

# The Royal County of Berkshire Pension Fund

Actuarial Valuation as at 31 March 2004

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June 2005

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### Executive Summary

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This report sets out the results of our actuarial valuation of the Fund as at 31 March 2004 and is addressed to The Royal Borough of Windsor and Maidenhead as administering authority to the Fund.

The main conclusions are as follows:

- The funding level (ratio of assets to past service liabilities) as at 31 March 2004 is 87% (compared to 106% as at 31 March 2001). This corresponds to a past service deficit of £145.3m.
- Without anticipating future equity out-performance, the corresponding result would be a funding level of 66%.
- The employers' average cost of future service benefits (i.e. ignoring any past service deficit) is 12.4% of pensionable pay.
- Assuming that a funding level of 100% is to be targeted over a period of 20 years on the ongoing basis (if our assumptions are borne out in practice) the common employers' contribution rate is 15.8% of pensionable pay. The above figures assume that the deficit contributions will be spread over a period of 20 years, compared to a surplus spread period of 10 years used at the 2001 valuation.
- We have also reduced the real salary growth assumption from 2% to 1.5% above inflation. This has a positive impact on results.
- Adjustments have been made to the common rate of employers' contribution to take account of certain circumstances that are peculiar to individual employers. The *minimum* contributions to be paid by each employer from 1 April 2005 to 31 March 2008 are shown in our Rates and Adjustment Certificate at Appendix G.
- Employers may make voluntary additional contributions to recover the shortfall over a shorter period.
- All employers are also required to make additional payments in respect of unreduced early retirements as provided for in our Rates and Adjustment Certificate.

Lorna Tonner FFA  
27 June 2005

Donald Fleming FFA

# The Royal County of Berkshire Pension Fund

## *Actuarial Valuation as at 31 March 2004*

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# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### 1. Introduction

- 1.1 We have carried out an actuarial valuation of the The Royal County of Berkshire Pension Fund ("the Fund") as at 31 March 2004 and have pleasure in presenting our report to The Royal Borough of Windsor and Maidenhead ("the Administering Authority") as the administering authority to the Fund.
- 1.2 The previous valuation was carried out as at 31 March 2001 by Hymans Robertson and the results were set out in the report dated April 2002. They are summarised in the table below, with the surplus amortised over 10 years.

<b>2001 Results Summary</b>	<b>£m</b>
<b>Value of Accrued (Past Service) Liabilities</b>	
Employee Members	396
Deferred Pensioners	194
Pensioners	390
<b>Total Accrued Liabilities (L)</b>	<b>980</b>
<b>Value of Fund Assets (A)</b>	<b>1,035</b>
<b>Surplus/(Deficit)</b>	<b>55</b>
<b>Funding Level [(A)/(L)]</b>	<b>106%</b>
<b>Employer Contributions</b>	<b>% of pay</b>
(a) Future Service Funding Rate	13.2%
(b) Past Service Adjustment	(3.0%)
<b>Total Common Contribution Rate [(a)+(b)]</b>	<b>10.2%</b>

- 1.3 The Fund is part of the Local Government Pension Scheme (LGPS) and is a multi-employer defined benefit pension scheme. It is contracted out of the State Second Pension. Employees' contributions are fixed (mostly at the level of 6% of pay). Employers pay the balance of the cost of the scheme. The actual cost will not be known until the final pensioner dies, and employers' contributions are set to meet the expected cost of the benefit. The employers' contributions are reviewed at a series of three yearly valuation exercises. This valuation is one of the series.

# **The Royal County of Berkshire Pension Fund**

## **Actuarial Valuation as at 31 March 2004**

### **Purposes of Valuation**

- 1.4 The main purposes of this valuation are:
- to review the financial position of the Fund against the Administering Authority's funding objectives;
  - to enable completion of all relevant certificates and statements in connection with the Local Government Pension Scheme Regulations 1997 ("the Regulations"), and other relevant regulations; and
  - to comment on the circumstances that may give rise to future volatility in the funding level of the Fund or employers' contributions.

### **Funding Objectives**

- 1.5 The Fund is preparing a Funding Strategy Statement (FSS), which is required to be in place by 31 March 2005.
- 1.6 Our valuation is based on the following overriding funding principles for the Fund:
- building up assets to provide for new benefits of current employees as they are earned;
  - recovering any shortfall in assets relative to the value placed on accrued liabilities over the longer-term; and
  - ensuring that there are always sufficient assets to meet the benefits as they fall due for payment to members.

### **Regulatory Requirements**

- 1.7 This valuation is carried out in accordance with Regulation 77 of the Regulations, which specifies that the Administering Authority must obtain:
- an actuarial valuation of the assets and liabilities of each of the Fund as at 31 March 1998 and every three years thereafter;
  - a report by an actuary; and
  - a rates and adjustments certificate.
- 1.8 Within the rates and adjustment certificate we are required to specify:
- the employers' common contribution rate, which, in our opinion should be paid by all employers so as to ensure the Fund's solvency; and

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## Actuarial Valuation as at 31 March 2004

- any individual adjustments (increases or decreases) to the common contribution rate, which, in our opinion are required by reason of any circumstances peculiar to that employer.

which for this valuation apply for each year of the period of three years beginning with 1 April 2005.

1.9 Under the provisions of the Regulations, we are required to have regard to:

- the existing and prospective liabilities of the Fund arising from circumstances common to all those bodies,
- the desirability of maintaining as nearly constant a rate as possible, and
- the Administering Authority's funding strategy statement.

1.10 The Fund must comply with the Inland Revenue Surplus Test (see Section 5 of this report) where the objective is to remain below a prescribed maximum level of funding.

### Use of Results

1.11 This report is provided solely for the purposes of the Administering Authority and the Fund employers to fulfil their and our statutory obligations. It should not be used for any other purpose. The liability figures contained in this report are not appropriate for employer FRS17 accounting purposes. This report should not be released or otherwise disclosed to any third party except as required by law or with our prior written consent, in which case it should be released in its entirety.

1.12 Neither we nor Hymans Robertson accepts any liability to any other party unless we have expressly accepted such liability in writing.

1.13 This report has been prepared in accordance with version 7.0 of "Retirement Benefit Schemes - Actuarial Reports - GN9" published by the Institute of Actuaries and the Faculty of Actuaries. The following aspects of GN9 are not relevant to the current circumstances of the LGPS and hence our report does not comply with these aspects of GN9:

- Paragraph 2.5 of GN9 requires the actuary to state the Minimum Funding Requirement (MFR) funding level. As the MFR does not apply to the LGPS, this report does not comply with paragraph 2.5 of GN9; and
- Paragraph 2.6 of GN9 requires the actuary to report on the value of the liabilities that would arise had the Fund wound up on the valuation date (based on the cost of buying out the accrued benefits with insurance policies). As the LGPS is a statutory scheme, there is no regulatory provision for scheme wind up and the scheme members have a statutory right to their accrued benefits. Therefore the concept of solvency on a buy-out basis does not apply to the Fund. Accordingly, this report does not comply with paragraph 2.6 of GN9.

# **The Royal County of Berkshire Pension Fund**

## ***Actuarial Valuation as at 31 March 2004***

- 1.14 The Government's recent legislation relating to employers' obligations on the voluntary termination of their pension schemes, known as the Debt on Employer regulations, does not apply to the LGPS. The Government's new safety net system from April 2005, the Pension Protection Fund, will also not apply to the LGPS. We assume that all employers will be able to fulfil their obligations to pay contributions certified in this report. To the extent that any employer defaults on its contributions whilst the Fund is in deficit, another employer or employers in the Fund will bear any shortfall.
- 1.15 The membership and accounting data has been provided by the Administering Authority and we have relied on the accuracy of the information provided.
- 1.16 We have had some concerns regarding the individual membership data. The main problem is in respect of salary information for certain employers. Following discussions with the Administering Authority and Liberata, we have agreed to carry out the valuation based on estimated salary information where this was missing or appeared unreliable. We would recommend that a data cleansing exercise is considered and would be happy to work with you on this. The outcome of this exercise may be to adjust the Rates and Adjustments certificate if this is deemed appropriate.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### 2. Fund and Benefit Information

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#### Benefits and member contributions

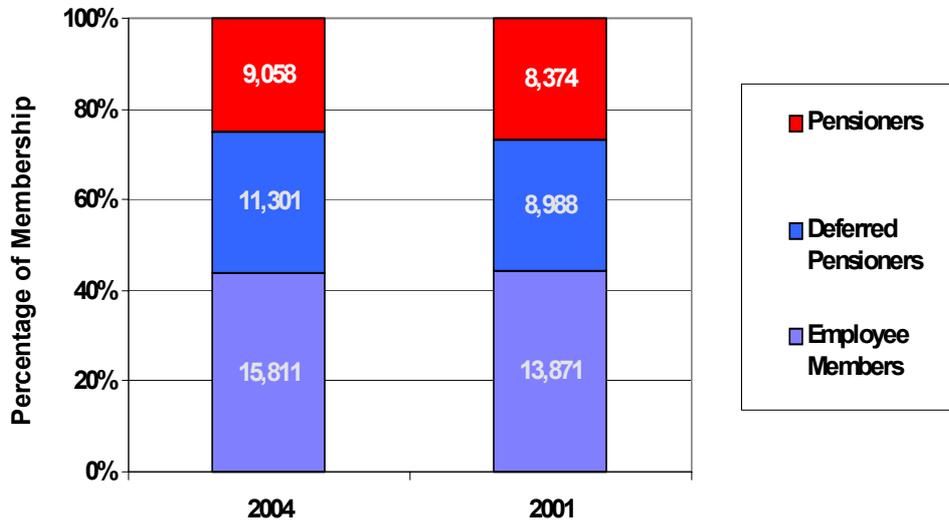
- 2.1 The principal elements of the benefit structure of the Fund are set out in the Regulations and are summarised in Appendix A. These benefits are common to all employers participating in the Fund.
- 2.2 There are a small number of discretionary powers, which may be exercised by the Administering Authority or by individual employers. The principal discretions are also summarised in Appendix A. With the exception of the employers' powers to augment benefits, normally on early retirement, we would not expect that the exercise of these powers would have a material effect on the valuation results.
- 2.3 Although the main benefits affecting our calculations remain unchanged since the previous valuation, there have been a number of amendments to the Regulations, under the auspices of the Government's Stocktake review of the scheme. The changes are summarised in Appendix A. The changes already made do not materially affect the results of our valuation however, the changes that take effect from 1 April 2005, notably the abolition of the Rule of 85 for future service, could affect the cost of future service benefits. Please see the discussion on the results in Section 6.
- 2.4 Most employees contribute at the rate of 6% of pay, with a closed group of manual employees who joined before April 1998 contributing at the rate of 5% of pay. The employers meet the balance of the cost of the scheme.
- 2.5 The cost of accruing benefits was assessed to be 13.2% at the 2001 valuation.
- 2.6 The common contribution rate payable by the employers was set at 10.2% of payroll with effect from 1 April 2002. The resulting minimum contributions to be paid were certified in the previous valuation report.
- 2.7 Contributions were paid during the inter-valuation period in accordance with the Rates and Adjustment certificate. These contributions were lower than the cost to the employers of the accruing benefits.

