



Royal Borough of
Kingston upon Thames

Pension Fund Annual Report
2011/12

Contents

2	Introduction and Overview
2	<i>Report from Chair of the Pension Fund Panel</i>
4	<i>Report from Director of Finance</i>
6	Management and Financial Performance
6	<i>Introduction</i>
7	<i>Risk Management</i>
9	<i>Financial Performance</i>
11	Investment Policy and Performance
12	<i>Summary of Fund Assets</i>
13	<i>Asset Allocation</i>
15	<i>Pension Fund Performance 2011-12</i>
16	<i>Asset Returns</i>
17	Administration and Benefits
17	<i>Scheme Administration</i>
18	<i>Management Performance</i>
19	<i>Membership Movement Analysis</i>
21	<i>Contributions – Scheduled Bodies</i>
24	<i>Pension Fund Panel</i>
25	<i>Administration Contacts</i>
26	<i>Adviser Contacts</i>
28	Appendices
28	<i>Annex 1: Pension Fund Statement of Accounts 2011-12 (separate report)</i>
29	<i>Annex 2: Statement of Investment Principles Compliance</i>
30	<i>Annex 3: Governance Compliance Statement</i>
31	<i>Glossary</i>
	Background documents: See http://www.kingston.gov.uk/pensions
	<i>Statement of Investment Principles</i>
	<i>Funding Strategy Statement</i>
	<i>Governance Compliance Statement</i>
	<i>Communications Policy Statement</i>

INTRODUCTION AND OVERVIEW

Report of the Chair of the Pension Fund Panel

The Pension Fund Panel (“The Panel”) is responsible for overseeing the investment management of the Royal Borough of Kingston upon Thames Pension Fund. I am pleased to introduce the Annual Report for the financial year 2011/12.

This was a busy year for the Panel with the focus on challenging the performance of the investment fund managers who have been managing mandates in accordance with the revised investment strategy since September 2009. The Panel met four times during the year and reviewed the quarterly performance of each fund manager. Each manager was required to present to the Panel twice during the year to account for their performance against the mandate benchmark they had been set. Managers continued to be required to disclose any changes to their internal control systems and procedures to give assurance that reported exceptions and control weaknesses do not impact on the Pension Fund assets.

At the April 2011 meeting, the Panel received presentations from global equity managers Fidelity and Threadneedle who at year-end held 36% and 24% of the Fund’s investments respectively. The Panel also appointed a volunteer advisory member, Matthew Lambe, a qualified professional investment adviser, who joined the Panel from July 2011. The Panel has benefitted from the independent viewpoint which Matthew has provided.

In July 2011, the Panel reviewed the performance of global equity manager, Schroders and bond mandate manager, Henderson who at year-end held 19.2 % and 14.5% of the Fund’s investments respectively. The Panel also received a report from the Fund’s then actuaries, Aon Hewitt, on the 2010 Actuarial Valuation. This set out the funding level, employer contribution rates for the three year period from 2011/12 to 2013/14, and the approach to moving from a deficit to a fully funded position. The Fund’s draft accounts and annual report for 2010/11 as submitted for audit were noted by the Panel.

At its November 2011 meeting, following the expiry of the contract with the previous actuaries, the Panel appointed new actuaries (Hymans Robertson) under the “Croydon Framework” – a collective procurement which delivers cost savings compared with the Fund carrying out its own procurement exercise. The Panel started to consider how to approach a review of its investment strategy and the appropriate timescales for this work, and agreed to appoint Investment Advisors, Aon Hewitt, also under the “Croydon Framework”.

In November the Panel also considered and agreed proposals for reduced management fees from two of its investment managers, and met and reviewed the latest performance figures for Fidelity and Threadneedle. Finally, it agreed arrangements to ensure that retired members were fully aware of the timing of the Pensions Annual General Meeting from 2012 onwards.

At the February 2012 meeting the Panel received updated performance reports from

**Royal Borough of Kingston upon Thames Pension Fund
Annual Report 2011-12**

Schroder and Henderson. It also reviewed the Fund's Corporate Governance responsibilities, noting that our investment managers exercise these on our behalf at company general meetings by questioning directors on our behalf and by voting appropriately on remuneration and other proposals. The panel agreed that this approach would be formally incorporated in the Statement of Investment Principles.

The Panel has also received investment training both as a group at Panel meetings and received reports and feedback from the individual panel members who attended training courses during the year.

In addition to continuing to review the current managers' performance against the benchmarks they have been set, the Panel's work programme for 2012/13 includes a review of the Statement of Investment Principles (SIP), and the start of a detailed review of our Investment Strategy and asset allocation to ensure that these will deliver the future funding requirements of the Pension Fund. The Panel will also review independent assurance reports from its custodian, JP Morgan, ensures that the Fund's assets are kept securely.

I would like to thank the Members of the Pension Fund Panel and the officers involved with the Pension Fund for their work during the year.

Councillor Derek Osbourne
Leader of the Council

Report from the Director of Finance

Continuing volatility in global stock markets, driven by a range of economic factors, meant that 2011/12 was a poor year for Pension Fund investment performance. The market value of the Fund's total investments rose by £5.8 million during the twelve months to 31 March 2012 ending the financial year at £430.2 million. The one year performance return was 0.7%, compared with a benchmark of 1.2%. Despite this, the annualised three year return performance return rose to 14%, although this was due to that fact that the immediately preceding year (to 31 March 2009) was a particularly bad year (see page 16).

Despite the modest full year gain, there were significant bouts of volatility and market weakness during the period. This meant that quarterly Fund valuations reported to the Pension Fund Panel showed a fall to £375.5million in 30 September, before a recovery in the second half of the year. Some of the volatility was driven by sovereign debt crises in Europe (particularly Greece and Spain) with those countries having to seek support from the IMF and the EU. Markets also suffered from concerns about the sustainability of the global economic recovery given the austerity measures that have been introduced in some countries and from fears that rising inflationary pressures would feed through to higher interest rates.

