORMANCE REPORT

Movement in Net assets of the scheme

During the financial year the value of the net assets of the scheme increased by £69.9 million.

Timeliness of Receipt of Contributions

	2018/19	2017/18	2016/17
Percentage of contributions received on or before the due date	98.75%	97.65%	98.43%

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

Administrative Costs Actual compared to Budget

	2018/19 Actual £000's	2018/19 Budget £000's
Staff	620	615
Supplies and Services	443	589
Unit Recharges	96	96
TOTAL	1,159	1,300

Income and Expenditure

	2018/19 Actual £000's	2018/19 Forecast £'000's
Employee/Employer Contributions	114,581	100,614
Transfer Values Received	8,130	6,600
Employer additional contributions for early retirements	2,409	1,800
Investment income via Custodian	39,032	34,700
Pensions Payable	-85,105	-85,902
Retirement Lump Sums and Death Grants	-17,730	-21,200
Transfer Values Paid and Refund of Contributions	-10,526	-6,500
Investment Management Expenses	-9,934	-7,363
Employee & Other costs	-1,159	-1,300
Net additions/(withdrawals) from dealing with members	39,698	21,449

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.	Annually each active member's contributions and pay details are confirmed with their employer. On leaving employment an individual's scheme membership history and pay details will be confirmed with their employer. Pension Fund is moving toward an automated and secure method of data transfer between employers and the Fund.
Pension benefits not paid on time.	A schedule of payment dates is maintained and written procedures adopted. Sufficient cover is provided to ensure payments are made at the correct time.

<p>Ongoing pension benefits paid to a deceased member.</p>	<p>The Fund undertakes a monthly mortality screening exercise and takes part in the biennial National Fraud Initiative (NFI)</p>
<p>Failure to maintain a high quality database.</p>	<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>
<p>Failure to hold data securely.</p>	<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 General Data Protection Regulations (GDPR) and IT policies.</p>
<p>Contribution payments received late from scheme employers.</p>	<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>
<p>Failure to communicate properly with stakeholders.</p>	<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>

	Training is provided to scheme employers.
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 an 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.

	<p>A cessation valuation is undertaken by the Actuary when a scheme employer 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 assists 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 2019

Barnett Waddingham LLP

6 September 2019

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 2019 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.



Barry McKay FFA
Partner, Barnett Waddingham LLP

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF THE ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD ON THE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2019, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26.

Respective responsibilities of the Chief Financial Officer and the auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.


Our responsibility is to report to you my opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of The Royal Borough of Windsor and Maidenhead, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We also read the other information contained in the pension fund annual report and consider the implications for my report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only the information included in the pension fund's Annual Report, other than the financial statements and our auditor's report thereon.

We conducted my work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of The Royal Borough of Windsor and Maidenhead for the year ended 31 March 2019 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.



Jonathan Gooding, FCA (Appointed auditor)
For and on behalf of Deloitte LLP
St. Albans, UK

10 DECEMBER 2019.

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.



Terry Neaves
Interim Section 151 Officer

8 DECEMBER 2019

PENSION FUND ACCOUNTS

The Royal County of Berkshire Pension Fund fund account

2017/18 £'000		Notes	2018/19 £'000
	Dealings with members, employers and others directly involved in the Fund		
(108,591)	Contributions	7	(116,990)
(13,403)	Transfers in from other pension funds	8	(8,130)
(121,994)			(125,120)
100,493	Benefits	9	102,835
10,184	Payments to and on account of leavers	10	10,528
110,677			113,361
(11,317)	Net (additions)/withdrawals from dealings with members		(11,759)
9,204	Management expenses	11	11,093
(2,113)	Net (additions)/withdrawals including fund management expenses		(666)
	Returns on investments		
(40,770)	Investment income	12	(43,766)
3,036	Taxes on income	13	4,734
(48,421)	Profits and losses on disposal of investments and changes in the market value of investments	14	(29,982)
(86,155)	Net return on investments		(69,014)
(88,268)	Net (increase)/decrease in the net assets available for benefits during the year		(69,680)
1,923,995	Opening net assets of the scheme		2,012,263
<u>2,012,263</u>	Closing net assets of the scheme		<u>2,081,943</u>

The Royal County of Berkshire Pension Fund net assets statement

2017/18 £'000		Notes	2018/19 £'000
2,082,344	Investment assets	14	2,185,058
(63,402)	Investment liabilities	14	(108,271)
2,018,942	Total net investments		2,076,787
9,048	Current assets	21	14,814
9,048			14,814
(15,727)	Current liabilities	22	(9,658)
<u>2,012,263</u>	Net assets of the fund available to fund benefits at the end of the reporting period		<u>2,081,943</u>

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 2019

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.

a) General

The fund 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 fund and are free to choose whether to remain in the fund, opt-out of the fund, or make their own personal arrangements outside the fund.