#### Fund membership

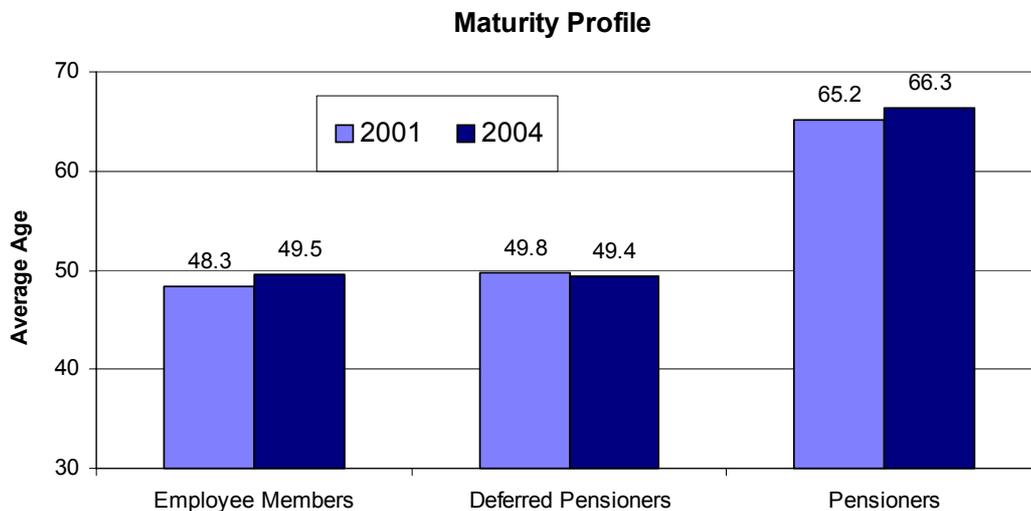
- 2.8 The membership of the Fund as at 31 March 2004, and changes since the previous valuation are summarised in Appendix B for each benefit category.
- 2.9 The chart below illustrates the change in the structure of the Fund's membership between 2001 and 2004. Overall, the proportion of the membership in each category has remained relatively stable.

# The Royal County of Berkshire Pension Fund Actuarial Valuation as at 31 March 2004

### Maturity Profile



2.10 The change in the average ages of Fund members (weighted by salary or pension) over the intervaluation period is shown in the chart below.



2.11 The charts show a modest degree of maturation of the Fund.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

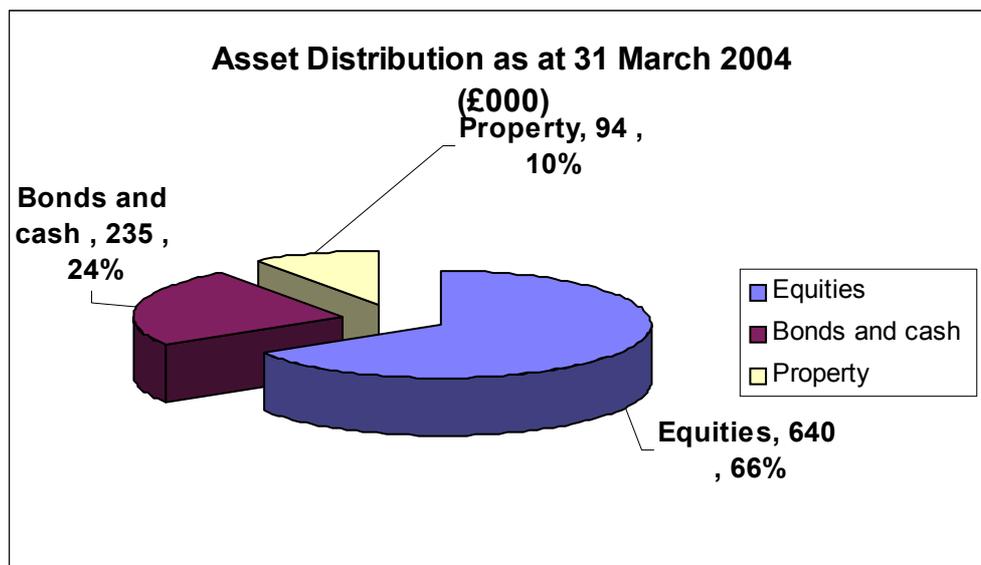
### Individual Employer Information

2.12 Appendix B also shows the number of members of each of the participating employers (or pool of employers), as at the valuation date.

### Fund assets

2.13 The Administering Authority has provided copies of the audited accounts for the Fund for the three years from 1 April 2001. The consolidated Revenue Account is shown in Appendix C, together with our estimates of the implied return on the Fund assets in each of the three years calculated from the change in the market value of assets and net annual cashflows to the Fund.

2.14 The Fund's assets are invested by the Administering Authority. The market value of assets as at 31 March 2004 was £968m<sup>1</sup>. A simplified summary of the asset split is shown below. A more detailed breakdown of the Fund assets is provided in Appendix C.



2.15 The Fund does not formally segregate assets between participant employers. In calculating adjustments to the Common Contribution Rate for individual employers to reflect any 'peculiar' characteristics, we apportion assets to individual employers (or to pools of employers). We use a technique known as analysis of surplus to carry out this apportionment process.

<sup>1</sup> (excluding defined contribution AVC funds)



# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### 3. Method and Assumptions for 2004 Valuation

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#### Methodology

- 3.1 For this valuation, as for the previous valuation, we have adopted an approach that considers separately the benefits in respect of service completed before the valuation date (past service) and benefits in respect of service expected to be completed after the valuation date (future service). This approach enables us to focus on two results:
- the *past service funding level* of the Fund. This is the ratio of the value of the assets to the value of the past service liabilities, after making allowance for future increases to members' pay. A funding level in excess of 100% indicates a *surplus* of assets over liabilities and a funding level of less than 100% indicates a *deficit*; and
  - the *future service funding rate* i.e. the level of contributions required from the employers to support the cost of benefits for future service.
- 3.2 For this valuation we have used the *projected unit method* with a one year control period to determine the cost of benefits accruing for the Fund as a whole and for employers who continue to admit new members. This means that the contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay/contributions over that period. The method of valuation has not changed since the previous valuation. A description of the valuation method is set out in Appendix D.
- 3.3 For employers who no longer admit new entrants, we have adopted the *attained age method*, means that the contribution rate is derived as the average cost of benefits accruing to employee members over the period until they die, leave the Fund or retire. A description of this method is also set out in Appendix D.

#### Actuarial Assumptions

- 3.4 In our valuation, we must make assumptions about the factors affecting the Fund's finances such as inflation, pay increases, investment returns, how long members will live and staff turnover, etc in order to place a value on the liabilities.
- 3.5 The future level of pay increases will determine the level of benefits to be paid in future in respect of active members and the contributions received by the Fund. Once in payment, pension benefits are increased annually in line with the headline RPI index<sup>2</sup>.
- 3.6 The cost of providing benefits depends not only upon the amount but also the incidence of benefits paid i.e. at what point in the future benefits begin to be paid and for how long they continue to be paid.

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<sup>2</sup> in line with the Pension (Increases) Act 1971, lower increases can apply to Guaranteed Minimum Pensions.

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## Actuarial Valuation as at 31 March 2004

- 3.7 As contributions are being invested now to provide for benefits payable in the future (i.e. the benefits are being prefunded) part of the cost of providing the benefits can be met from investment returns achieved by the Fund's assets that build up from contributions. The higher the rate of return achieved by the assets, the lower the contribution requirement that has to be paid in future to meet the cost of the benefits.
- 3.8 The assumptions adopted at the valuation can therefore be considered as:-
- the demographic (or statistical) assumptions, which generally speaking are estimates of the likelihood of benefits and contributions being paid, and
  - the financial assumptions such as future levels of inflation or salary increases will determine the amount of benefits and contributions payable. The future rate of investment return is used to discount future benefits and contributions to obtain their current or present value.
- 3.9 The key assumptions have been discussed with the Administering Authority. A summary of the assumptions used is included in Appendix E.

### Financial assumptions

- 3.10 Since we have taken assets into account at their market value it is appropriate for us to take our lead from the market when setting the financial assumptions used to value the ongoing liabilities, to ensure compatibility of the asset and liability valuation bases. The key financial assumptions are:
- future levels of price inflation;
  - future levels of real pay increases – i.e. over and above price inflation; and
  - the discount rate (investment return) that is applied to future liabilities to determine their present value<sup>3</sup>.
- 3.11 We have derived our discount rate as the expected future rate of investment return from the broad categories of assets held by the Fund. In deriving this assumption we have considered what additional returns might reasonably be expected from the Fund's investments over and above the minimum risk rate of return on Government bonds.
- We have assumed salary growth will be 1.5% above inflation. This is lower than the assumption of 2% used in the 2001 valuation.
- 3.12 The key assumptions for the current valuation and previous valuation as at 31 March 2001 are set out below. The figures marked "real" are net of assumed price inflation.

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<sup>3</sup> For this valuation we have used the same discount rate for past and future liabilities. In the previous valuation we made an allowance for slightly higher long term returns in setting the future service contribution rate to effectively build in a margin for prudence into the reserving for accrued benefits.

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## Actuarial Valuation as at 31 March 2004

Financial Assumptions	Mar 2004		Mar 2001	
	Unsmoothed		Smoothed	
	% p.a. Nominal	% p.a. Real	% p.a. Nominal	% p.a. Real
Minimum Risk rate of return	4.7%	1.8%	5.0%	2.2%
Anticipated extra long-term return from:				
Equities	2.00%		1.25%	
Corporate Bonds	0.40%		0.50%	
Overall anticipated long term return from:				
Equities	6.70%	3.8%	6.25%	3.5%
Bonds (50% gilt 50% corporates)	4.90%	2.0%	5.25%	2.5%
<b>Discount Rate</b>	<b>6.3%</b>	<b>3.4%</b>	<b>6.0%</b>	<b>3.2%</b>
<b>Pay Increases</b>	<b>4.4%</b>	<b>1.5%</b>	<b>4.8%</b>	<b>2.0%</b>
<b>Price Inflation/Pension Increases</b>	<b>2.9%</b>	<b>-</b>	<b>2.8%</b>	<b>-</b>

### Demographic assumptions

- 3.13 We have recently carried out a major investigation into the demographic experience of our Local Authority fund clients in England and Wales. We have used the rural assumptions derived from this study for this valuation. Details of these are included in Appendix E. The assumptions adopted at the previous valuation are shown in the report on that valuation.
- 3.14 Our aim is that the demographic assumptions should be as close to best estimates as is practicable. (The *prudence* required under the Funding Strategy Statement is delivered by reducing the anticipated return from the Fund's equity investments.)
- 3.15 In setting our assumptions, particularly mindful of the requirement to have regard to the stability of contributions, we have made allowance for life expectancy that we believe is appropriate to pensioners in 2004 (applied to pensioners and non-pensioners), in reporting the value of the accrued liabilities in the valuation balance sheet (in Section 5) and the future service contribution rate. Thus these results do not make any allowance for continuing improvements in life expectancy.
- 3.16 We have reported separately on the potential effect of continuing mortality improvements and the effect of the abolition of the Rule of 85 for service after 1 April 2005.

### Comments on the valuation assumptions

- 3.17 There is a broad spectrum of potentially acceptable valuation assumptions.
- 3.18 In our opinion, the assumptions adopted for this valuation lead to an assessment of the financial position of the Fund and the long-term cost of providing the benefits for future service that just falls into the more prudent half of the spectrum.
- 3.19 As the valuation basis is less prudent than previously, there are fewer margins to protect employers from further contribution rises if future experience is worse than assumed. Section 6 describes how future valuation results may be affected if the actuarial assumptions are not borne out in practice. We recommend a programme of actively monitoring the developing funding position of the Fund and the potential impact on future employer contributions.

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## *Actuarial Valuation as at 31 March 2004*

- 3.20 Moreover, if future experience is better than assumed in this valuation, we would recommend that the opportunity is taken to rebuild prudential margins within the valuation basis. That is, that there should be no expectation of employer contribution reductions if experience is better than assumed between 2004 and 2007.

### **Assets**

- 3.21 We have taken the assets of the Fund into account at their market value as indicated in the Fund accounts for the period ended 31 March 2004. This is consistent with the approach of valuing the liabilities by reference to spot market conditions on the valuation date.
- 3.22 The approach taken to valuing the Fund's assets has been changed since the previous valuation, where a smoothed market value of assets was used.
- 3.23 The assets of the Fund include additional voluntary contributions (AVCs) paid by members. In some cases, these AVCs are paid on a money-purchase basis, where the accumulated funds are applied at retirement to purchase benefits for the members from the Fund, or via an insurance company. In our valuation we have excluded these assets and the corresponding liabilities.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### 4. Experience since 2001

#### Results of 2001 Valuation

- 4.1 In the previous valuation of the Fund, the assets were valued at £1,035m and the past service liabilities on the ongoing basis amounted to £980m. There was then a surplus of £55m and the funding level (ratio of assets to liabilities) was 106%.