Equity markets were particularly volatile during 2011/12. The MSCI AC World index, which is used as the benchmark against which the performances of the Fund's Equity investments are measured, fell by 0.4% in the year. This limited change masks significant fluctuations during the year – for example, the index fell by 14.8% in the 2nd quarter, and rose by 7.9% and 8.5% in the 3rd and 4th quarters respectively. Performance of most world equity markets was weak, particularly emerging markets and Europe. The USA was the only area of strong growth, while there were small gains in Japan and UK. The Fund's heavy weighting in equities meant that this impacted on investment performance, and the volatility of the market militated against the investment approach of some of our managers.

The volatility of equity markets meant that UK Government bonds (Gilts) were perceived as a "safe" investment, while long dated corporate bonds also produced positive returns for the average pension fund. The iBoxx All Stocks Non-Gilts index, which is used as the benchmark for the Fund's bonds portfolio, increased by 8.8% during the year.

UK Property continued to perform strongly as an asset class and the IPD UK All Balanced Funds index, which is used as the benchmark for the Fund's property portfolio, increased by 5.6% in 2011/12.

The funding level and market volatility remains a cause for concern in spite of the market recovery since 2009. The latest actuarial valuation assessed a funding level of 73% as at 31 March 2010. The actuary's recommendations set the required level of employers' contribution for the period to 2013/14, and the period over which the fund is expected to become fully funded. This in turn shapes the long term investment strategy required to achieve the fully funded target. The next actuarial review will take place during 2013.

2011/12 was again a busy year for Local Government Pension Scheme (LGPS) administrators. The team's workload included analysis of the proposed changes to the LGPS which the Government is currently consulting upon, and which are intended to be implemented in April 2014 – the main elements of the currently proposed scheme are:

- The scheme will be based upon career average revalued earnings (CARE)
- The benefits accrual rate for will be 1/49th* per year of service
- Confirmation of the revaluation rate as Consumer Price Index (CPI)*
(*this combination of accrual and revaluation rate has been costed by the Government Actuary's Department as being broadly equivalent to the current combination of 1/60th accrual with final salary revaluation).
- Confirmation of the Normal Pension Age being equal to the individual member's State Pension Age (minimum 65)
- Contribution flexibility to pay 50% contributions for 50% of the pension benefits
- 3 x Death in Service Lump Sum
- Definition of pensionable pay to include non contractual over time and additional hours for part time staff
- 2 year Vesting Period

The new arrangements will still provide excellent value for money for scheme members. At RBK we will be doing our best to make sure that all eligible employees are fully briefed about the new arrangements so they can make an informed decision about membership of the scheme.

Another challenge has been the preparation for "auto-enrolment" – this will require scheme administrators to confirm at regular intervals that employees who are eligible to be members of the scheme but have chosen to "opt out" do not wish to change that decision (previously the onus has been on the employee to notify the employer should he /she wish to change the decision).

Leigh Whitehouse
Director of Finance

MANAGEMENT AND FINANCIAL PERFORMANCE

Introduction

This annual report sets out key information about how the Royal Borough of Kingston upon Thames Pension Fund is managed for the benefit of all employing bodies, contributors and beneficiaries. This report summarises financial and management performance. The production of an annual report in accordance with regulatory guidance is a requirement of the Local Government Pension Scheme (LGPS) regulations.

The Pension Fund Panel completed a major review of the pension fund investment arrangements in 2008. By changing to a more diversified and active strategy over time, the Fund aimed to achieve higher investment returns over the longer term, without taking greater risk.

In May 2009 following a rigorous selection procedure, the Pension Fund Panel recommended the appointment of four new investment fund managers - one for a bond mandate and three for active global equity mandates - each with targeted performance benchmarks, set to deliver the out-performance required to improve investment returns. The funds were transitioned to the new managers successfully in September 2009. UBS Global Asset Management retained the property portfolio, pending further review of alternative asset classes.

Fund managers' performance is reviewed quarterly by the Pension Fund Panel to ensure that the investment strategy objectives and performance targets are being met by the Pension Fund Panel.

The Pension Fund Panel has four non-voting members, representing Kingston University, Kingston College (the two largest scheduled bodies), the RBK staff side and the Association of Retired Council Officers. This promotes good governance and increases stakeholder involvement in the management of the Fund's investments. The Panel also appointed an independent advisory member, Matthew Lambe, who joined the panel in July 2011.

During 2011/12 the Panel appointed two new expert advisors. Hymans Robertson were appointed as Consultant Actuaries following the expiry of the contract with the former actuary, and Aon Hewitt were appointed as Independent Investment Advisors. Both advisors were appointed following collaborative procurement exercises with other London Boroughs under the "Croydon Framework".

The Pension Fund bank account has been operational since 2010. This enables pension fund monies to be clearly ring-fenced from other monies of the local authority. LGPS regulations made operation of a separate pension fund bank account mandatory from 1 April 2011.

The annual report and its appendices are published on the Council's web site. This report contains links to the web site and to the Financial Statements of the Pension Fund for 2011/12. The format of the Pension Fund statement of accounts has been

amended to ensure compliance with the CIPFA's latest Statement of Recommended Practice (SoRP).

Risk Management

Governance

Responsibility for the Royal Borough of Kingston Pension Fund's investment strategy, fund performance, investment transactions and related matters is delegated to the Pension Fund Panel which reports to Policy and Resources Committee for decision making. The Pension Fund Panel is subject to the Council's Standing Orders and the Code of Conduct.

The Fund's approach to risk management is to minimise risk which cannot be eliminated entirely. All investments expose the fund to varying levels of risk. The decision making process used in the investment strategy review and the selection of fund managers in 2009, was designed to measure the level of risk taken by managers and the custodian, to ensure risk is kept to the minimum necessary to achieve the Fund's investment objectives.