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.

Membership details are set out below:

The Royal County of Berkshire Pension Fund	31 March 2018	31 March 2019
Number of employers with active members	186	204
Number of employees in scheme		
Administering authority	1,867	1,594
Unitary authorities	12,741	13,297
Other employers	12,990	11,008
Total	27,598	25,899
Number of pensioners		
Administering authority	1,792	1,878
Unitary authorities	8,822	9,354
Other employers	6,314	6,618
Total	16,928	17,850
Deferred pensioners		
Administering authority	3,635	3,564
Unitary authorities	15,332	15,601
Other employers	6,817	7,403
Total	25,784	26,568
Total number of members in pension scheme	70,310	70,317

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 2019. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. During 2018/19, employer contribution rates ranged from 10.1% to 31.3% of pensionable pay.

NOTES TO THE PENSION FUND

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 fund 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 fund 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 2018/19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ('the code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2018/19.

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.

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. Employee's contribution rates are set in accordance with LGPS regulations. Employer's contributions are set at the percentage rate recommended by the fund actuary.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the rates and adjustments certificate set by the fund actuary.

Additional employers' contributions in respect of ill-health and early retirements 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

Transfers in and out relate to members who have either joined or left the fund.

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 fund 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.

NOTES TO THE PENSION FUND

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.

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 fund discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs (2016)*. All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative expenses

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 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

Fees of the external investment manager 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.

NOTES TO THE PENSION 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.

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.

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 fund actuary in accordance with the requirements of International Accounting Standards (IAS19) and 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.

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 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.

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.

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 2019 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 £84.2 million. A 0.1% increase in the long term salary increases assumption would increase the value of liabilities by approximately £7.3 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £157.5 million.
Longevity Insurance Policy	The longevity insurance policy is valued by a firm of consulting actuaries. This valuation is the difference between the discounted cash flows relating to the amounts expected to be reimbursed to the fund and the inflation linked premiums expected to be paid by the fund. Mortality assumptions are a key source of uncertainty.	Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
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 £697 million. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
Bonds	The convertible bond held by the Fund has been valued by discounting the future coupon due to be paid to the Fund. On default the bond converts to an equity. An assumption has been made that the value of the equity is zero and that the coupon will not be paid from 2020 onwards.	Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

6 Events after the balance sheet date

Impact of the McCloud judgement

The McCloud court case relates to possible age discrimination within the New Judicial Pension Scheme. At this point in time, it is unclear as to how this judgement, or any future judgement, may affect LGPS members' past or future service benefits, and the actuary is awaiting guidance from the governing bodies of the LGPS. The actuary has therefore estimated the impact using analysis from the Government Actuary's Department as a starting point. The estimated impact would be an increase of 0.8% of liabilities on total liabilities at 31 March 2019 (which equates to £35,410,000).

The IAS 26 report on pages 61-73 of the annual report, shows the total liabilities of the Fund as £4,412,936,000 and net liability as £2,330,992,000 before making any allowance for the impact of the McCloud court case. Including the estimated impact of the McCloud judgment, as calculated by the Actuary, increases the total Fund liabilities to £4,448,346,000 and increases the net liability to £2,366,402,000.