#### Financial experience

- 4.2 The chart below shows the actual financial experience of the Fund during the intervaluation period compared to the assumptions adopted at this valuation:

	Nominal		Real	
	Actual % p.a.	Assumed % p.a.	Actual % p.a.	Assumed % p.a.
Investment Returns - Market Value (MV) Terms	-0.5%	6.3%	-2.6%	3.4%
Pay Increases	6.0%	4.4%	3.9%	1.5%
Pension Increases	2.1%	2.9%	-	-

The figures for pay increases exclude any allowance for increments and promotional pay increases. These are included within separate promotional salary scale assumptions (see Appendix E).

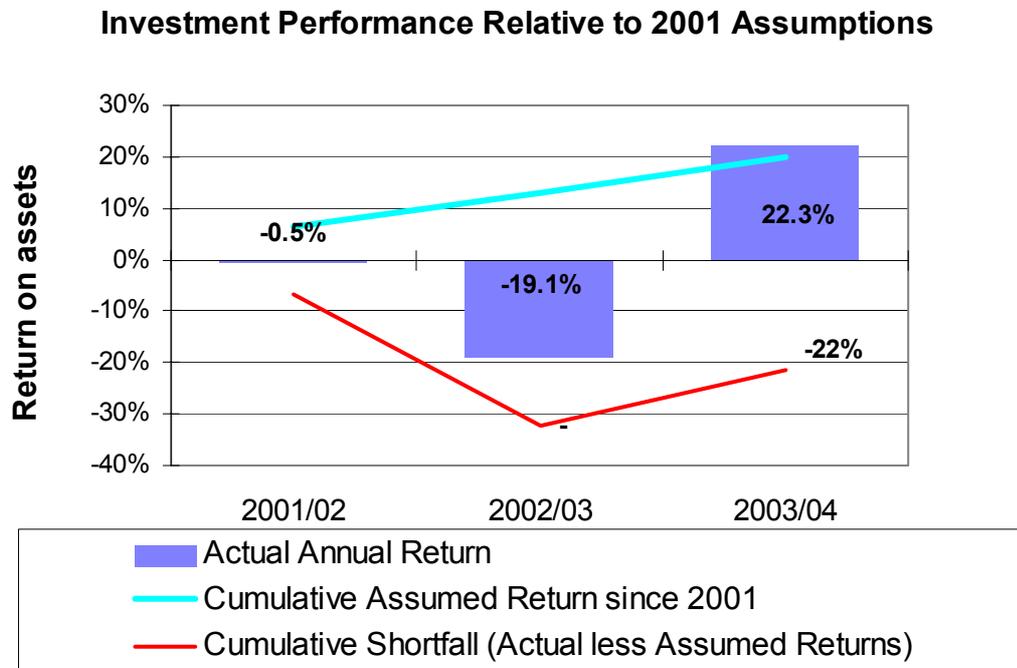
- 4.3 The principal conclusions are:
- Investment under-performance relative to the anticipated returns built into the 2001 valuation of liabilities dominates;
  - Nominal investment returns only averaged -0.5% a year over the three year period to 31 March 2004, and -2.6% a year in real terms. This was 6.8% a year less than that assumed at this valuation, leading to an expected reduction in the funding level on a like for like basis of around 22% for this factor alone.
  - Unwinding the smoothing adjustment used in 2001 adds a further 6% to the fall in assets. (Retaining the smoothing adjustment in 2004 would have led to assets being written down by 6%, increasing the gap to 12%.)
  - Pay increases over the intervaluation period were more than expected in both nominal and real terms.
  - Price inflation was relatively benign, with headline RPI only rising by 6.9%, or 2.2% a year (actual pension increases are slightly lower because of using September to September RPI for increases in the following April).



# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

- 4.4 The chart below shows the actual returns on assets in each of the last three years, compared to the cumulative returns required to keep pace with the 2004 investment assumption (ignoring the smoothing of assets in 2001). By 31 March 2004, the actual returns on assets lagged the valuation assumptions by 22 percentage points.



- 4.5 Since the previous valuation the common contribution rate payable by the Employers to the Fund was set at the rate of 10.2% of Pay. This was less than the cost to the Employers of benefits accruing and of administration expenses.
- 4.6 Overall, the financial experience of the Fund during the intervaluation period compared to the assumptions adopted at this valuation was a significantly negative factor during the intervaluation period.

### Demographic experience

- 4.7 The impact of the variation in experience relative to the demographic assumptions adopted at this valuation as a whole has been a positive factor for the Fund.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### Employee Members

- 4.8 A comparison of the actual and expected membership movements for employee members is shown below.

	Actual	Assumed	% Diff
Early Leavers	5,950	5,274	13%
Deaths	58	51	15%
Ill Health Retirements	108	297	-64%
Early Retirements	201	-	

- 4.9 There were more early leavers than anticipated, which has a positive effect on the funding level, since the benefits for early leavers are lower in value than if they stayed in service due to the link with final salary being broken. There were fewer ill-health early retirements than expected, which also has had a positive effect on the funding level.

### Pensioner Members

- 4.10 A comparison of the actual and expected amounts of pensions ceasing on death (expressed as amounts of pension) is shown below. The expected amounts are based on our 2004 valuation assumptions without any margins for improving mortality. A ratio of less than 100% indicates fewer deaths than expected.

2001-2004	Amounts of Pension Ceasing (£000s)		
	Actual	Assumed	%
Ill Health Pensioners	388	343	113%
Age Pensioners			
Former Officers	1,675	1,517	110%
Former Manuals	396	350	113%
Dependants	445	427	104%
<b>Total</b>	<b>2,904</b>	<b>2,636</b>	<b>110%</b>

- 4.11 As the table shows, the actual amounts of pension ceasing during the intervalation period were slightly higher than our 2004 assumptions. We have illustrated the effect of modifying our assumptions at this valuation to allow for pensioners (both current and prospective) to live longer than previously assumed later in this report.
- 4.12 We have amended our demographic assumptions in line with the results of our demographic experience analysis across our English and Welsh clients in 2001. Taken as a whole, the change to the demographic assumptions has reduced the value placed on the past service liabilities and reduced the assessed cost of future service benefits.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### 5. Valuation Results

#### Past Service Position

- 5.1 One of the key funding objectives of the Fund, described in Section 3, is to build up sufficient assets to provide adequate security for members' benefits as they accrue: in other words, to target a funding level of at least 100%. The funding position as at 31 March 2004 is considerably below this target, as shown in the table below.

<b>Accrued (Past Service) Liabilities</b>	<b>£m</b>
Value on minimum risk rate of return:	
Employee Members	693
Deferred Pensioners	289
Pensioners	486
<b>(a) Total</b>	<b>1,468</b>
Less Credit for Anticipated Future Excess Returns:	
Employee Members	(199)
Deferred Pensioners	(82)
Pensioners	(69)
<b>(b) Total Credit for Anticipated Future Returns</b>	<b>(350)</b>
Net Value after Credit for Future Excess Returns:	
Employee Members	494
Deferred Pensioners	207
Pensioners	417
<b>(a)-(b) Total Net Liabilities</b>	<b>1,118</b>
<b>Assets</b>	
Market Value of Assets	968
Contributions due for augmentations/redundancies	4
<b>Total Value of Assets</b>	<b>972</b>
<b>Surplus (Deficit)</b>	<b>(146)</b>
Funding Level	87%

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

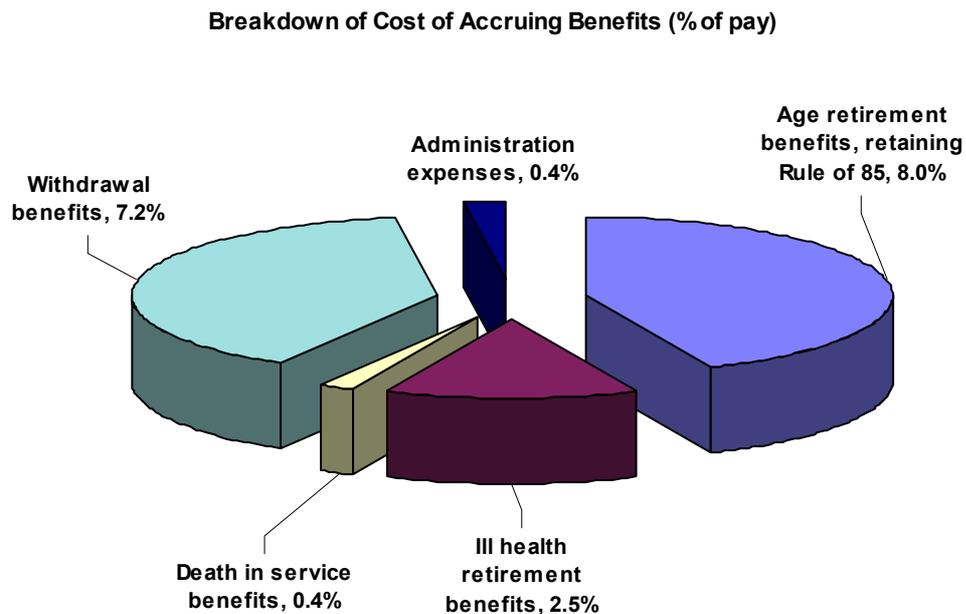
5.2 It should be noted that the market value of both assets and liabilities may be volatile. The results of this valuation show only a snapshot of the funding level of the Fund as at 31 March 2004 and this result should be seen in the context of market levels before and since then.

### Future service

5.3 We have calculated the combined employers' long-term future service contribution rate to be 12.4% of pensionable pay. This represents the contributions required, in excess of members' contributions, to provide for benefits accruing to existing members over the year following the valuation date. It includes an allowance for expenses and lump sum death in service benefits. It is the rate that would, if our assumptions were borne out, apply to service following the valuation date if there were no past service surplus or shortfall in the Fund.

5.4 This rate has been calculated using the Projected Unit Method. Contributions for employers who no longer admit new entrants are calculated using the Attained Age Method, which would generally produce a higher contribution rate.

5.5 A split of the cost of future service benefits, *including members' contributions*, is shown in the chart below.



5.6 The employers' future service contributions rate of 12.4% of pensionable pay may be compared with the rate revealed by the previous valuation of 13.2% of pensionable pay. The lower rate revealed by this valuation is due to the effect of:

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

- the changes to the financial assumptions (notably the adoption of higher anticipated future returns from equity investments the use of the same discount rate for all future accruals<sup>4</sup> and the reduction in real salary growth from 2% p.a. to 1.5% p.a.); and
- the adoption of revised demographic assumptions; offset by
- the higher average age of employee members.

### Past service

5.7 The past service funding level of the Fund has declined since the previous valuation. The main reasons for this are:

- the poor return on Fund assets over the period since the previous valuation relative to the rate required to keep pace with the liabilities.
- the lower contributions paid by most employers (including one-off lump sums) relative to the cost of accruals (which is to be expected since the intention at 2001 was to reduce contributions to reflect the surplus that existed at that time);
- the increase in pensionable pay for employers which was higher than anticipated in the valuation; and

These losses have been partially offset by:

- the change to the demographic assumptions, particularly for longer life expectancy of pensioners.
- the increases in pensions in payment, which were lower than anticipated in the valuation; and
- the changes to the financial assumptions.