Internal controls and processes are in place to manage administrative and other financial risks. Risk management processes ensure that key risk exposure is identified and action plans put in place to manage and reduce risk. The fund managers and custodian are required to report annually on internal control compliance (ISAE 3402 reports) to demonstrate they comply with their risk controls.

Investment Risk

The Fund manages investment risk through diversification by asset class and use of external fund managers to manage investments. Funds are invested by five managers using global equities, fixed income bonds, property and cash to diversify between asset classes.

The provision of expert investment and legal advice, use of external fund management and a global custodian for secure custody of assets is critical to effective risk management. An independent advisory member has been appointed as a non-voting observer on the Pension Fund Panel. They provide advice to the Panel to help them make informed decisions on strategic asset allocation.

A due diligence process was followed in the selection of the fund and transition managers and in the review of the custodian, to ensure the appointment of appropriate fund managers who demonstrated the ability to manage investment risk within the agreed parameters.

The Pension Fund Panel reviews the performance of individual managers and monitors and benchmarks overall fund performance quarterly.

Financial Risk

The Fund's financial management framework is the same as the Council's and uses

the Council's financial accounting system, although a separate bank account was set up in 2009, and became operational in 2010. Late payment of contributions by employers and admitted bodies is regulated through a sanction for late payment. Reconciliation processes and monitoring controls ensure all contributions are paid on time.

Administrative risk

The risks of late payment of member benefits and miscalculation of benefits through manual error is managed through a workflow system and through use of system controls and internal checking and ensuring that staff are trained and keep up to date on changes to the LGPS scheme.

Business Continuity

Risk of system failure is managed through an externally managed pension benefits administration system with daily back up in addition to use of the Council's business continuity plans which are tested and updated annually.

**Royal Borough of Kingston upon Thames Pension Fund
Annual Report 2011-12**

Financial Performance

Fund Accounts and Net Assets Statement

The Annual Pension Fund Accounts are attached as a separate document and will be made accessible via the link below

http://www.kingston.gov.uk/information/your_council/financial_information

Five Year Summary of Financial Statistics

Year Ended 31 March	2008	2009	2010	2011	2012
Revenue Account	£'m	£'m	£'m	£'m	£'m
Income					
Net Contributions	25.9	28.3	29.8	30.8	29.2
Investment Income	9.3	8.4	4.9	6.7	6.8
Net Cash Transfer Values	1.5	-	0.9	2.8	2.3
	36.7	36.7	35.6	40.3	38.3

Expenditure					
Pension & Benefits	16.9	17.8	20.6	21.0	22.8
Management Expenses	1.1	1.1	1.8	1.9	1.9
Net Cash Transfer Values	-	0.4	-	3.3	3.0
	18.0	19.3	22.4	23.4	27.7

Surplus for the Year	18.7	17.4	13.2	14.1	10.6
Revaluation of Investments	(17.3)	(61.1)	92.4	26.0	(3.8)

Change in Fund Value	1.4	(43.7)	105.6	40.1	6.8
Total Fund Value	322.9	279.1	384.7	424.8	431.6

The net contributions indicate that the fund continues to be a maturing fund, as contributions exceed the cost of pensions and benefits payable.

**Royal Borough of Kingston upon Thames Pension Fund
Annual Report 2011-12**

Investment Expenses	31-Mar-10 £'000	31-Mar-11 £'000	31-Mar-12 £'000
Portfolio management	837	1,044	1,057
Global custody	68	58	54
Investment advisors	133	21	0
Performance measurement	53	17	13
Investment accounting	94	91	86
TOTAL	1,185	1,231	1,210

Financial performance remained within budget. There were no investment advisor expenses incurred during 2011-2012 because the contract with Mercers was not renewed at the three year anniversary.

An analysis of amounts due to the fund from Employers is set out on pages 21 to 22.

Employers Contributions

It was necessary to levy interest in respect of late payment of contributions for one school that has made its own payroll arrangements.

INVESTMENT POLICY AND PERFORMANCE

The current strategic asset allocation benchmark for the Fund is 80% equities (MSCI All Countries World Index) 15% bonds (iBoxx All Stocks Non-Gilts Index) and 5% Property (IPD All Balanced Funds Index). The individual Fund Manager targets are shown in the table below.

Portfolio	Mandate	Benchmark	Target (over Rolling 3 Years)
Fidelity	Global Equities	MSCI AC World Index NDR	+1.5% to +2.0% pa
Threadneedle	Global Equities	MSCI AC World Index NDR	+2.5% to +3.0% pa
Schroder	Global Equities	MSCI AC World Index NDR	+3.0% to +4.0% pa
Henderson	Bonds	iBoxx All Stocks Non Gilts Index	+0.5% pa
UBS	Property	IPD UK All Balanced Funds WA	Outperform

In 2010/11 the Pension Fund Panel gave further consideration to using alternative asset classes to provide further diversification to the portfolio. The Panel agreed to continue holding part of the property portfolio with UBS Global Asset Management because of current market uncertainty and because of the high transition costs involved in moving from property funds.

Following the results of the 2010 actuarial valuation, in 2011/12 the Panel began to develop its approach to a strategic review of the Fund's investment strategy, and appointed Aon Hewitt as Investment Advisors to assist in this work. A high level review of the Fund's investment strategy will be carried out in 2012, in preparation for the 2013 actuarial valuation and the changes to the Local Government Pension scheme which will come into effect in 2014.

The details of the fund managers are set out in the Statement of Investment Principles (SIP). All managers complied with the voting policy set out in the SIP.

The Pension Fund Panel will review and update the Statement of Investment Principles in July 2012

Compliance with the Myners Principles is set out in Annex 3.