NOTES TO THE PENSION FUND

7 Contributions receivable

By category

2017/18		2018/19
£'000		£'000
26,650	Employees' contributions	27,654
	Employers' contributions	
61,089	Normal contributions	64,323
18,602	Deficit recovery contributions	22,604
2,250	Augmentation contributions	2,409
81,941	Total employer's contributions	89,336
108,591		116,990

By type of employer

2017/18		2018/19
£'000		£'000
9,521	Administering authority	10,680
89,160	Scheduled bodies	94,499
4,657	Admitted bodies	5,761
5,253	Transferee admission body	6,049
108,591		116,989

8 Transfers in from other pension funds

2017/18		2018/19
£'000		£'000
13,356	Individual transfers from other pension funds	8,055
47	AVC to purchase scheme benefits	75
13,403		8,130

9 Benefits payable

By category

2017/18		2018/19
£'000		£'000
80,065	Pensions	85,105
17,520	Commutation and lump sum retirement benefits	15,674
2,908	Lump sum death benefits	2,056
100,493		102,835

By type of employer

2017/18		2018/19
£'000		£'000
11,652	Administering authority	11,122
79,613	Scheduled bodies	82,004
6,554	Admitted bodies	6,987
2,674	Transferee admission body	2,722
100,493		102,835

10 Payments to and on account of leavers

2017/18		2018/19
£'000		£'000
478	Refunds to members leaving service	485
9,706	Individual transfers to other pension funds	10,041
10,184		10,526

NOTES TO THE PENSION FUND

11 Management expenses

2017/18		2018/19
£'000		£'000
1,342	Administrative costs	1,349
7,816	Investment management expenses	9,698
46	Oversight and governance costs	46
9,204		11,093

a) Investment management expenses

2017/18		2018/19
£'000		£'000
7,583	Management Fees	9,414
233	Custody Fees	284
7,816		9,698

12 Investment income

2017/18		2018/19
£'000		£'000
19,090	Income from equities	14,080
2,348	Income from bonds	2,874
7,671	Private equity income	15,151
9,199	Pooled property investments	9,153
1,616	Pooled investments - unit trusts & other managed funds	733
846	Interest on cash deposits	1,775
40,770	Total before taxes	43,766

13 Other fund account disclosures

a) Taxes on income

2017/18		2018/19
£'000		£'000
1,064	Withholding tax - equities	583
1,342	Withholding tax - pooled property investments	175
630	Withholding tax - pooled investments	3,976
3,036		4,734

b) External audit costs

2017/18		2018/19
£'000		£'000
30	Payable in respect of external audit	21
30		21

NOTES TO THE PENSION FUND

14 Investments

Market value 31 March 2018		Market value 31 March 2019	
£'000		£'000	
Investment assets			
100,456	Bonds	2,226	
458,806	Equities	23,588	
332,724	Pooled investments	997,973	
295,208	Pooled liquidity funds	137,972	
271,613	Pooled property investments	294,011	
583,269	Private equity	696,663	
Derivative contracts:			
3,929	- Forward currency contracts	413	
32,836	Cash deposits	29,819	
3,503	Investment income due	2,393	
-	- Amounts receivable for sales	-	
2,082,344	Total investment assets	2,185,058	
Investment liabilities			
Derivative contracts:			
(289)	- Forward currency contracts	(4,471)	
(63,113)	- Longevity Insurance Policy	(103,800)	
(63,402)	Total investment liabilities	(108,271)	
2,018,942	Net investment assets	2,076,787	

a) Reconciliation of movements in investments and derivatives

	Market value 1 April 2018	Purchases during the year and derivative payments	Sales during the year & derivative receipts	Change in market value during the year	Market value 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Bonds	100,456	363	(65,709)	(32,884)	2,226
Equities	458,806	75,282	(500,474)	(10,026)	23,588
Pooled investments	332,724	646,906	(24,147)	42,490	997,973
Pooled liquidity funds	295,208	323,728	(482,068)	1,104	137,972
Pooled property investments	271,613	27,442	(20,338)	15,294	294,011
Private equity	583,269	138,288	(125,532)	100,638	696,663
	2,042,076	1,212,009	(1,218,268)	116,616	2,152,433
Derivative contracts:					
- Forward currency contracts	3,640	82,870	(49,600)	(40,968)	(4,058)
- Longevity insurance policy	(63,113)	6,760	-	(47,447)	(103,800)
	1,982,603	1,301,639	(1,267,868)	28,201	2,044,575
Other investment balances:					
- Cash deposits	32,836			1,781	29,819
- Amount receivable for sales of investments	-				-
- Investment income due	3,503				2,393
Net investment assets	2,018,942			29,982	2,076,787

NOTES TO THE PENSION FUND

	Market value 1 April 2017	Purchases during the year and derivative payments	Sales during the year & 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	(128,886)	2,965	583,289
	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
Not investment assets	1,916,302			48,421	2,018,942