5.8 The net effect of the gains and losses listed in paragraphs 5.7 and 5.8 are summarised in the chart below.

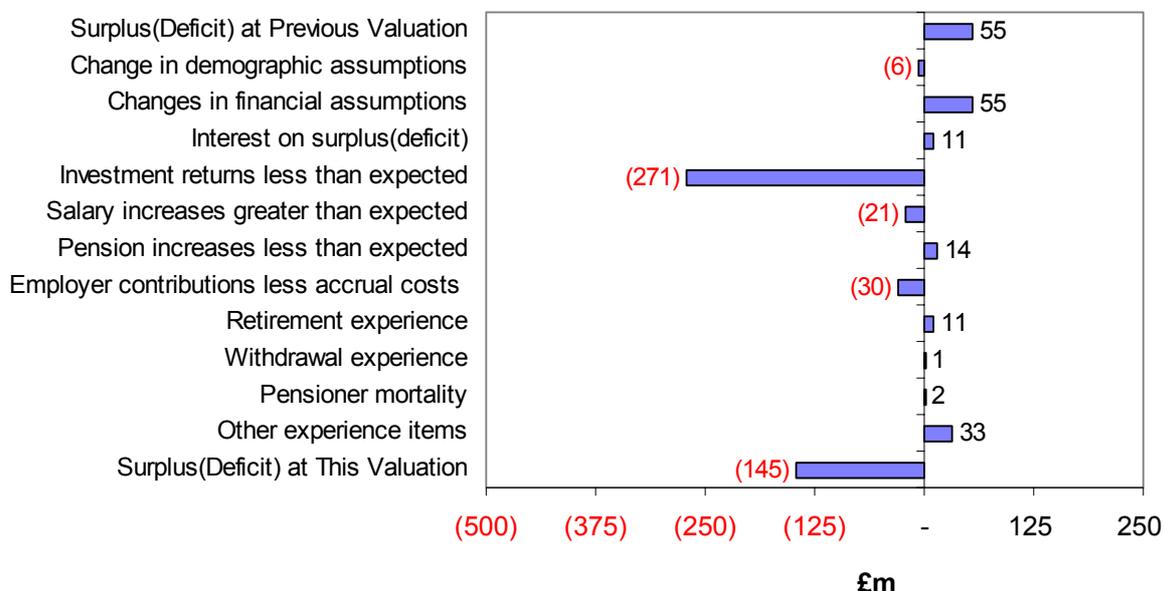
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<sup>4</sup> The 2001 valuation anticipated higher returns when valuing future accruals, phased in over a 20 year period. This did not apply to benefits already accrued.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### Reconciliation of Opening and Closing Position



- 5.9 We have calculated the additional contribution rate in respect of the past service deficit to be 3.4% of pensionable pay. This represents the cost of the past service deficit spread over a period of 20 years.

#### Contributions payable

- 5.10 The common contribution rate payable is the cost of future benefit accrual, increased by an amount to bring the funding level back to 100% over a period of 20 years as set out in the Funding Strategy Statement. In order to achieve some stability of contributions, the required contribution increases will be phased in over a period of 3 or 4 years.
- 5.11 The employer common contribution rate based on the funding position as at 31 March 2004 is as follows:



# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

<b>Employer Contribution Rates</b>	<b>% of payroll</b>
Future Service Funding Rate	12.4%
Past Service Adjustment - 20 years spread	3.4%
<b>Total Common Contribution Rate</b>	<b>15.8%</b>

### Inland Revenue Surplus Test

- 5.12 In accordance with Paragraph 2(3) of Schedule 22 to the Income and Corporation Taxes Act 1988, we are required to certify to the Inland Revenue whether the Fund has an excessive surplus (over 5%). If this is the case, we would be required to take action to reduce the surplus within 5 years. We can confirm that there is no excessive surplus and our certificate to this effect is included in Appendix F and will be submitted shortly to the Inland Revenue.
- 5.13 The Government has indicated its intention to remove the requirement for the Inland Revenue Surplus Test with effect from 6 April 2006.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### 6. Influences on Future Funding

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- 6.1 The Funding Strategy Statement provides a framework for the Administering Authority to assess its funding risks. The figures and comments in this section are intended to help put the valuation results shown in Section 5, which are critically dependent on the actuarial assumptions (described in Section 3), into context. Results of future valuations will also depend on the assumptions made at those times. Over time, the funding position and the contributions required will vary depending on actual future experience and whether this matches the assumptions made. This section discusses the potential implications of the actuarial assumptions not being borne out in the future.
- 6.2 The assumption to which the valuation results are most sensitive is that relating to future investment returns (the discount rate), particularly if the Fund's investment strategy is not a close match for the liabilities. Another key assumption to which the valuation results are particularly sensitive is that relating to future mortality, or longevity. The effects of future unexpected changes in mortality, and of other risks and sensitivities, are discussed later in this section.

#### Investment strategy

- 6.3 A defined benefit pension promise, being a promise to pay an income to a member in retirement, is analogous to a bond, which is an obligation to pay an income to the investor (plus repayment of capital).
- 6.4 Thus for the LGPS the investments that most closely match the liabilities are long-dated index-linked bonds. By "matched" we mean that the financial influences that affect the asset value have a similar effect on the liabilities.
- 6.5 The Administering Authority has adopted an investment strategy that includes broadly 75% invested in equities and 25% invested in bonds and property.
- 6.6 The financial assumptions used in the valuation are set by reference to the redemption yield available on bond investments of appropriate term, having regard to the Fund liabilities. In addition, we have made an allowance for the excess return that may be expected to be earned on a diversified portfolio of investments, which includes equities and property. However, no explicit account is taken of the additional risks involved in investing in assets that are not a close match to the ongoing liabilities.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

6.7 If the assets of the Fund were invested wholly in high quality bonds selected such that the cashflows closely match the pattern of benefits expected to be paid from the Fund, ("the Minimum Risk" portfolio), then the valuation results would be broadly<sup>7</sup> as follows.

<b>Accrued (Past Service) Liabilities</b>	<b>£m</b>
Value on minimum risk rate of return:	
Employee Members	693
Deferred Pensioners	289
Pensioners	486
<b>Total</b>	<b>1,468</b>
Total Value of Assets	972
<b>Surplus (Deficit)</b>	<b>(496)</b>
Funding Level	66%

<b>Employer Contribution Rates</b>	<b>% of payroll</b>
Future Service Funding Rate	20.8%
Past Service Adjustment - 8 years spread	23.2%
<b>Total Common Contribution Rate</b>	<b>44.0%</b>

6.8 The main differences between these results and those on the ongoing basis as reported in Section 5 are as follows:

- under the 'Minimum Risk' portfolio it is necessary to hold more money in the Fund now to meet the past service benefits as a result of the lower discount rate (which in turn reflects the lower expected investment return on the "Minimum Risk" portfolio);
- an increase in the employers' contribution rate is needed to meet the cost of the accruing benefits as it is assumed that lower returns will be achieved in the future; and
- the past service adjustment has been calculated on a target of 100% funding over the average future working lifetime of active membership.

<sup>7</sup> We discussed the liabilities falling due at all future durations at the minimum risk rate of return of 4.7% a year. In practice, the returns available on different bonds vary with the term of the bond.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

Note that material residual risks would remain even if the investment policy followed the "Minimum Risk" portfolio. For example, it may not be possible to buy bonds of long enough duration, meaning that there would be uncertainty associated with the returns available on future investments. Our valuation above does not include any explicit contingency reserves in respect of these risks.

### Appropriateness of investment strategy

- 6.9 The degree of mismatch between the actual investment strategy, which include significant investments in equities and property, and the minimum risk strategy is significant. As a result the funding level in the Fund will vary considerably if the returns achieved on equities and bonds diverge.

### Sensitivity Analysis

- 6.10 The valuation results are particularly sensitive to the assumed rates of future investment return. If future investment returns are less than expected, for example due to falls in equity markets or falls in long term rates of interest, the funding level will deteriorate. To illustrate the sensitivity of the funding level to changes in equity and bond markets, we have considered the impact of the following events occurring soon after 31 March 2004:

- a) Equity-type investments (UK and international equities fall by 25%, with no change in bond values or yields); or
- b) The price of bonds rise such that there is a 1% fall in the nominal annual redemption yields available on fixed interest bonds and a 0.5% fall in the real annual yield available on index-linked bonds, with no change in equity prices or dividend yields.

- 6.11 The table below shows the results that would arise for the whole fund if those events occurred soon after 31 March 2004.

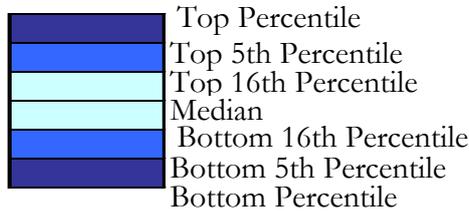
Past Service Funding Levels (FL) (% of Liabilities)	Stable markets change	(a) Equities fall		(b) Bonds rise	
		New FL	Change	New FL	Change
	(i)	(ii)	(iii)=(ii)-(i)	(iv)	(v)=(iv)-(i)
Ongoing valuation (2% ERP)	87%	71%	(16%)	81%	(6%)
Minimum Risk Bond Returns	66%	54%	(12%)	64%	(2%)

- 6.12 The scenarios illustrated are by no means exhaustive and should not be taken as the limit of how extreme future experience could be. The impact on individual employers could be different to the Fund as a whole, for example less mature employers would be more greatly affected by changes in bond yields than more mature employers.

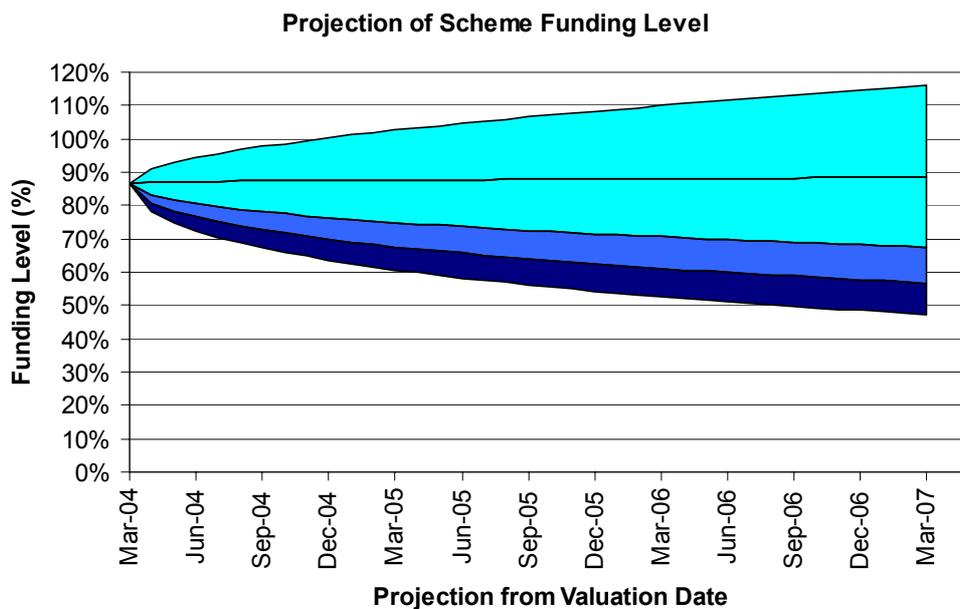
- 6.13 We have also considered the inter-dependency of equity and bond asset classes within our stochastic asset model to illustrate the spread of potential returns. There are no margins for prudence taken in setting the parameters of the model. The mean additional return from equities relative to bonds is assumed to be 3% a year.

# The Royal County of Berkshire Pension Fund Actuarial Valuation as at 31 March 2004

6.14 The charts below use the following colour scheme<sup>8</sup>:



6.15 The first chart illustrates how the funding level for the whole Fund might vary from this valuation date to the next valuation in 2007, allowing for the volatility of different asset classes. No allowance is made for any change in the valuation basis. The turquoise area represents the outcomes that have a roughly 68% chance of occurring, so there is broadly a two in three chance of the funding level being between 70% and 115% at the 2007 valuation. There is a 16% chance of the funding level being less than 70%. The opportunity for investment growth comes with a potentially significant downside risk.