**Royal Borough of Kingston upon Thames Pension Fund
Annual Report 2011-12**

Summary of Investment Assets at 31 March 2012

Manager	Asset Class	Market Value £'000	Percentage Total Assets by Market Value (%)
Fidelity	UK Equities	11,499	2.7
	Overseas Equities	120,408	28.0
	Other Managed Funds (Emerging market equities)	19,690	4.6
	Cash and other investment balances	2,954	0.7
Threadneedle	Unitised Insurance Policy (Global equities)	103,066	24.0
Schroders	Other Managed Funds (Global equities)	82,507	19.2
Henderson	Other Managed Funds (Bonds)	62,452	14.5
UBS	Property Unit Trusts	19,279	4.5
	Cash and other investment balances	1,244	0.3
In house	Cash	7,093	1.7
TOTAL		430,192	100

**Royal Borough of Kingston upon Thames Pension Fund
Annual Report 2011-12**

Asset Allocation

The ten largest holdings of the Pension Fund were as follows:

Name	Value as at 31st March 2012 £000	% Total Net Assets as at 31st March 2012
Threadneedle TPN Global Equity Fund	103,066	24.0
Schroder Life QEP Global Active Value Fund	82,507	19.2
Henderson All Stocks Credit Fund	62,452	14.5
Fidelity Select Emerging Markets Fund	19,690	4.6
UBS Triton Property Unit Trust	10,206	2.4
Standard Life Inv Plan Property Fund	5,966	1.4
Apple Inc	3,579	0.8
Chevron Corp	2,113	0.5
Nestle SA	1,537	0.4
Microsoft Corp	1,444	0.3

The six largest holdings are in the pooled funds of the five fund managers

**Royal Borough of Kingston upon Thames Pension Fund
Annual Report 2011-12**

The 10 largest directly held equity holdings of the Pension Fund were as follows:

Name	Value as at 31st March 2012 £000	% Total Net Assets as at 31st March 2012 %
Apple Inc	3,579	0.8
Chevron Corp	2,113	0.5
Nestle SA	1,537	0.4
Microsoft Corp	1,444	0.3
Coca-Cola Co	1,311	0.3
Occidental Petroleum Corp	1,270	0.3
Intl Business Machines Corp	1,268	0.3
Wells Fargo & Co	1,246	0.3
Citigroup Inc	1,171	0.3
Pfizer Inc	1,157	0.3

Investment diversification means that the largest direct equity holding represented less than one per cent of the total value of the Fund as at 31 March 2012.

**Royal Borough of Kingston upon Thames Pension Fund
Annual Report 2011-12**

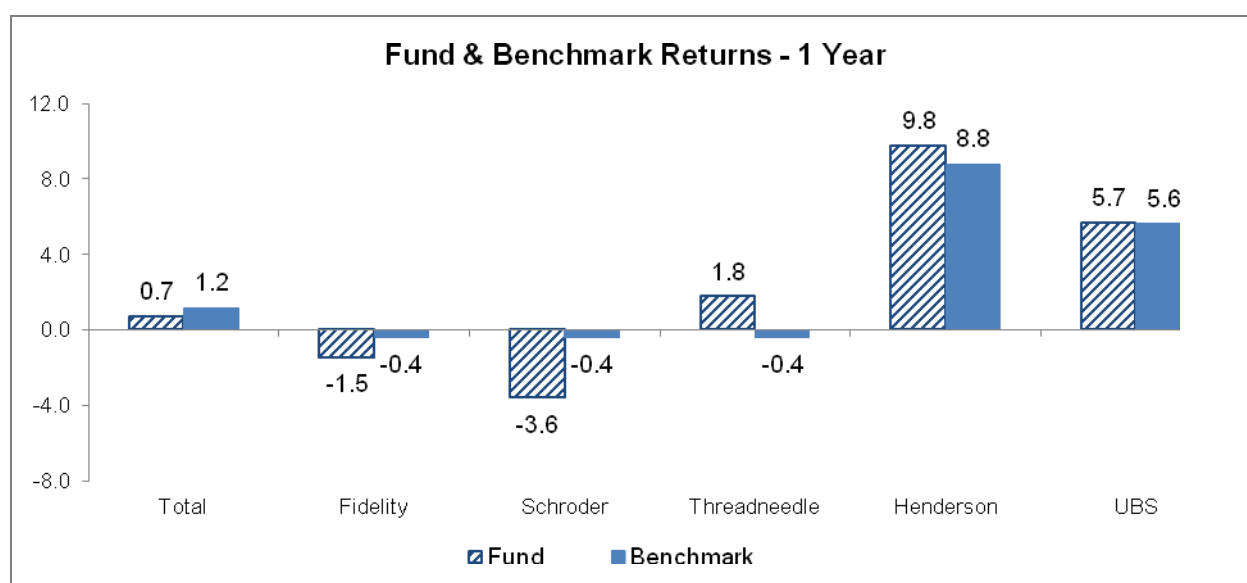
Pension Fund Performance 2011 - 2012

The benchmark set for the Fund since September 2009 is a strategic allocation benchmark of 80% Equities and 15% Bonds. 5% of the Fund remains in property with UBS Global Asset Management pending review at a future date. Each of the fund managers is required to outperform their respective index over a three year rolling period.

The table below sets out the quarter by quarter results for the Fund in 2011-2012. The one year total fund return was +0.7%, whereas the benchmark return was +1.2%. The relative return of the Fund was an underperformance of -0.4%.