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 2018 £'000		31 March 2019 £'000	
Investment assets			
Bonds			
Overseas			
100,456	Corporate quoted	2,226	
100,456		2,226	
Equities			
UK			
95,766	Quoted	23,588	
Overseas			
363,040	Quoted	-	
458,806		23,588	
Pooled investments - additional analysis			
UK			
221,673	Unit Trusts	935,447	
Overseas			
111,051	Unit Trusts	62,526	
332,724		997,973	
Other investment assets			
295,208	Pooled liquidity funds	137,972	
271,613	Pooled property investments	294,011	
583,269	Private Equity	696,663	
3,929	Derivative contracts - Forward Currency Contrs	413	
32,836	Cash deposits	29,819	
3,503	Investment income due	2,393	
1,190,358		1,161,271	
2,082,344	Total investment assets	2,185,058	
Investment liabilities			
(289)	Derivative contracts - Forward Currency Contrs	(4,471)	
(63,113)	Derivative contracts - Longevity insurance polic	(103,800)	
(63,402)	Total investment liabilities	(108,271)	
2,018,942	Net investment assets	2,076,787	

c) Investments analysed by fund manager

Market value 31 March 2018		Market value 31 March 2019	
£'000	%	£'000	%
-	-	2,076,787	100.0
1,342,739	66.5	-	-
221,659	11.0	-	-
242,880	12.0	-	-
207,192	10.3	-	-
4,472	0.2	-	-
2,018,942		2,076,787	

In June 2018 the fund transferred the management of all investment assets to Local Pensions Partnership (LPP) Investments as part of the government's LGPS pooling initiative.

All the above organisations are registered in the United Kingdom.

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

Investment	Market value 31 March 2018 £'000	% of total fund	Market value 31 March 2019 £'000	% of total fund
Aviva Global Real Estate	153,161	7.6	167,515	8.0
LPPI Global Equities Fund	-	-	624,010	30.0

NOTES TO THE PENSION FUND

15 a) 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	JPY	3,315,270	GBP	(22,792)	247	
One to six months	CHF	9,707	GBP	(7,379)	128	
One to six months	BRL	4,912	USD	(1,231)	19	
One to six months	INR	210,456	USD	(2,986)	13	
One to six months	SGD	4,295	USD	(3,170)	4	
One to six months	SGD	1,732	USD	(1,279)	1	
One to six months	CLP	854,185	USD	(1,254)	1	
One to six months	KRW	1,506,376	USD	(1,328)		(0)
One to six months	INR	103,530	USD	(1,479)		(1)
One to six months	MXN	22,268	USD	(1,136)		(2)
One to six months	MXN	64,035	USD	(3,267)		(6)
One to six months	KRW	3,521,028	USD	(3,125)		(17)
One to six months	TRY	7,841	USD	(1,331)		(28)
One to six months	CLP	2,100,764	USD	(3,144)		(43)
One to six months	BRL	12,080	USD	(3,148)		(47)
One to six months	GBP	12,845	AUD	(23,820)		(108)
One to six months	TRY	16,676	USD	(2,898)		(110)
One to six months	GBP	12,629	CAD	(22,228)		(114)
One to six months	GBP	12,341	NOK	(139,950)		(120)
One to six months	GBP	86,160	EUR	(100,042)		(284)
One to six months	GBP	643,950	USD	(847,108)		(3,591)
Open forward currency contracts at 31 March 2019					413	(4,471)
Net forward currency contracts at 31 March 2019						(4,058)
Prior year comparative						
Open forward currency contracts at 31 March 2018					3,929	(289)
Net forward currency contracts at 31 March 2018						3,640

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	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 2019.

	Assessed valuation range (+/-)	Value at 31 March 2019	Value on increase	Value on decrease
		£'000	£'000	£'000
Private equity	4%	696,663	724,529	668,796
Total		696,663	724,529	668,796

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.