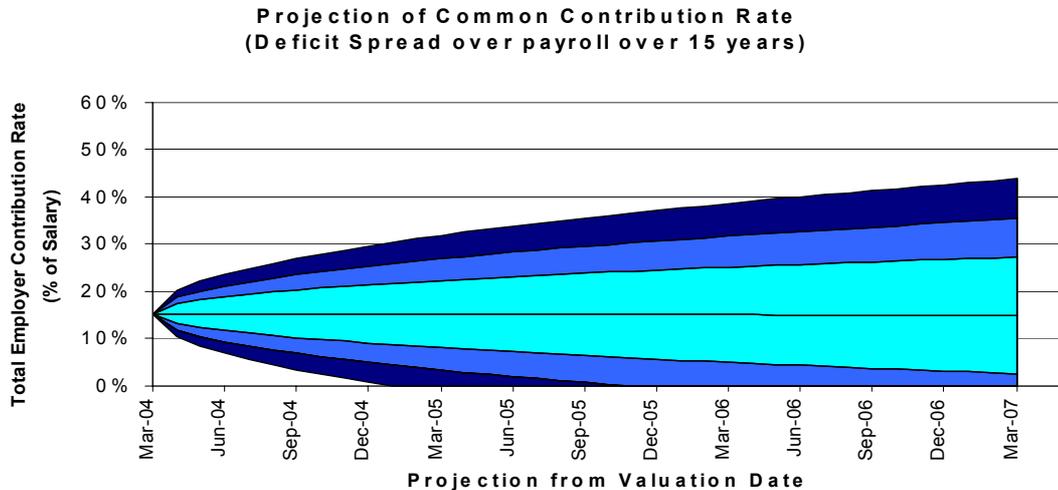


6.16 The second chart illustrates how the employers' common contribution rate for the whole Fund might vary from this valuation date to the next valuation in 2007, (as a percentage of payroll). The dispersion of results for individual employers could be much greater depending on their maturity position.

<sup>8</sup> Please note that we have not shown the best 16% of the distribution of outcomes. This is because we have also not shown the bottom 1%. In broad terms, we estimate that you would have to give up the top 16% to protect yourself from the bottom 1% if you sought to purchase derivatives.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004



6.17 Here the turquoise area again represents the outcomes that have a 68% chance of occurring, so there is a two in three chance of the common contribution rate being between 2% and around 30% of payroll in the 2007 valuation. There is also a non-trivial likelihood (around 16%) of the contribution rate being in excess of 30% of payroll. The reason for the wide spread is the volatility of the predominantly equity investments of the Fund.

### Investment Returns Required to Maintain 2004 Deficit

6.18 The allowance for expected equity outperformance used for this valuation is more optimistic than in 2001. This raises the bar for the asset returns required in order to maintain the funding level at its current level. The value placed on liabilities anticipates return on assets of 6.3% a year. However, as the funding level is 87%, the actual return required on the assets held by the Fund to ensure the deficit does not get any larger (in monetary terms) is 7.3% a year assuming no additional contributions are paid to recover the deficit.

6.19 We recommend that the Administering Authority reviews its investment strategy particularly in the light of:

- the funding position revealed by this valuation;
- the reduced prudential margins built into the reserving for liabilities;
- the increased sensitivity of results to interest rate changes following the fall in funding levels and longer deficit spreading periods;
- the capacity of employers to be able to absorb further contribution rises if future experience is worse than assumed; and
- any differences in the profile of employers, for example the fact that Best Value Admission Bodies participate on different terms to other employers.

Asset-liability modelling may be helpful in understanding the investment risks.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### Other risks and sensitivities

- 6.20 The valuation results do not include explicit contingency reserves for other unexpected non-investment related financial and demographic effects.

### Longevity

- 6.21 The valuation results are very sensitive to unanticipated changes in future expected mortality of pensioners. The mortality basis adopted has been calibrated against recent mortality experience of pensioners in similar local authority funds.
- 6.22 Recent medical advances, changes in lifestyles and generally greater awareness of health-related matters have resulted in longevity improving in recent years at a faster pace than most experts had foreseen. It is unknown whether such improvements will continue in the future. Certain factors, such as advancements in genetic medicine, would point towards even greater improvements in longevity in the future; conversely, the increase in childhood obesity may result in a decline in longevity in future generations.
- 6.23 We have considered the impact of mortality rates continuing to reduce in line with the standard mortality tables developed by the actuarial profession. This would require additional reserves for benefits already accrued and for future accruals of benefits. The table below summarises the estimated additional amounts that would be required on the basis of the mortality tables specified in Appendix E.

<b>Extra Mortality Reserve (for Accrued Liabilities assuming 2%pa ERP)</b>	<b>£44.0 m</b>
<b>(i) Extra Employer contributions for past service</b>	
If deficit recovery targeted over:	
Remaining Working Lifetime	2.3% of pay
15 years	1.3% of pay
20 years	1.0% of pay
25 years	0.9% of pay
<b>(ii) Plus Extra Contributions for Future Accruals for Longevity Improvements</b>	<b>0.9% of pay</b>
<b>(iii) Less Rule of 85 Saving for Future Service</b>	<b>-1.7% of pay</b>
<b>(iv) Net Adjustment for Future Events [(i)+(ii)-(iii)]:</b>	
If deficit recovery targeted over:	
Remaining Working Lifetime	1.5% of pay
15 years	0.5% of pay
20 years	0.2% of pay
25 years	0.1% of pay

- 6.24 The reserving in Section 5 makes no allowance for these potential further improvements in longevity. However, no credit is given for the abolition of the Rule of 85 for service after April 2005. As a result, the 2007 results may require further increases in employer contributions if, as expected, we make allowance for longer life expectancy in the 2007 valuation.



# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### *Changes to Profile of Liabilities*

- 6.25 Future results could also be affected by changes to the profile of the liabilities. For example:
- a rise in average age of employees would lead to the future service rate rising under the Projected Unit Method;
  - if deficits are recovered by contributions expressed as a percentage of payroll, a fall in the payroll of an employer would lead to any deficit being recovered more slowly, and therefore a rise in future contributions.
  - the insolvency of an employer whilst the funding of its liabilities is in deficit, or the departure of an employer without making good any funding shortfall, would lead to greater costs for one or more of the other employers.

### *Variations between Other Assumptions and Experience*

- 6.26 The other main assumptions to which the valuation results are sensitive, together with their associated risks, are described below.
- Pay increases: if increases in pensionable pay are higher than assumed, the funding position will deteriorate;
  - Pension increases: if pension increases are higher than assumed, the funding position will deteriorate;
  - Withdrawals: if fewer active members withdraw from pensionable service (with refunds of contributions or deferred pensions) than assumed, the funding position will deteriorate;
  - Ill-health retirements: if more members retire early on ill-health grounds, and/or retire at a younger age than assumed, the funding position will deteriorate unless the employer makes additional payments.

### *Ongoing Risk Management*

- 6.27 We would be delighted to work in partnership with the Administering Authority, both in regularly monitoring the funding position of the Fund and in reviewing the appropriateness of the Administering Authority's current risk management programme in today's circumstances.



# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### 7. Conclusions and Recommendations

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- 7.1 We have carried out this valuation in accordance with the Administering Authority's Funding Strategy Statement. This statement is currently in draft; however we believe that no further amendments are envisaged which would affect this valuation report.

#### Whole Fund Position

- 7.2 The valuation reveals that the ongoing funding level of the Fund on 31 March 2004 was 87%. The shortfall of assets compared to the past service liabilities was £145.3m.
- 7.3 The average cost of accruing benefits payable by the employers, including administration expenses and lump sum death in service benefits, is 12.4% of pensionable pay.
- 7.4 The shortfall of assets over the past service liabilities requires the employers' contribution rate to be increased by 3.4% of pensionable pay to a rate of 15.8% of pay if recovery of the deficit is targeted over a period of 20 years. This is the Common Contribution Rate.

#### Employer Contribution Rates

- 7.5 Individual adjustments to the Common Contribution Rate, specific to each employer, or group of employers, shall be paid by the employers with effect from 1 April 2005.
- 7.6 To formally confirm these contribution rates, a Rates and Adjustment Certificate is included as Appendix G, detailing the minimum contribution rates and amounts for each employer after allowing for any individual adjustments. The Certificate details the contributions due in each of the financial years from 2005/06.
- 7.7 Further sums should be paid to the Fund by employers to meet the capital costs of any early retirements using the methods and factors issued by us from time to time.
- 7.8 In addition, payments should be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions.

#### Risk Management

- 7.9 The valuation results are dependent on the valuation method and the actuarial assumptions (described in section 4). Section 6 discusses the key risks underlying the results and the assumptions to which the results are particularly sensitive and provides some illustration of how the Fund's funding position may change if the assumptions are not borne out in the future.
- 7.10 The valuation of liabilities anticipates returns of 6.3% p.a. assuming that the liabilities are fully funded. The shortfall of assets means that in order to ensure the deficit does not get any larger (in monetary terms and ignoring the effect of future accruals and contributions), it would be necessary to achieve average annual returns of 7.3% p.a.



# **The Royal County of Berkshire Pension Fund**

## **Actuarial Valuation as at 31 March 2004**

- 7.11 Under the provisions of the Regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2007. In light of the uncertainty of future financial conditions we recommend that the financial position of the Fund and for individual employers is monitored by means of interim funding reviews in the period up to the next triennial valuation. This will give early warning of changes to funding positions and possible contribution rate changes.
- 7.12 We recommend that the Administering Authority reviews its investment strategy and ongoing risk management programme.

### **New Employers Joining the Fund**

- 7.13 Any new employers or admission bodies joining the Fund should be referred to us for individual calculation as to the required level of contribution. They should also agree to pay the capital costs (as a one-off lump sum payment) of any early retirements based on our advice and using methods and factors issued by us from time to time, together with any additional contributions that may be required if their ill-health early retirement experience is worse than assumed.

### **Other Matters**

- 7.14 Any employer who ceases to participate in the Fund should be referred to us in accordance with Regulation 78 of the Regulations.
- 7.15 Any bulk movement of scheme members:
- involving 10 or more scheme members being transferred from or to another LGPS fund, or
  - involving 2 or more scheme members being transferred from or to a non-LGPS pension arrangement
- should be referred to us to consider the impact on the Fund.
- 7.16 We would be pleased to answer any questions arising from our report.

**Lorna Tonner FFA**  
**27 June 2005**

**Donald Fleming FFA**

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### Appendix A - Benefit Structure

#### Summary of Non Discretionary Benefits Applicable to All Employers

<b>Normal Retirement Age (NRA)</b>	Age 65 or if earlier and a member immediately before 1 April 1998, age 60 or after age 60 on attaining 25 years of scheme membership.
<b>Earliest Retirement Age</b>	NRA or, if earlier, the rule of 85 date (when years of age plus years of scheme membership total to 85). Limitations on payment of benefits prior to age 60.
<b>Members' Contributions</b>	Officers - 6% of pensionable pay  Manual Workers – 5% of pensionable pay (6% for post 31 March 1998 entrants with no continuing rights).
<b>Pensionable Pay</b>	All salary, wages, fees and other payments in respect of the employment, excluding non-contractual overtime and some other specified amounts.  Some scheme members may be covered by special agreements.
<b>Final Pay</b>	The pensionable pay in the year up to the date of leaving the scheme. Alternative methods used in some cases, e.g. where there has been a break in service or a drop in pensionable pay.
<b>Period of Scheme Membership</b>	Total years and days of service during which a member of the Fund. Additional periods may be granted (e.g. transfers from other pension arrangements, augmentation).
<b>Normal Retirement Benefits</b>	Pension - 1/80th of final pay for each year of scheme membership.  Lump Sum - 3/80th of final pay for each year of scheme membership.
<b>Early Retirement Benefits</b>	On retirement after age 50 with employer's consent a pension and lump sum based on actual scheme membership completed may be paid, subject to reduction on account of early payment in some circumstances.