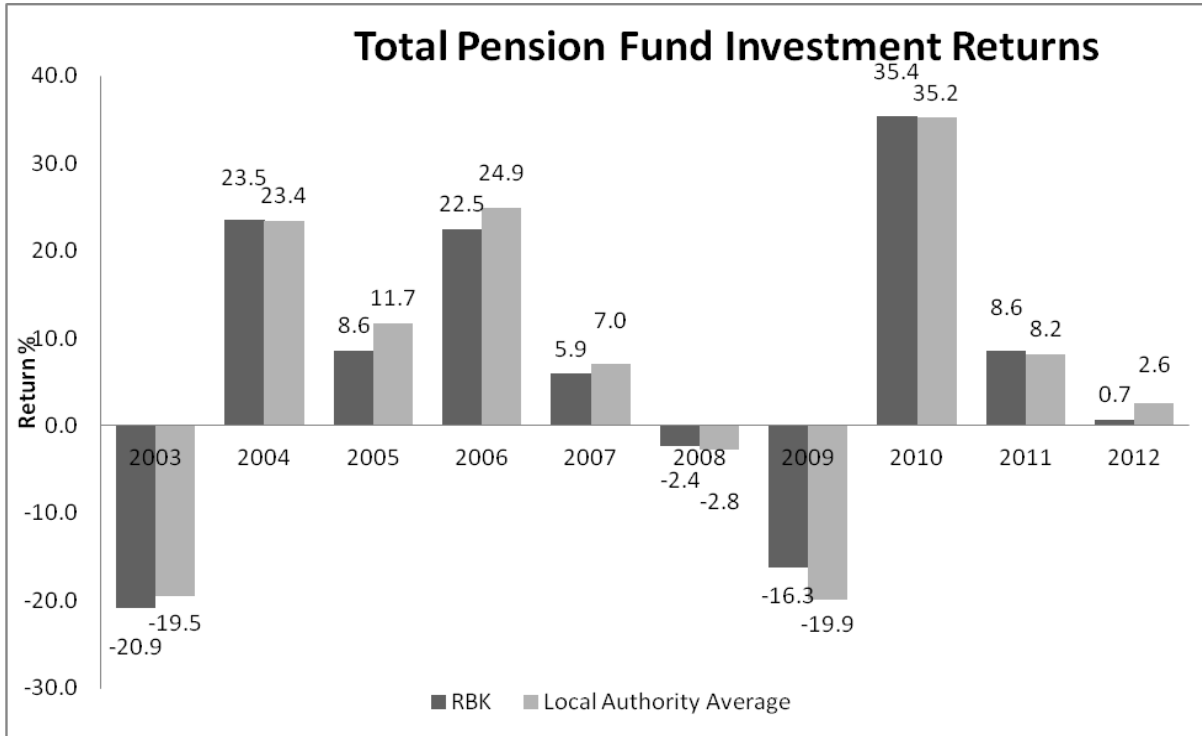
2011-12	First Quarter April to June 2011	Second Quarter July to September 2011	Third Quarter October to December 2011	Fourth Quarter January to March 2012	Total Annual Performance 2011-2012
	%	%	%	%	%
Fund Return	0.7	-12.6	6.0	8.0	0.7
Benchmark Return	0.4	-12.4	6.7	7.9	1.2
Relative Return	0.3	-0.2	-0.6	0.1	-0.4

The performance against benchmark for each individual manager for the year 2011 - 2012 is shown in the graph below.

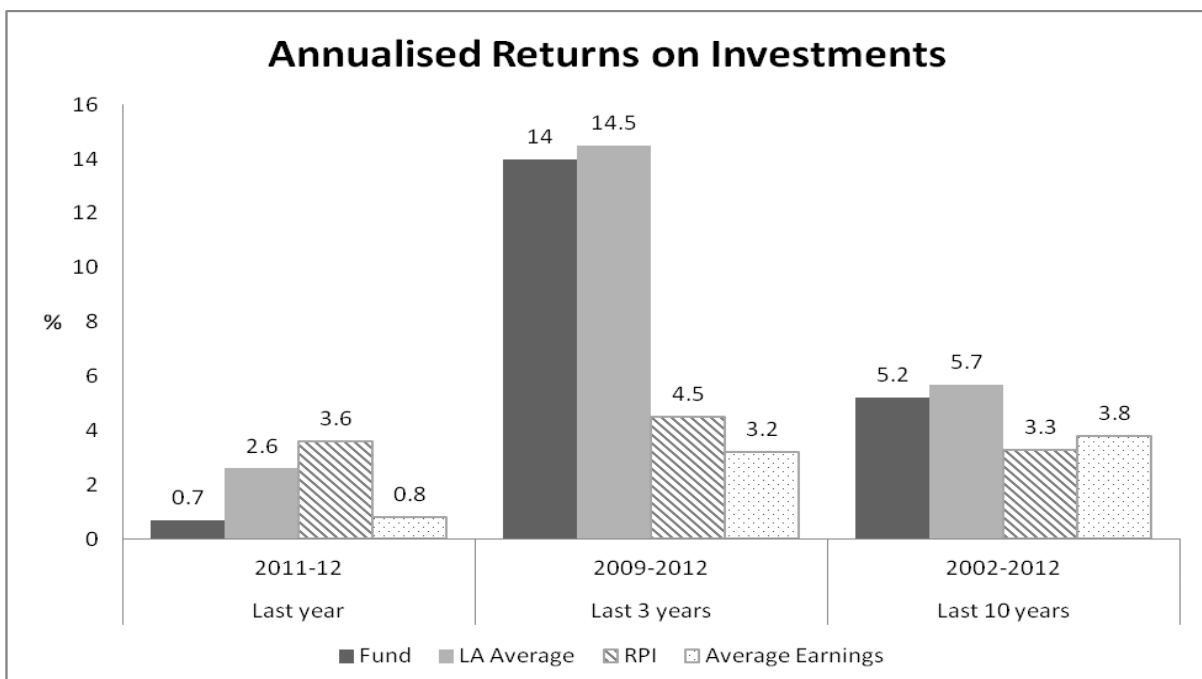


Asset Returns

The chart below provides a comparison between the performances of Kingston's Fund and that of the average of 84 local authority funds with total assets valued at £142.57 billion as at 31 March 2012. The annual returns take into account the change in market value of the Fund's investments together with the income they have earned over the period.



The chart below shows the Fund's performance compared to the local authority average, price inflation (retail price index - RPI) and wage inflation (national average earnings) over various durations.



ADMINISTRATION & BENEFITS

Scheme Administration

The administration of the Pension Scheme is dealt with by a team of seven staff in Pension Services. The performance table below shows the range of work dealt with. The team are also responsible for the administration of the Council's additional voluntary contribution (AVC) arrangement with Aviva.