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Financial assets at fair value through profit and loss	914,863	245,083	992,899	2,152,846
Financial liabilities at fair value through profit and loss	(4,471)		(103,800)	(108,271)
Net investment assets	910,392	245,083	889,099	2,044,575

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Financial assets at fair value through profit and loss	779,173	377,010	889,812	2,045,995
Financial liabilities at fair value through profit and loss	(279)		(63,113)	(63,392)
Net investment assets	778,894	377,010	826,699	1,982,603

b) Reconciliation of fair value measurements within level 3

	Market value 31 March 2018	Purchases during the year	Sales during the year	Unrealised gains/ (losses)	Realised gains/ (losses)	Market value 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Unquoted bond	34,930				(32,705)	2,226
Private equity	583,269	138,288	(125,532)	65,188	35,450	696,663
Pooled property	271,613	27,442	(20,338)	16,282	(988)	294,011
	889,812	165,730	(145,870)	81,470	1,757	992,899

NOTES TO THE PENSION FUND

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	Assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Financial liabilities at amortised cost
31 March 2018			31 March 2019		
£'000	£'000	£'000	£'000	£'000	£'000
					Financial assets
100,456			2,226		Bonds
458,806			23,588		Equities
332,724			997,973		Pooled investments
295,208			137,972		Pooled liquidity funds
271,613			294,011		Pooled property investments
583,269			696,663		Private equity
3,929			413		Derivative contracts
32,836	3,295		29,819	9,279	Cash
	3,503			2,393	Other investment balances
	5,753			5,535	Debtors
2,078,842	12,551	-	2,182,665	17,207	
					Financial liabilities
(63,402)			(108,271)		Derivative contracts
		(15,727)			Creditors
(63,402)	-	(15,727)	(108,271)	-	
2,015,439	12,551	(15,727)	2,074,394	17,207	

The above table has been prepared in line with the changes to the CIPFA Code resulting from the adoption of IFRS 9, and the comparative figures have been reclassified accordingly.

b) Net gains and losses on financial instruments

31 March 2018		31 March 2019	
£'000		£'000	
53,435	Fair value through profit and loss	28,201	
(5,014)	Assets at amortised cost	1,781	
48,421	Total	29,982	

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 fund 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 pension fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

NOTES TO THE PENSION FUND

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 investment return.

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 pension fund 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 to ensure it is within limits specified in the fund investment strategy.

Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return during the financial year the council has determined that the following movements in market price risk are reasonably possible for the 2019/20 reporting period:

Asset type	Potential market movements (+/-)
Bonds	7.4%
Equities - listed	17.2%
Equities - unlisted	24.9%
Private Equity	24.9%
Private Equity - Credit	7.4%
Private Equity - Infrastructure	17.6%
Pooled investments - Equity	17.2%
Pooled investments - Bonds	6.3%
Pooled investments - Credit	7.4%
Pooled investments - Diversifying strategies	8.7%
Pooled Property Funds	18.8%

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.

NOTES TO THE PENSION FUND

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 2019	Potential market movement	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Investment portfolio assets:				
Bonds	2,226	165	2,390	2,061
Equities - listed	-	-	-	-
Equities - unlisted	23,588	5,874	29,462	17,715
Pooled investments - Equity	847,473	145,765	993,238	701,708
Pooled investments - Bonds	64,597	4,070	68,667	60,527
Pooled investments - Credit	6,979	516	7,495	6,463
Pooled investments - Div. strategie:	78,924	6,866	85,790	72,057
Pooled liquidity funds	137,972	-	137,972	137,972
Pooled Property Funds	294,011	55,274	349,285	238,737
Private Equity	263,253	65,550	328,803	197,703
Private Equity - Credit	234,361	17,343	251,703	217,018
Private Equity - Infrastructure	199,049	35,033	234,081	164,016
Net derivative liabilities	(107,858)	-	(107,858)	(107,858)
Cash deposits	29,819	-	29,819	29,819
Investment income due	2,393	-	2,393	2,393
Current assets:				
Debtors	5,535	-	5,535	5,535
Cash balances	9,279	-	9,279	9,279
Current liabilities	(9,658)	-	(9,658)	(9,658)
Total	2,081,943	-	2,418,396	1,745,487

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	7,434	107,890	93,022
Equities - listed	447,612	76,989	524,602	370,623
Equities - unlisted	11,194	2,787	13,981	8,407
Pooled investments - Equity	239,977	41,276	281,253	198,701
Pooled investments - Bonds	-	-	-	-
Pooled investments - Credit	9,271	686	9,957	8,585
Pooled investments - Div. strategie:	83,476	7,262	90,738	76,213
Pooled liquidity funds	295,208	-	295,208	295,208
Pooled Property Funds	271,613	51,063	322,676	220,549
Private Equity	250,203	62,301	312,504	187,902
Private Equity - Credit	204,089	15,103	219,192	188,986
Private Equity - Infrastructure	128,977	22,700	151,677	106,277
Net derivative liabilities	(59,473)	-	(59,473)	(59,473)
Cash deposits	32,836	-	32,836	32,836
Investment income due	3,503	-	3,503	3,503
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	-	2,299,866	1,724,660

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 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

NOTES TO THE PENSION FUND

Interest rate risk sensitivity analysis

The fund 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.