**The Royal County of Berkshire Pension Fund**  
**Actuarial Valuation as at 31 March 2004**

<p><b>Ill-Health Benefits</b></p>	<p>In the event of premature retirement due to permanent ill-health or incapacity, an immediate pension and lump sum are paid based on actual scheme membership plus an enhancement period of scheme membership. The enhancement period is dependent on scheme membership at date of leaving. No reduction is applied due to early payment.</p>
<p><b>Pension Increases</b></p>	<p>All pensions in payment, deferred pensions and dependant's pensions other than benefits arising from the payment of additional voluntary contributions are increased annually. Pensions are increased partially under the Pensions (Increases) Act and partially in accordance with statutory requirements (depending on the proportions relating to pre 88 GMP, post 88 GMP and excess over GMP).</p>
<p><b>Death after Retirement</b></p>	<p>A spouse's pension of one half of the member's pension (generally post 1<sup>st</sup> April 1972 service for widowers' pension) is payable; plus</p> <p>If the member dies within five years of retiring the balance of five years' pension payments will be paid in the form of a lump sum, plus</p> <p>Children's pensions may also be payable.</p>
<p><b>Death in Service</b></p>	<p>A lump sum of two times final pay, plus</p> <p>A spouse's pension of one half of the ill-health retirement pension that would have been paid to the scheme member if he had retired on the day of death, plus</p> <p>Children's pensions may also be payable.</p>
<p><b>Leaving Service Options</b></p>	<p>A deferred pension payable from Earliest Retirement Age (minimum of age 60); or</p> <p>A transfer payment to either a new employer's scheme or a suitable insurance policy, equivalent in value to the deferred pension; or</p> <p>If the member has completed less than three months' pensionable service, a return of the member's contributions with interest, less a State Scheme premium deduction and less tax at the rate of 20%.</p>

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

<b>State Pension Scheme</b>	The Fund is contracted-out of the State Second Pension (S2P) and the benefits payable to each member are guaranteed to be not less than those required to enable the Fund to be contracted-out.
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### Notes:

*All benefits under the Fund are subject to limits laid down from time to time by the Inland Revenue.*

*Certain categories of members of the Fund are entitled to benefits that differ from those summarised above.*

### Changes to Benefits Since 2001

A1 There have been a number of changes to the LGPS since the previous valuation. However, prior to the valuation date of 31 March 2004, the only change that we feel could have a material effect on the results was the introduction of the discretionary provision to permit elected members in England in the LGPS for future service (with modifications to the benefit structure).

A2 Since the valuation date, there have been further changes, including:

- (a) the reduction of the total periods of membership required for an entitlement to preserved LGPS benefits from two years to three months (rather than a transfer value or a refund of members' contributions);
- (b) the requirement for elections to aggregate former scheme membership with current membership to be made within 12 months of becoming an active member (this option was previously open-ended);
- (c) the provision to include elected members in England and Wales in the LGPS (with modifications to the scheme structure).

With regard to (a), as we have not anticipated savings from the members who left with less than two years service and elected to take a refund of contributions, there is no effect on the valuation results from this change. Also for (b), we were unable to anticipate the cost of aggregation in the past, so this change has no effect on the valuation.

A3 In addition, the following amendments to the scheme are effective from 1 April 2005 including:

- (a) the abolition of the rule of 85 in respect of service after 1 April 2005 for staff aged under 52; and
- (b) the increase of the earliest retirement age from age 50 to age 55.

We have not allowed for the abolition of the Rule of 85 in assessing employer contributions. For (b), we do not anticipate retirement before age 60 and again this has no effect on the valuation.



# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

- A4 We have not taken account of any liabilities that may arise from any future requirement to amend the benefits payable from the Fund in respect of sex-equality legislation as it may apply to Guaranteed Minimum Pensions for men and women and the obligation to provide access to the scheme in respect of past service to part-time employees.

### Discretionary Benefits

- A5 The Regulations give employers a number of discretionary powers, including:
- (a) the awards of periods of augmentation under Regulation 52;
  - (b) the payment of benefits on employer's consent prior to age 60 under Regulation 31;
  - (c) the reduction or suspension of scheme member contributions on attaining 40 years' scheme membership under Regulation 15;
  - (d) not applying the suspension of spouses' pensions on remarriage or cohabitation for members who retired before 1 April 1998.
- A6 The effect on benefits or contributions as a result of the use of (a) to (c) above prior to 1 April 2004 has been allowed for in this valuation to the extent that this is reflected in the membership data provided. No allowance has been made for the future use of discretionary powers. Our assumptions do not anticipate any saving from the suspension of spouses' pension; to the extent that this continues, there will be a saving.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### Appendix B - Membership Data

B1. A summary of the membership records on which this valuation is based, and on which the previous valuation was based, is as follows:

#### Employee Members

	Number		Pensionable Pay (£000)				Average Pensionable Pay (£)			
	2004	2001	2004		2001		2004		2001	
			FTE	Actual	FTE	Actual	FTE	Actual	FTE	Actual
<b>Full Time members</b>										
Pre April 1998 Joiners:										
Male Officers	1,168	1,598	36,080	36,080	40,269	40,269	30,890	30,890	25,200	25,200
Female Officers	1,796	2,486	43,240	43,240	48,828	48,828	24,076	24,076	19,641	19,641
Male Manuals	646	809	13,405	13,405	13,909	13,909	20,751	20,751	17,193	17,193
Female Manuals	231	314	3,930	3,930	4,625	4,625	17,012	17,012	14,728	14,728
Post April 1998 Joiners:										
Males	1,886	1,138	45,294	45,294	22,323	22,290	24,016	24,016	19,616	19,587
Females	2,975	1,767	63,388	63,388	30,867	30,851	21,307	21,307	17,469	17,460
<b>Full Timers Total</b>	<b>8,702</b>	<b>8,112</b>	<b>205,337</b>	<b>205,337</b>	<b>160,821</b>	<b>160,771</b>	<b>23,596</b>	<b>23,596</b>	<b>19,825</b>	<b>19,819</b>
<b>Part Time Members</b>										
Pre April 1998 Joiners:										
Male Officers	84	125	1,833	1,158	1,998	1,101	21,816	13,789	15,987	8,806
Female Officers	1,484	1,911	30,018	18,627	30,162	17,768	20,228	12,552	15,783	9,298
Male Manuals	46	70	767	368	896	382	18,664	7,994	12,799	5,459
Female Manuals	807	1,254	12,054	6,238	15,356	7,045	14,937	7,730	12,246	5,618
Post April 1998 Joiners:										
Males	420	172	7,159	3,647	2,251	1,154	17,046	8,683	13,086	6,707
Females	4,268	2,227	66,730	33,509	28,105	13,257	15,635	7,851	12,620	5,953
<b>Part Timers Total</b>	<b>7,109</b>	<b>5,759</b>	<b>118,562</b>	<b>63,547</b>	<b>78,768</b>	<b>40,706</b>	<b>16,678</b>	<b>8,939</b>	<b>13,677</b>	<b>7,068</b>
<b>Grand Total</b>	<b>15,811</b>	<b>13,871</b>	<b>323,899</b>	<b>268,883</b>	<b>239,589</b>	<b>201,478</b>	<b>20,486</b>	<b>17,006</b>	<b>17,273</b>	<b>14,525</b>

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### Pensioners

B2. The table below shows the distribution of pensioners, split by type of pensioner.

	Number		Annual Pension £(000)		Average £	
	2004	2001	2004	2001	2004	2001
<b>III Health Retirals</b>						
Male Officers	213	221	1,473	1,357	6,917	6,141
Female Officers	342	336	1,433	1,299	4,190	3,867
Male Manuals	345	354	1,334	1,222	3,868	3,451
Female Manuals	122	123	253	244	2,075	1,980
<b>Normal/Early Retirements</b>						
Male Officers	1,964	1,909	15,088	13,914	7,682	7,289
Female Officers	2,760	2,309	8,180	6,469	2,964	2,802
Male Manuals	1,139	1,131	3,290	2,930	2,888	2,591
Female Manuals	582	519	630	526	1,083	1,014
<b>Dependants</b>						
Widows	1,395	1,329	3,159	2,684	2,265	2,020
Widowers	93	55	93	44	1,000	807
Children	103	88	107	77	1,037	869
<b>Total</b>	<b>9,058</b>	<b>8,374</b>	<b>35,041</b>	<b>30,767</b>	<b>3,869</b>	<b>3,674</b>

### Deferred Pensioners

B3. The table below shows the distribution of deferred pensioners.

	Number		Annual Pensions £(000)		Average £	
	2004	2001	2004	2001	2004	2001
Males	3,644	3,227	7,466	7,888	2,049	2,444
Females	7,657	5,761	7,920	6,536	1,034	1,135
<b>Total</b>	<b>11,301</b>	<b>8,988</b>	<b>15,386</b>	<b>14,424</b>	<b>1,361</b>	<b>1,605</b>

#### Notes

1 - The numbers relate to the number of records and so will include members in receipt of or potentially in receipt of more than one benefit.

2 - Annual pensions are funded items only include pension increases up to and including the 2004 PI Order.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### Membership Split by Employer

Employer		Number of Members		
Code	Employer	Employees	Deferreds	Pensioners
1	Berkshire County Council	-	3,777	3,788
2	Bracknell Forest Borough Council	2,007	876	537
3	Royal Borough of Windsor & Maidenhead	2,377	1,096	678
4	West Berkshire District Council	1,770	885	488
5	Reading Borough Council	2,631	1,322	1,281
6	Slough Borough Council	1,806	1,097	834
7	Wokingham District Council	1,944	865	506
8	Commission for the New Towns	-	4	59
9	Bracknell Town Council	17	18	11
10	Earley Town Council	16	5	5
11	Thatcham Town Council	4	6	6
12	Wokingham Town Council	11	5	10
14	Britwell Parish Council	-	3	2
15	Cookham Parish Council	-	-	1
16	Datchet Parish Council	-	-	1
18	Sunningdale Parish Council	1	1	1
19	Sunninghill & Ascot Parish Council	1	2	2
20	Tilehurst Parish Council	2	-	1
21	Woodley Town Council	25	11	11
23	Berkshire County Blind Society	4	3	1
24	Berkshire Community Service Council	-	-	-
25	Thames Valley Valuation Tribunal Group	5	3	4
26	Age Concern Berkshire	8	4	2
27	Easthampstead & Wokingham Joint Golf Course Committee	-	1	1
28	Elizabeth Fry Hostel	4	11	1
29	Manor Lodge Hostel	-	1	2
30	Mary Hare Grammar School			

**The Royal County of Berkshire Pension Fund**  
**Actuarial Valuation as at 31 March 2004**

Employer		Number of Members		
Code	Employer	Employees	Deferreds	Pensioners
		62	36	18
32	Oxford Dioscesan Council for the Deaf	-	2	3
34	St Crispin's Sports Centre	-	2	-
35	School of St Helen & St Katharine Trust	34	2	6
36	Slough Community Centre Trust	-	-	2
37	Slough Council for Voluntary Service	3	5	7
38	Association of South East Colleges	3	6	9
39	South Hill Park Trust Ltd	12	12	4
40	Reading Voluntary Action Co Ltd	8	3	-
41	Westminster College	-	35	40
42	Winkfield Parish Council	7	4	2
43	Wargrave Parish Council	-	1	-
44	Reading Transport Ltd	80	48	159
45	Eton Town Council	-	-	1
46	Thames Valley University	143	97	85
48	Sovereign Housing Association	32	13	48
49	Binfield Parish Council	-	1	-
50	Age Concern Bracknell	-	-	1
51	Cox Green Parish Council	-	2	-
52	Swallowfield Parish Council	3	-	1
53	Newbury College	95	54	23
54	Reading College & School of Arts & Design	241	109	61
55	Bracknell & Wokingham College	161	77	35
56	Berkshire College of Arts & Design	-	7	7
57	East Berkshire College	168	155	63
58	Berkshire College of Agriculture	84	97	10
59	CfBT Advice & Guidance Ltd	128	47	26
60	Cippenham Middle School	8	1	-
61	Holy Family RC School	4	7	2
62	Priory School	4	8	2