The Team's web pages can be found on the RBK web site <http://www.kingston.gov.uk/pensions>. They contain a range of useful documents including the Scheme booklet which is broken down into 13 leaflets covering various aspects of the Scheme. Among the information available is the payment of Additional Regular Contributions (ARCs) including a ready reckoner and an application form; information about paying additional voluntary contributions (AVCs) to Aviva; together with recent newsletters for both active members and pensioners. Forms can be downloaded for changing your "Expression of Wish" for the death grant or to nominate a co-habiting partner to receive a pension if you die. There are also links to related web sites.

There was a great deal of activity around Local Government Pensions during 2011/12. Finally in November 2011 the Chief Secretary to the Treasury made a statement setting out an improved offer for public sector workers conditional on agreement being reached between the Government and the Trades Unions by the end of the year. On 15 December a Heads of Agreement was published by the Local Government Association (representing the employers) and the Unions. Discussions started in January 2012 and proposals were published in June for a "New Look LGPS" from 1 April 2014. There will be more information about this as it becomes available.

In a joint initiative with Sutton and Merton Councils, a contract was awarded to Midland Trent for an HR/Payroll system and to Agilisys for the provision of a payroll service for the 3 boroughs. This was due to go "live" from April 2012, but during the implementation process it was decided that the pensioners' payrolls would go live from January 2012. The Pensions Team were involved in the parallel running of the pensioner payroll in November and December. The new payroll system will provide additional analysis which will be included in the Pension Fund accounts from 2012/13.

The Annual Pension Fund Meeting open to all members was held on 19 October 2011 and, as usual, was well attended. We were pleased to welcome Terry Crossley who is Head of Workforce Pensions at Communities and Local Government the Department which sponsors the Local Government Pension Scheme. The slides from the speakers at the meeting can be found on our web pages. The next Annual meeting will be held on Monday 8 October 2012, at 5.15 pm in the Guildhall when the keynote speaker will be Terry Edwards, Senior Pensions Advisor at Local Government Employers.

Sue Grimstead
Team Leader, Pensions.

**Royal Borough of Kingston upon Thames Pension Fund
Annual Report 2011-12**

Management Performance

Performance Indicator	London Standard Target	Number of cases	Percentage within target
Issue Starter's pack	10	502	50
Letter detailing transfer in quote	10	39	41
Letter detailing transfer out quote	15	15	40
Letter providing details of Add Regular Contributions *	10	*	
Transfer in actual	10	81	63
Transfer out payment	12	101	95
Calculate and notify deferred benefits	15	449	42
Letter notifying retirement benefits amount –estimate	10	279	70
Letter notifying retirement benefits – actual	5	279	90
Letter acknowledging death of pensioner	5	81	70

*As this information is now available on our web pages, we do not issue letters.

We continue to review members' records to ensure that they are accurate. However discrepancies often don't become apparent until a member leaves or retires. We are striving to overcome these problems and improve performance.

Fund Membership 5 year analysis

Year	2007/08	2008/09	2009/10	2010/11	2011/12
Active	4,217	4,332	4,383	4,233	4,143
Deferred	3,086	3,284	3,459	3,635	4,054
Pensioners	2,404	2,496	2,623	2,745	2,929
Dependents	456	467	471	475	481
Early Retirement (Efficiency/Redundancy)	23	29	25	29	62
Ill Health Retirement	13	8	2	7	3

Membership by 5 year age bands

16 - 20	21 - 25	26 - 30	31 - 35	36 - 40	41 - 45	46 - 50	51 - 55	56 - 60	61 - 65	66 - 70	71 - 75
14	89	233	351	460	610	783	696	546	300	57	4

Membership Note

Please note that the opening figures for membership shown above differ from those reported in the Pension Fund Accounts and Annual Report for 2010-2011. This is due in part to timing differences from information received after the accounts were submitted and also due to an ongoing data cleansing exercise. These differences have no impact on the calculation of the cost of the Scheme.

**Royal Borough of Kingston upon Thames Pension Fund
Annual Report 2011-12**

Membership Movement Analysis

Employees

Number at 31 March 2011 **4,159**

Add Employees joining during the year 502

4,661

Less Members leaving during year:

Normal retirements (including redundancies etc) 144

Ill-health retirements 2

Deaths in service 2

Refunds of contributions 1

Deferred pensions 369 518

Number at 31 March 2012 **4,143**

Pensioners

Number at 31 March 2011 **3,235**

Add New pensioners during year:

Normal retirements (including redundancies etc) 144

Ill-health retirements 3

Dependants' pensions 28

Deferred pensions becoming payable 100 275

3,322

Less Deaths/dependants ceasing to be eligible 100

Number at 31 March 2012 **3,410**

Deferred Pensioners

Number at 31 March 2011 **3,851**

Add New deferred pensioners during year 362

4213

Less Normal retirements (including redundancies etc) 100

Ill-health retirements 1

Transferred 44

Back to active status 12

Deaths 2 159

Number at 31 March 2012 **4,054**

Total Membership at 31 March 2012 **11,607**

Communications

There is an extensive website for Scheme Administration which contains the following:

- A full scheme booklet broken down into easy to read leaflets.
- Recent newsletters both to active members and pensioner members.
- Information on Additional Regular Contributions together with a ready reckoner and an application form
- Forms for Expression of Wish and nominating a co-habiting partner
- Pensions Charter containing details of timescales for various tasks
- Links to other relevant websites

Technology

Pension Services makes good use of technology within the team. The computerised administration system used is AXIS provided by Heywood Ltd. In addition to record keeping and performing calculations, there is an integrated work flow and document management system. There is an electronic exchange of data from RBK's payroll system and it is hoped to extend this to other employers within the Fund.

Dispute Resolution

From the day a person starts a job with an employer, to the day when benefits or dependant's benefits are paid, the employer and the Pension Scheme administering authority have to make decisions under the Pension Scheme rules that affect the member and his/her dependents.