1 BPS is the movement of 0.01% between two percentages, for example from 0.50% to 0.51%. Therefore 100BPS is the movement of 1.00% between two percentages, for example from 0.50% to 1.50%.

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 2019	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Investments - Pooled liquidity funds	137,972	-	-
Investments - Cash deposits	29,819	-	-
Current assets - Cash balances	9,279	-	-
Bonds	2,226	(67)	67
Total change in assets available	179,296	(67)	67

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
Investments - Pooled liquidity funds	295,208	-	-
Investments - Cash deposits	32,836	-	-
Current assets - Cash balances	3,295	-	-
Bonds	100,456	(4,379)	4,379
Total change in assets available	431,795	(4,379)	4,379

Income exposed to interest rate risk	Amount receivable in year ending 31 March 2019	Effect on income values	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Cash balances/cash and cash equivalents	1,775	1,678	(1,678)
Bonds	2,874	-	-
Total change in income receivable	4,649	1,678	(1,678)

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)

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.

NOTES TO THE PENSION FUND

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 GBP. The fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

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

The table below shows the value of assets held by the fund in foreign currencies and the likely volatility associated with foreign exchange rate movements (as measured by one standard deviation).

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

Denominated currency	Value as at 31 March 2019	Potential volatility (+/-)	Value on increase	Value on decrease
	£'000		£'000	£'000
AUD	16,617	9.2%	18,150	15,083
CAD	4	9.0%	4	3
CHF	395	7.8%	426	365
EUR	1,058	6.9%	1,131	985
JPY	28	9.1%	31	25
NOK	221	8.5%	240	202
NZD	19,937	9.2%	21,777	18,097
SEK	-	8.5%	-	-
USD	125,407	8.4%	135,979	114,835
Emerging markets	-	8.7%	-	-
Total	163,667		177,738	149,595

Denominated currency	Value as at 31 March 2018	Potential volatility (+/-)	Value on increase	Value on decrease
	£'000		£'000	£'000
AUD	29,825	9.2%	32,578	27,073
CAD	2,618	9.0%	2,854	2,383
CHF	23,815	7.8%	25,668	21,963
EUR	77,374	6.9%	82,736	72,012
JPY	26,890	9.1%	29,340	24,441
NOK	13,221	8.5%	14,338	12,104
NZD	19,799	9.2%	21,626	17,971
SEK	5,317	8.5%	5,766	4,867
USD	353,067	8.4%	382,831	323,304
Emerging markets	23,806	8.7%	25,877	21,735
Total	575,732		623,614	527,853

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.

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.

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

The fund 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 2019 was £177.1m (31 March 2018: £331.3m). This was held with the following institutions:

	Rating	Balances as at 31 March 2018	Balances as at 31 March 2019
		£'000	£'000
Money Market funds			
Aviva	AAA	41,090	17,286
JP Morgan	AAA	177,106	77,334
Legal & General	AAA	36,009	26,207
Northern Trust	AAA	41,002	17,146
Bank deposit accounts			
JP Morgan	AA-	32,836	29,819
Bank current accounts			
Lloyds	A+	3,295	9,279
Total		331,338	177,071

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 fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

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 2019 the value of illiquid assets was £990.6m, which represented 47.6% of the total fund net assets (31 March 2018: £854.9m, which represented 42.5% of the total fund net assets).

Refinancing risk

The key risk is that the fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The fund 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 fund 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	5.7% per annum for unitary authorities, 5.5% for other employers
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.

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 2019 was £4,413 million (31 March 2018: £4,264 million). The net assets available to pay benefits as at 31 March 2019 was £2,082 million (31 March 2018: £2,010 million). The implied fund deficit as at March 2019 was therefore £2,331 million (31 March 2018: £2,254 million).