**The Royal County of Berkshire Pension Fund**  
**Actuarial Valuation as at 31 March 2004**

<b>Employer</b>		<b>Number of Members</b>		
<b>Code</b>	<b>Employer</b>	<b>Employees</b>	<b>Deferreds</b>	<b>Pensioners</b>
63	St Bartholomew's School	38	11	6
64	Turnpike School	-	3	2
65	Denefield School	42	20	5
66	Blessed Hugh Faringdon Catholic School	19	11	1
67	Reading School	19	1	4
68	Reading Girls School	16	2	-
69	Desborough School	11	6	5
70	Herschel Grammar School	18	7	-
71	Langley Grammar School	14	2	-
72	Slough Grammar School	15	3	2
73	Whitlocke School	4	5	-
74	Castleview School	19	3	2
75	Downs School	13	5	3
76	Prospect Technology College	27	7	8
77	Westgate School	13	6	2
78	Berks & Bucks Enterprise Agency	-	1	6
79	Maidenhead & District Housing Association	82	39	20
80	Windsor & District Housing Association	27	20	18
81	MIND in Bracknell	28	5	-
82	Berkshire Disability Information Network	1	-	-
83	New Support Options Ltd	19	19	4
84	Turnstone Support	11	5	2
85	Magistrates Courts Commission	16	3	1
86	Kendrick School	14	8	1
87	Ryvers School	8	2	2
88	Newbury Town Council	-	34	24
89	Berkshire Probation Service	110	34	12
90	Royal Berkshire Fire & Rescue Service	10	2	-
91	Lynch Hill School	-	4	-
92	Lifetime Training Solutions Ltd	-	-	-

**The Royal County of Berkshire Pension Fund**  
**Actuarial Valuation as at 31 March 2004**

Employer		Number of Members		
Code	Employer	Employees	Deferreds	Pensioners
93	Slough Community Transport & Shopmobility	1	-	-
94	Day Centre at William Street	-	2	-
95	Berkshire Young Musicians Trust	15	4	3
96	Shinfield Parish Council	1	-	-
97	Barkham Parish Council	1	-	-
98	Woodley Age Concern	2	3	-
99	Shinfield Park Day Nursery	-	2	-
100	Corn Exchange Trust	13	6	-
101	Johnson Controls Systems Ltd	-	1	-
102	Fernhill Care Ltd	5	-	1
103	Slough Community Leisure Ltd	42	21	2
104	Housing Solutions Ltd	25	4	1
105	Parents & Children Together	27	3	-
106	Thames Valley Probation Board	576	105	55
107	Interserve (Facilities Slough) Ltd	117	22	8
108	Berkshire Connexions Partnership	26	1	-
109	Amey BPO Service Ltd	343	29	8
110	Fox IT Limited	42	2	1
111	Slough Accord Ltd	45	-	1
112	Central Parking Systems	3	-	-
113	Northgate Information Solutions	7	-	-
114	MITIE PFI Ltd	5	-	-
119	Pippins	8	-	-
<b>Total</b>		<b>15,811</b>	<b>11,300</b>	<b>9,058</b>

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### Appendix C - Accounts and Asset Data

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#### Assets at 31 March 2004

- C1. We were supplied with audited accounts for the years ended 31 March 2002, 31 March 2003 and 31 March 2004. The accounts for the year ended 31 March 2004 indicated that the market value for the Fund's assets as at the valuation date amounted to £968m. Members' Additional Voluntary Contributions are excluded from this total and from the value placed on the Fund's liabilities.
- C2. A summary of the Fund's assets as at 31 March 2004 is as follows:

Market Value of Assets	as at 31 March 2004	
	£(000)	%
UK Equities	430,445	44%
UK Fixed Interest Gilts	12,257	1%
UK Corporate Bonds	69,609	7%
UK Index Linked Gilts	53,998	6%
Overseas Equities	209,415	22%
Overseas Bonds	17,188	2%
Property	93,983	10%
Cash	74,352	8%
Net Current Assets	7,152	1%
<b>TOTAL (excluding AVCs)</b>	<b>968,399</b>	<b>100%</b>

This excludes the assets in respect of money purchase AVCs.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### Revenue Accounts for the Intervaluation Period

Revenue Accounts	Year to	31 Mar 04 £ (000)	31 Mar 03 £ (000)	31 Mar 02 £ (000)	TOTAL £ (000)
EXPENDITURE	Retirement Pensions	34,037	32,625	31,442	98,104
	Retirement Lump Sums	4,546	4,215	4,225	12,986
	Death Benefits	793	606	964	2,363
	Transfer Values	11,588	10,391	7,695	29,674
	Refunds/CEPs	1,093	654	1,191	2,938
	Admin Expenses	798	818	721	2,337
	Investment Expenses	2,255	2,017	2,371	6,643
	Other Expenditure	-	-	-	-
<b>TOTAL</b>		<b>55,110</b>	<b>51,326</b>	<b>48,609</b>	<b>155,045</b>
INCOME	Employee Contributions	15,913	14,645	13,333	43,891
	Employer Contributions	24,270	20,498	16,492	61,260
	Transfer Values	12,624	12,540	11,853	37,017
	Investment Income	31,809	27,724	27,375	86,908
	Other Income	1,508	2,362	1,967	5,837
<b>TOTAL</b>		<b>86,124</b>	<b>77,769</b>	<b>71,020</b>	<b>234,913</b>
<b>Fund Value</b>					
	Assets at Start of Year	790,338	975,624	983,079	983,079
	Net Cashflow	31,014	26,443	22,411	79,868
	Change in value	147,047	(211,729)	(29,866)	(94,548)
	<b>Assets at End of Year</b>	<b>968,399</b>	<b>790,338</b>	<b>975,624</b>	<b>968,399</b>
<b>Annual Returns</b>					
	Approx Rate of Return	22.3%	-19.1%	-0.5%	-0.5%
	WM LA Median	23.4%	-19.5%	-0.9%	-0.5%

### Fund insurance arrangements

C3. There are no insurance arrangements in place to provide benefits under the Regulations.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### Appendix D - Valuation Method

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- D1. Using our assumptions we estimate the payments that will be made from the Fund throughout the future lifetimes of existing employee members, deferred pensioners, pensioners and their dependants. We then calculate the amount of money that, if invested now, would be sufficient to make these payments in future, assuming that future investment returns are in line the discount rate. This amount is called "the present value" (or, more simply, "the value") of members' benefits. Separate calculations have been made in respect of benefits arising from service before the valuation date ("past service") and from service after the valuation date ("future service").
- D2. This process is carried out separately for each employer. Where differences between participant employers are not considered material, we may agree with the administering Authority to pool together their results.

#### Past service funding position

- D3. A comparison is made of the value of the assets held with the value of benefits for past service (but allowing for future pay and pension increases). If there is an excess then there is a past service surplus. If the converse applies there is a past service shortfall.

#### Future service contribution rate

##### *Employers Admitting New Entrants*

- D4. For employers who continue to admit new entrants we have adopted the projected unit method of valuation. This is summarised below.

##### *Projected Unit Method*

- D5. The first stage is to calculate the value of benefits (other than the lump sum death-in-service benefits) accruing to existing employee members over the year following the valuation date, by reference to projected pay as at the date of retirement or earlier exit. This value is expressed as a percentage of the members' pensionable salaries over the year following the valuation date and then the equivalent contribution paid by the members is deducted.
- D6. The cost of the lump sum death in service benefit is separately assessed as amount that is likely to be paid out in an average year, based on the membership structure at the valuation date. Finally, an addition is made to cover the expenses of administration of the Fund.

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

- D7. The method described above is applied only to the Fund membership at the valuation date, and results in an increasing contribution rate over time if the assumptions adopted are unchanged and the average age of membership increases (for example, if there are no new entrants to the Fund). This is due to the fact that the cost of benefits typically increases with age. The opposite would also be true assuming the age profile of the scheme membership decreased. If the admission of new entrants is such that the membership profile remains broadly unchanged and the assumptions adopted are unchanged, then the contribution rate brought out at future valuations should be reasonably stable.

### **Employers not Admitting New Entrants**

- D8. For employers who are no longer admitting new entrants we have adopted the *attained age* method of valuation. This is similar to the projected unit method described above, and produces the same past service position. The future service contribution rate calculation under the attained age method is summarised below.

### **Attained Age Method**

- D9. The first stage is to calculate the value of the benefits (other than the lump sum death-in-service benefits) accruing to existing employee members over their anticipated period of future membership, by reference to projected pay as at the date of retirement or earlier exit. This value is expressed as a percentage of the members' pensionable salaries over their remaining service lives and then the equivalent contributions paid by the members are deducted.
- D10. The cost of the lump sum death in service benefit is separately assessed as amount that is likely to be paid out in an average year, based on the membership structure at the valuation date. Finally, an addition is made to cover the expenses of administration of the Fund.
- D11. If the actuarial assumptions adopted are unchanged, this funding method will, for pension benefits, give rise to a stable contribution rate in future years in respect of the existing membership. But this will only be so if certain surpluses or deficiencies revealed at subsequent actuarial valuations (i.e. those arising due to the fact that the cost of a year's accrual of pension increases with each year of age) are reflected in the contribution rate payable.

### **Overall result**

- D12. Any past service surplus (or shortfall) that remains can be applied to reduce (or increase) the contribution rate actually payable by the employers over the period following the valuation date.



# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### Appendix E - Valuation Assumptions

#### Financial assumptions

- E1. The key assumptions adopted for this valuation and the previous valuation are summarised in the table below.

Financial Assumptions	Mar 2004 Unsmoothed		Mar 2001 Smoothed	
	% p.a. Nominal	% p.a. Real	% p.a. Nominal	% p.a. Real
Discount Rate	6.3%	3.4%	6.0%	3.2%
Pay Increases	4.4%	1.5%	4.8%	2.0%
Price Inflation/Pension Increases	2.9%	-	2.8%	-

#### Demographic assumptions

- E2. The demographic assumptions represent our estimate of future experience in the Fund. They take account of expected future trends (for instance future improvements in life expectancy) as well past experience in the Fund and other Local Government client funds. Sample rates are shown in the following tables:

Age	Incidence per 1000 active members per annum											
	Male Officers & Post 98			Male Manuals			Female Officers & Post 98			Female Manuals		
	Death	Ill Health Retirement		Death	Ill Health Retirement		Death	Ill Health Retirement		Death	Ill Health Retirement	
		F/T	P/T		F/T	P/T		F/T	P/T		F/T	P/T
20	0.25	-	-	0.25	-	-	0.14	-	-	0.14	-	-
25	0.25	-	-	0.25	2.6	2.6	0.14	0.5	0.4	0.14	2.1	2.1
30	0.30	0.5	0.4	0.30	4.2	4.2	0.21	0.8	0.6	0.21	2.9	2.9
35	0.35	0.6	0.5	0.35	6.2	6.2	0.35	1.6	1.2	0.35	4.2	4.2
40	0.60	1.1	0.8	0.60	8.6	8.6	0.56	2.1	1.6	0.56	5.8	5.8
45	1.00	2.6	1.9	1.00	12.5	12.5	0.91	3.4	2.5	0.91	7.4	7.4
50	1.60	7.0	5.3	1.60	18.2	18.2	1.33	6.6	4.9	1.33	10.9	10.9
55	2.50	14.4	10.8	2.50	29.4	29.4	1.75	17.3	13.0	1.75	20.5	20.5
60	4.50	28.8	21.6	4.50	56.0	56.0	2.24	-	-	2.24	-	-



**The Royal County of Berkshire Pension Fund**  
**Actuarial Valuation as at 31 March 2004**

Age	Incidence per 1000 active members per annum							
	Male Officers & Male Manuals		Post 98 Males		Female Officers & Female Manuals		Post 98 Females	
	Withdrawal		Withdrawal		Withdrawal		Withdrawal	
	F/T	P/T	F/T	P/T	F/T	P/T	F/T	P/T
20	196	245	294	490	186	232	279	464
25	129	162	194	323	125	156	187	312
30	92	115	138	230	105	131	157	262
35	72	90	108	179	90	113	136	226
40	58	72	87	144	75	94	113	188
45	47	59	71	118	62	77	93	155
50	37	46	55	91	47	59	71	118
55	32	40	48	79	36	45	55	91
60	19	24	29	48	17	21	25	42

Age	Promotional Salary Scales							
	Male Officers & Post 98 Males		Male Manuals		Female Officers & Post 98 Females		Female Manuals	
	FT	PT	FT	PT	FT	PT	FT	PT
20	100	100	100	100	100	100	100	100
25	100	100	100	100	100	100	100	100
30	123	113	100	100	115	105	100	100
35	138	123	100	100	126	110	100	100
40	148	128	100	100	136	115	100	100
45	158	128	100	100	136	115	100	100
50	168	128	100	100	136	115	100	100
55	168	128	100	100	136	115	100	100
60	168	128	100	100	136	115	100	100

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### Other Assumptions

Age Retirements It is assumed that active members will retire at age 60 or when they would satisfy the *Rule of 85* if later subject to no later than age 65.