If the member is not satisfied with any decision affecting him/her, made in relation to the Scheme, he/she has the right to ask for it to be looked at again under the formal complaint procedure. He/she also has a right to use the procedure the employer or administering authority should have made a decision, but has not done so.

The Internal Dispute Resolution Procedure has two stages. In the first stage the matter is considered by a person nominated by the employer. At RBK this is the Team Leader, Pensions, who, after reviewing the matter, will write formally to the member giving the reasons for overturning the original decision or for upholding it. If the member is still dissatisfied, he / she can refer the matter to the Strategic Director of Finance for consideration under Stage 2 of the Procedure.

At any stage in the process, the member can contact The Pensions Advisory Service for assistance in making his/her case. If, after the two stage internal procedure, the member is still dissatisfied, he/she can take his/her case to the Pensions Ombudsman.

**Royal Borough of Kingston upon Thames Pension Fund
Annual Report 2011-12**

Contributions – Scheduled Bodies

RBK						
Employer Contributions				13,669,563 368,214 (cost of early retirements)		
Employee Contributions				3,730,132		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
24,264	149,700	526,508	1,404,143	799,903	602,390	110,434
Kingston University						
Employer Contributions				6,426,410 184,522 (cost of augmentation)		
Employee Contributions				2,015,983		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
910	2183	4905	536,841	751,323	553,791	31,186
Kingston College						
Employer Contributions				973,027		
Employee Contributions				271,253		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
3,157	3,587	25,684	162,864	54,515	40,338	2,967
Tiffin Girls School – Academy from 1 April 2011						
Employer Contributions				110,768		
Employee Contributions				30,421		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
0	630	8,805	12,925	5,365	503	0
Tiffin School – Academy from 1 July 2011						
Employer Contributions				173,002		
Employee Contributions				49,093		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
876	445	8,024	20,508	11,531	3,467	0
Tolworth Girls School – Academy from 1 August 2011						
Employer Contributions				141,242		
Employee Contributions				34,745		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
406	2,249	13,565	14,913	3,612	0	0
Richard Challoner School– Academy from 17 August 2011						
Employer Contributions				113,629		
Employee Contributions				28,297		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
3,528	1,650	3,997	19,123	0	0	0
Hollyfield School – Academy from 1 November 2011						
Employer Contributions				183,217		
Employee Contributions				46,246		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
0	7,108	14,633	18,113	2,349	3,635	0

**Royal Borough of Kingston upon Thames Pension Fund
Annual Report 2011-12**

St Agatha's Primary School – Academy from 1 February 2012						
Employer Contributions				13,307		
Employee Contributions				3,171		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
581	1,068	1,480	41	0	0	0
Coombe Boys School – Academy from 1 February 2012						
Employer Contributions				109,489		
Employee Contributions				29,161		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
0	1,698	9,101	12,433	4,265	0	0
Coombe Girls School – Academy from 1 February 2012						
Employer Contributions				26,344		
Employee Contributions				6,564		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
0	3,224	25,366	19,536	0	0	4,574
Southborough School – Academy from 1 March 2012						
Employer Contributions				121,056		
Employee Contributions				33,034		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
0	4,465	5,866	13,180	4,920	0	0

Admitted Bodies

Kingston Grammar School						
Employer Contributions				69,361		
Employee Contributions				1,199		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
0	0	0	1,308	0	0	0
Hillcroft College						
Employer Contributions				52,495		
Employee Contributions				31,602		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
0	0	4,468	7,065	4,848	9,401	0
Kingston Town Centre Management Ltd						
Employer Contributions				29,533		
Employee Contributions				15,693		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
Awaiting info from employer						
London Grid for Learning						
Employer Contributions				19,104		
Employee Contributions				71,509		
5.5%	5.8%	5.9%	6.5%	6.8%	7.2%	7.5%
Awaiting info from employer						

Employee additional contributions are included with total employee's contributions but not shown in bands.

There are two other admitted bodies detailed in the Statement of Accounts, Coombe Oak and Glencross Cleaning neither of whom have active members. Glencross Cleaning was a Transferee Admission body. The contract has ended and the members transferred back to the RBK school, however both bodies continue to have liabilities in the form of deferred and pensioner members.

Financial Performance

One school failed to pay the November pension contributions on time and have been charged interest. All other payments were received on time.

Pension Fund Panel

The Pension Fund Panel meets at least four times a year. The responsibilities of the Panel include:

- Setting the investment policy for the Scheme;
- Appointing Investment Managers, advisors and custodians;
- Reviewing the performance of the Investment Managers and the Investments held in the Scheme; and
- Corporate governance policy.

In addition, on a three yearly cycle the Panel formally reviews the Fund's Investment Management arrangements. However, if circumstances dictate, the arrangements may be reviewed at any time.

The Council members serving on the Panel during 2011-2012:

Councillor Derek Osbourne (Chair)
Councillor Barry O'Mahony (Vice Chair)
Councillor Rolson Davies
Councillor Frank Thompson
Councillor Julie Pickering (Councillor James White until 31/10/2011)

Observer members:

Dennis Spratling (Kingston College)
Robert Ewing (Kingston University)
Majid Mafi (Staff Representative)
Chris Coke (Association of Retired Council Officers (ARCO))

Co-opted member for independent advice:

Matthew Lambe

Management

Management and administration of the Pension Fund is delegated to the Director of Finance. Pension Services is responsible for the day-to-day administration of the Pension Fund. The Strategy Team within the Council's Finance Department has responsibility for the investment of the Pension Fund. The Head of Finance - Strategy & Accounting is responsible for the production of the annual report.