NOTES TO THE PENSION FUND

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.

Guaranteed Minimum Pension (GMP) Equalisation

In valuing the present value of promised retirement benefits the fund's actuary has assumed that for GMP the fund will pay limited increases for members that have reached statutory pension age (SPA) by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the fund actuary has assumed that the fund will be required to pay the entire inflationary increase. Therefore the fund actuary does not believe that any adjustments are needed to the value placed on the liabilities as a result of the High Court's recent ruling on the equalisation of GMP.

IAS19 assumptions used

Inflation/pension increase rate assumption	2.40%
Salary increase rate	3.90%
Discount rate	2.40%

21 Current assets

31 March 2018		31 March 2019
£'000		£'000
5,157	Contributions due	4,750
596	Sundry debtors	785
5,753	Debtors	5,535
3,295	Cash balances	9,279
9,048		14,814

Analysis of debtors

31 March 2018		31 March 2019
£'000		£'000
1,549	Other local authorities	2,138
4,204	Other entities & individuals	3,397
5,753		5,535

22 Current liabilities

31 March 2018		31 March 2019
£'000		£'000
(15,727)	Sundry creditors	(9,658)
(15,727)		(9,658)

Analysis of creditors

31 March 2018		31 March 2019
£'000		£'000
(902)	Central government bodies	(988)
(11,940)	Other local authorities	(5,051)
(2,885)	Other entities & individuals	(3,639)
(15,727)		(9,658)

23 Additional voluntary contributions

Market value		Market value
31 March 2018		31 March 2019
£'000		£'000
13,874	Prudential	13,861
4	Equitable Life	4
18	Clerical Medical	18
13,896	Total	13,883

AVC Contributions of £1.914 million were paid directly to Prudential during the year (2017/18: £2.051 million).

NOTES TO THE PENSION FUND

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. During the reporting period, The Royal Borough of Windsor and Maidenhead incurred costs of £1.349m (2017/18 £1.342m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the 6th largest employer in the pension fund (by contributions paid) and contributed £10.9m (2017/18 £9.7m).

Governance

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

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

Key management personnel

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

25 Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2019 totalled £314.621m (31 March 2018: £321.046m).

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 2019

Prepared in accordance with IAS26

Barnett Waddingham LLP

27 November 2019

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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 2019. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

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.

This revised report replaces the report dated 13 September 2019. The reason for this revision is due to a revised net asset statement being provided by the Fund, which takes into account a revised valuation of a convertible bond. The revision also allows for updated whole fund cashflows which were provided by the Fund.

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.

Please note that no allowance has been made for the recent McCloud judgement which relates to age discrimination within the New Judicial Pension Scheme. It is currently unclear how this judgement may affect LGPS members' past or future service benefits. We continue to participate in discussions with the governing bodies of the LGPS to understand how this may affect mechanisms within the scheme, however, at the time of producing the report no guidance or indication of the likely impact of this ruling has been provided to funds.

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 2018 IAS26 report which was carried out for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2019;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2018 and 31 March 2019; and
- Details of any new early retirements for the period to 31 March 2019 that have been paid out on an unreduced basis, which are not anticipated in the normal 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 2019.

We have been notified of 67 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 £635,500.

The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £3,175,000. 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 2019 is estimated to be 3%. 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 2019 is as follows:

Asset breakdown	31 Mar 2019		31 Mar 2018	
	£000s	%	£000s	%
Equities	1,118,136	54%	934,720	46%
Other Bonds	287,263	14%	295,759	15%
Property	294,011	14%	271,613	14%
Cash	175,341	8%	326,541	16%
Target Return Portfolio	99,823	5%	80,293	4%
Commodities	12,121	1%	35,507	2%
Infrastructure	199,049	10%	128,977	6%
Longevity Insurance	-103,800	-5%	-63,113	-3%
Total	2,081,944	100%	2,010,297	100%

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2019 is likely to be different from that shown due to estimation techniques.

As we can see the total asset value is less than what disclosed in the report dated 13 September 2019, reflecting the revised valuation of the convertible bond.

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 2019, 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 2019 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2019 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. 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 can be provided on request.

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes". More information on the current method of equalisation of public service pension schemes can be found [here](#).

On 22 January 2018, the Government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found [here](#).