Pensioner Mortality Current Pensioners - PXA92 c2004  
Prospective Pensioners - PXA92 c2004

The following age ratings are applied in each case

	<u>Males</u>	<u>Females</u>
Officers (& post-98 joiners)	-2 years	-2 years
Manuals	+1 years	No age rating

Ill Health Retirement - as above, except rated up by 5 years (6 years for male officers and male post-98 joiners)

Widows – one year older than female pensioners

Proportions Married (including a loading for dependants benefits) A varying proportion of members will be married and entitled to a spouse's pension. Sample proportions are:

<u>Age</u>	<u>Males</u>	<u>Females</u>
40	62%	67%
60	80%	75%
80	72%	55%

Wife/Husband Age Difference Husbands are assumed to be 3 years older than their wives

Pensioner Mortality for additional reserve for continuing improvements in life expectancy Current Pensioners - PXA92 c2014  
Prospective Pensioners - PXA92 c2030  
Age ratings as above

Administration Expenses 0.4% of payroll



# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### Appendix F - Surplus Certificate

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This Certificate is given to the Commissioners of Inland Revenue for the purposes of Paragraph 2(3) of Schedule 22 to the Income and Corporation Taxes Act 1988.

Name of Scheme: The Royal County of Berkshire Pension Fund

Inland Revenue Reference Number: 49/1048

We hereby certify that:-

- (1) in our opinion as at 31 March 2004 the value of the assets of the scheme did not exceed 105 per cent of the value of the liabilities of the scheme.
- (2) the assets and liabilities to which paragraph (1) refers have been determined in accordance with principles and requirements prescribed by the Pension Scheme Surpluses (Valuation) Regulations 1987.

Signature .....

Date:

Name: Lorna Tonner FFA Donald Fleming FFA

Qualification: Fellows of the Faculty of Actuaries

Firm: Hymans Robertson  
20 Waterloo Street  
Glasgow  
G2 6DB

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### Appendix G - Rates and Adjustments Certificate

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In accordance with Regulation 77 of the Local Government Pension Scheme Regulations 1997, as amended, we have made an assessment of the contributions that should be paid to the Fund by the employing authorities as from 1 April 2005 in order to maintain the solvency of the Fund.

The required contribution rates are set out in the attached statement.

Signature .....

Date:

Name: Lorna Tonner FFA Donald Fleming FFA

Qualification: Fellows of the Faculty of Actuaries

Firm: Hymans Robertson  
20 Waterloo Street  
Glasgow  
G2 6DB

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

### STATEMENT TO THE RATES AND ADJUSTMENTS CERTIFICATE

The Common Rate of Contribution payable by each employing authority under Regulation 77 for the period 1 April 2005 to 31 March 2008 is 15.8% of pensionable pay.

Individual Adjustments are required under Regulation 77 for the period 1 April 2005 to 31 March 2008 resulting in Minimum Total Contribution Rates expressed as a percentage of pensionable pay are as set out below:-

AXIS Code	EMPLOYER	Minimum contributions for the year ending:		
		31 March 06	31 March 07	31 March 08
<b>SCHEDULED BODIES - UNITARY AUTHORITIES &amp; ASSOCIATED EMPLOYERS</b>				
2	<b>Bracknell Forest Borough Council</b>	11.7%	13.7%	15.7%
49	Binfield Parish Council	11.7%	13.7%	15.7%
9	Bracknell Town Council	11.7%	13.7%	15.7%
42	Winkfield Parish Council	11.7%	13.7%	15.7%
3	<b>Royal Borough of Windsor &amp; Maidenhead</b>	10.1%	12.1%	14.1%
118	Bray Parish Council	10.1%	12.1%	14.1%
45	Eton Town Council	10.1%	12.1%	14.1%
51	Cox Green Parish Council	10.1%	12.1%	14.1%
18	Sunningdale Parish Council	10.1%	12.1%	14.1%
19	Sunninghill & Ascot Parish Council	10.1%	12.1%	14.1%
69	Desborough School	10.1%	12.1%	14.1%
4	<b>West Berkshire Council</b>	11.5%	13.5%	15.5%
88	Newbury Town Council	11.5%	13.5%	15.5%
11	Thatcham Town Council	11.5%	13.5%	15.5%
20	Tilehurst Parish Council	11.5%	13.5%	15.5%
65	Denefield School	11.5%	13.5%	15.5%
63	St Bartholomew's School	11.5%	13.5%	15.5%
75	The Downs School	11.5%	13.5%	15.5%
5	<b>Reading Borough Council</b>	11.7%	13.2%	14.7%
66	Blessed Hugh Faringdon RC School	11.7%	13.2%	14.7%
86	Kendrick School	11.7%	13.2%	14.7%
76	Prospect Technology College	11.7%	13.2%	14.7%
67	Reading School	11.7%	13.2%	14.7%
68	Reading Girls School	11.7%	13.2%	14.7%
6	<b>Slough Borough Council</b>	11.3%	13.3%	15.3%
14	Britwell Parish Council	11.3%	13.3%	15.3%
74	Castleview School	11.3%	13.3%	15.3%
60	Cippenham Middle School	11.3%	13.3%	15.3%
70	Herschel Grammar School	11.3%	13.3%	15.3%
61	Holy Family RC School	11.3%	13.3%	15.3%
71	Langley Grammar School	11.3%	13.3%	15.3%
91	Lynch Hill School	11.3%	13.3%	15.3%

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

AXIS Code	EMPLOYER	Minimum contributions for the year ending:		
		31 March 06	31 March 07	31 March 08
62	Pippins School	11.3%	13.3%	15.3%
71	Priory School	11.3%	13.3%	15.3%
77	Slough Grammar School	11.3%	13.3%	15.3%
77	The Westgate School	11.3%	13.3%	15.3%
7	<b>Wokingham District Council</b>	10.0%	12.0%	14.0%
97	Barkham Parish Council	10.0%	12.0%	14.0%
117	Finchampstead Parish Council	10.0%	12.0%	14.0%
96	Shinfield Parish Council	10.0%	12.0%	14.0%
52	Swallowfield Parish Council	10.0%	12.0%	14.0%
12	Wokingham Town Council	10.0%	12.0%	14.0%
21	Woodley Town Council	10.0%	12.0%	14.0%
73	Whitelocke School	10.0%	12.0%	14.0%
	<b>OTHER SCHEDULED BODIES</b>			
90	Royal Berkshire Fire & Rescue Service (Clerical)	15.7%	17.0%	17.0%
106	Thames Valley Probation Board	16.6%	16.6%	16.6%
25	Thames Valley Valuation Tribunal Group	14.0%	15.6%	15.6%
	<b>ADMITTED BODIES</b>			
26	Age Concern Berkshire	15.6%	15.6%	15.6%
38	Association of South East Colleges	15.6%	15.6%	15.6%
23	Berkshire County Blind Society	15.6%	15.6%	15.6%
82	Berkshire Disability Information Network (BDIN)	15.6%	15.6%	15.6%
95	Berkshire Young Musicians Trust	15.6%	15.6%	15.6%
59	CfBT Advice & Guidance***	15.6%	15.6%	15.6%
81	East Berkshire MIND	15.6%	15.6%	15.6%
28	Elizabeth Fry Hostel	15.6%	15.6%	15.6%
102	Fernhill Care Limited	15.6%	15.6%	15.6%
30	Mary Hare Grammar School	15.6%	15.6%	15.6%
105	Parents & Children Together	15.6%	15.6%	15.6%
40	Reading Voluntary Action Company Limited	15.6%	15.6%	15.6%
35	School of St Helen & St Katharine Trust	15.6%	15.6%	15.6%
99	Shinfield Park Day Nursery	15.6%	15.6%	15.6%
103	Slough Community Leisure Limited	15.6%	15.6%	15.6%
37	Slough Council For Voluntary Service	15.6%	15.6%	15.6%
98	Woodley Age Concern	15.6%	15.6%	15.6%
	<b>COLLEGES</b>			
58	Berkshire College of Agriculture	14.5%	15.4%	16.3%
55	Bracknell & Wokingham College	14.5%	15.4%	16.3%
57	East Berkshire College	14.5%	15.4%	16.3%
53	Newbury College	14.5%	15.4%	16.3%
54	Reading College & School of Arts & Design	14.5%	15.4%	16.3%
46	Thames Valley University	14.5%	15.4%	16.3%

# The Royal County of Berkshire Pension Fund

## Actuarial Valuation as at 31 March 2004

AXIS Code	EMPLOYER	Minimum contributions for the year ending:		
		31 March 06	31 March 07	31 March 08
<b>HOUSING ASSOCIATIONS</b>				
104	Housing Solutions Limited	16.2%	16.9%	17.4%
79	Maidenhead & District Housing Association	16.2%	16.9%	17.4%
83	New Support Options Limited	16.2%	16.9%	17.4%
84	Turnstone Support Limited	16.2%	16.9%	17.4%
80	Windsor & District Housing Association	16.2%	16.9%	17.4%
<b>TRANSFEREE ADMISSION BODIES</b>				
109	Amey (BPO Services) Limited	12.4%		
116	Apetito Limited	18.2%	18.2%	18.2%
108	Berkshire Connexions Partnership**	14.0%	14.0%	14.0%
112	Central Parking Systems	22.5%	22.5%	22.5%
110	Fox IT Limited*	13.5%	13.5%	13.5%
114	Holroyd Howe Limited	15.7%	15.7%	15.7%
107	Interserve (Facilities Services Slough) Limited	13.0%	13.0%	13.0%
115	MITIE PFI Limited	16.7%	16.7%	16.7%
113	Northgate Information Solutions Limited	14.5%	14.5%	14.5%
111	Slough Accord Limited	16.6%	16.6%	16.6%
<b>CLOSED EMPLOYERS</b>				
100	Corn Exchange Trust	14.3%	14.3%	14.3%
94	Day Centre At William Street	14.3%	14.3%	14.3%
44	Reading Transport Limited****	8.2%	10.2%	12.2%
39*	South Hill Park Trust Limited****	14.3%	14.3%	14.3%
48	Sovereign Housing Association****	10.4%	12.4%	14.4%

\*Rate subject to amendment following further review

\*\* Rates subject to review following completion of a transfer of staff from CfBT to Connexions

\*\*\* Additional monetary contributions to be paid by employers over and above the percentage payroll figure as follows:

AXIS Code	EMPLOYER	Additional contributions for year ending		
		31 March 06	31 March 07	31 March 08
44	Reading Transport Limited	£96,000	£99,000	£103,000
39	South Hill Park Trust Limited	£18,000	£18,800	£19,600
48	Sovereign Housing Association	£95,000	£99,200	£103,500

### Notes

Contributions expressed as a percentage should be paid into The Royal County of Berkshire Pension Fund at a frequency in accordance with the requirements of the Regulations.

Further sums should be paid to the Fund to meet the costs of any early retirements using methods and factors issued by us from time to time.

## **The Royal County of Berkshire Pension Fund** ***Actuarial Valuation as at 31 March 2004***

Further sums should be paid to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those included within our assumptions.

The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by ourselves.

Further rate increases have been discussed with employers for the year ending 31 March 2009. These will be implemented at that time, subject to the results of the 2008 actuarial valuation.