Director of Finance	Leigh Whitehouse
Head of Finance - Strategy & Accounting	Jeremy Randall
Team Leader - Pensions	Sue Grimstead

Administration Contacts

If you have any questions about Scheme Administration you should contact the Pensions Team. They can also supply you with copies of any of the Scheme's official documents (for example, Pensions Charter, or Scheme booklet)

How To Contact Us

If you want to write to us, this is our address

Pension Services
Royal Borough of Kingston upon Thames
Guildhall
Kingston upon Thames
Surrey KT1 1EU

Fax us on: 020 8547 5611

Email us: pensions@rbk.kingston.gov.uk www.kingston.gov.uk/pensions

We would prefer that you contact us by e-mail but if you do not have access to e-mail you can telephone a member of the Pensions Team:

Sarah Greenwood - Finance Support Officer
Deals with new members, contribution returns from external payrolls
Telephone: 020 8547 5725

Eva Bednarek/Estelle Richards - Finance Support Officer
Teachers' Pensions, deferred benefits
Telephone 020 8547 5724/5609

Monica Harries/Kuljit Kalra - Finance Support Officer
Transfers of pension rights in and out, retirement benefits
Telephone: 020 8547 5721/5

Imran Ahmed/Gary Stephenson - Finance Support Officer
Divorce, redundancy payments, retirement and death benefits.
Telephone: 020 8547 5615/0

Geraldine Wells – Finance Analyst – Pensions / Finance Support Officer
Day to day running of team, redundancy payments, retirement and death benefit.
Telephone: 020 8547 5722

Veronica Gravatt – Finance Analyst - Pensions
Day to day running of team, external bodies.
Telephone: 020 8546 5616

Team Leader Pensions - Sue Grimstead
Overall responsibility for service, policy.
Telephone: 020 8547 5614

Advisers' Contact Details:

Name:

Address:

Website:

Investment Managers

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JP MORGAN

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Glasgow
G2 6DB

Investment Advisor:

Aon Hewitt 10 Devonshire Square
London EC2M 4YP

Scheme Administrators:

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Guildhall
Kingston upon Thames
KT1 1EU

LEGAL SERVICES Royal Borough of Kingston upon Thames
Guildhall
Kingston upon Thames
KT1 1EU

BANKERS National Westminster Bank
5 Market Place
Kingston upon Thames
KT1 1JX

APPENDICES

ANNEX 1: Pension Fund Statement of Accounts 2011-2012 (separate report)

The Annual Pension Fund Accounts and Statement of the Actuary are shown as a separate attachment and will be made accessible on this link:

http://www.kingston.gov.uk/information/your_council/financial_information/

The following documents can be found on our website by clicking the link below:

- Statement of Investment Principles
- Funding Strategy Statement
- Statement of Governance Policy
- Governance Compliance Statement

www.kingston.gov.uk/council_and_democracy/treasuryservices/pensions/fund_investment.htm

ANNEX 2: Statement of Investment Principles Compliance

Principle	Compliance Status	Comment
1: Effective Decision-Making	Compliant	Clearly defined decision-making process. Members have sufficient skills and training
2: Clear Objectives	Compliant	Members have set investment strategy taking account of scheme liabilities and risk appetite and advised new investment managers.
3: Risk and Liabilities	Compliant	As above
4: Performance Assessment	Compliant	External quarterly performance measurement of investment managers and custodian. New investment adviser arrangements approved during year
5: Responsible Ownership	Compliant	Statement on responsible ownership in Statement of Investment Principles.
6: Transparency of Reporting	Compliant	Statement of Investment Principles published (currently being reviewed). Annual meeting held for members

ANNEX 3: Governance Compliance Statement

Principle	Compliance Status	Comment
Governance structure	Compliant	The decision-making structure is clearly defined.
Representation	Partial Compliance	Main employers and scheme members represented on the committee. However no individual representation for admitted bodies.
Selection/ role of lay members	Compliant	Lay members play full role and receive same training as Members. Additional Observer: Pensioner representative appointed to Panel. Investment Advisor appointed as Co opted Panel Member
Voting	Partial Compliance	Voting rights have not been extended to employer and member/pensioner/co opted representatives.
Training/Facility time/ Expenses	Compliant	There is a clear policy on training. The Fund pays all approved training courses for all members. The training plan reflects the needs of the committee agenda.
Meetings	Compliant	Formal meetings are held quarterly and lay members are included in the formal arrangements.
Access	Compliant	All members have equal access to meeting papers and advice.
Scope	Compliant	Pension Investment Panel terms of reference investment related
Publicity	Compliant	All statutory documents are made available to members. Minutes of Pension Fund Panel available on Council website.

GLOSSARY

Active Member – A member of an occupational pension scheme who is building up pension benefits, in either a defined benefit or a defined contribution scheme, from their current job.

Actuarial Valuation – An investigation by the Scheme actuary into the ability of a pension scheme to meet its liabilities.

Actuary – An adviser on financial information and assumptions relating to a pension scheme.

Admitted Body – A body which can be admitted to the LGPS with the agreement of the Administering Authority, It must be non profit-making and will normally be in receipt of a grant from either central or local government.

Assets – Any item of economic value owned by an individual or corporation, especially that which could be converted to cash.

Deferred Member – A member who is no longer active in the Scheme but is not yet in receipt of a pension.

Equity – The capital of a company belonging to the ordinary shareholders who have voting rights allowing them to influence the management of the company.

Fixed Interest Security – A security which yields fixed and regular income (interest).

Liability – A financial obligation, debt, claim, or potential loss.

Scheduled Body – There are a number of employers who are required to provide membership of the Local Government Pension Scheme to all their employees. These employers are listed in a schedule that appears at the back of the Local Government Pension Scheme Regulations. Unlike admitted bodies, scheduled bodies cannot refuse membership of the Scheme to their employees.

Security – Any kind of transferable certificate of ownership.

Statement of Investment Principles (SIP) – Trustees of Pension Funds are required to prepare and keep up to date this written statement to show the governance decisions on the investment of scheme's assets.

Unitised fund – An investment vehicle whereby the contributions of a number of unit-holders are pooled and the total amount is then used to purchase assets such as shares, bonds property and cash.