Our valuation assumption for GMP is that the Fund 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 the Fund will be required to pay the entire inflationary increase. Therefore we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Demographic/Statistical assumptions

The demographic assumptions adopted were requested by the employer. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 95%. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.5% p.a..

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2018, which was released in March 2019. We have adopted the default smoothing parameter of 7.0 and have not applied an additional initial rate, while continuing to adopt a long term improvement rate of 1.5% p.a. At the last accounting date, the CMI_2015 Model was adopted. The effect of updating to the most recent model is reflected in the *Change in demographic assumptions* figure in Appendix 2.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 Mar 2019	31 Mar 2018
Retiring today		
Males	22.0	23.1
Females	24.0	25.2
Retiring in 20 years		
Males	23.7	25.3
Females	25.8	27.5

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 2019	31 Mar 2018	31 Mar 2017
	% p.a.	% p.a.	% p.a.
Discount rate	2.40%	2.55%	2.80%
Pension increases	2.40%	2.30%	2.70%
Salary increases	3.90%	3.80%	4.20%

These assumptions are set with reference to market conditions at 31 March 2019.

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). This is consistent with the approach used at the previous accounting date.

Similar 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. This is consistent with the approach used at the previous accounting date.

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. 2.4% 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 consistent with the approach used at the previous accounting date.

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

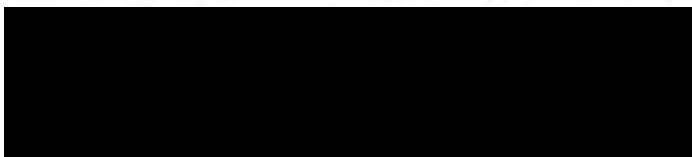
We estimate that the net liability as at 31 March 2019 is a liability of £2,330,992,000.

The results of our calculations for the year ended 31 March 2019 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2019;
- 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.



Barry McKay FFA
Partner

Appendix 1 Statement of financial position as at 31 March 2019

Net pension asset as at	31 Mar 2019	31 Mar 2018	31 Mar 2017
	£000s	£000s	£000s
Present value of the defined benefit obligation	4,412,936	4,263,622	4,185,496
Fair value of Fund assets (bid value)	2,081,944	2,010,297	1,924,017
Net liability in balance sheet	2,330,992	2,253,325	2,261,479

*Present value of funded obligation consists of £4,297,192,000 in respect of vested obligation and £115,744,000 in respect of non-vested obligation.

Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2019

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to	Year to
	31 Mar 2019	31 Mar 2018
	£000s	£000s
Opening defined benefit obligation	4,263,622	4,185,496
Current service cost	155,295	156,636
Interest cost	107,785	116,277
Change in financial assumptions	212,167	(127,915)
Change in demographic assumptions	(251,531)	-
Experience loss/(gain) on defined benefit obligation	-	-
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(105,231)	(97,795)
Past service costs, including curtailments	3,175	4,467
Contributions by Scheme participants and other employers	27,654	26,456
Unfunded pension payments	-	-
Closing defined benefit obligation	4,412,936	4,263,622

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to	Year to
	31 Mar 2019	31 Mar 2018
	£000s	£000s
Opening fair value of Fund assets	2,010,297	1,924,017
Interest on assets	51,412	53,936
Return on assets less interest	9,871	29,630
Other actuarial gains/(losses)	-	-
Administration expenses	(1,395)	(1,862)
Contributions by employer including unfunded	89,336	75,915
Contributions by Scheme participants and other employers	27,654	26,456
Estimated benefits paid plus unfunded net of transfers in	(105,231)	(97,795)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	2,081,944	2,010,297

The total return on the Fund's assets for the year to 31 March 2019 is £61,283,000.

Appendix 3 Sensitivity analysis

Sensitivity analysis (£000's)

Present value of total obligation		4,412,936			
	Sensitivity to	+0.5%	+0.1%	-0.1%	-0.5%
	Discount rate	4,008,061	4,328,652	4,498,946	4,860,999
	Long term salary increase	4,450,099	4,420,265	4,405,658	4,377,050
	Pension increases and deferred revaluation	4,821,546	4,491,532	4,335,848	4,042,059
	Sensitivity to	+ 1 Year		- 1 Year	
	Life expectancy assumptions	4,570,443		4,260,871	