

Scheme Registration No. 10133971

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)**

**Annual Report
31 December 2013**

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)

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**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
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TRUSTEES AND ADVISERS

PRINCIPAL EMPLOYER

The People's Dispensary for Sick Animals (the Employer)

NAMES OF TRUSTEES DURING THE YEAR

M Dernie (Chairman) (retired 6 August 2013)

R Beck

G Dobbie (member-nominated) (resigned 4 April 2014)

I Fleming (member-nominated) (resigned 13 June 2014)

K Hailes

J Miller

Capital Cranfield Pension Trustees Limited (appointed 6 August 2013 and represented by Simon Baynes, elected as Chair on 6 September 2013)

J Lewis (member-nominated) (appointed 4 April 2014)

R Newcombe (member-nominated) (appointed 13 June 2014)

ADDRESS FOR GENERAL AND BENEFIT ENQUIRIES

Mrs K Hailes

PDSA

Whitechapel Way

Priorslee

Telford

Shropshire

TF2 9PQ

PLAN ACTUARY

Andy McKinnon FIA (Resigned 12 December 2013)

Aon Hewitt Limited

Colmore Gate

2 Colmore Row

Birmingham

B3 2QD

Peter Redhead FIA (Appointed 17 December 2013)

Aon Hewitt Limited

Colmore Gate

2 Colmore Row

Birmingham

B3 2QD

ADMINISTRATION SERVICES

Aon Hewitt Limited

Pensions Administration

Colmore Gate

2 Colmore Row

Birmingham

B3 2QD

SOLICITORS

Burges Salmon

One Glass Wharf

Bristol

BS2 0ZX

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INVESTMENT MANAGERS

BlackRock Investment Management (UK) Limited
12 Throgmorton Avenue
London
EC2N 2DL

Schroders Property Investment Management Limited
31 Gresham Street
London
EC2V 7QA

BANKERS

Lloyds Bank Corporate Markets
Large Corporate
Midlands Regional Office
2nd Floor, 125 Colmore Row
Birmingham
B3 3SF

AUDITOR

Baker Tilly UK Audit LLP
Statutory Auditor
St Philips Point
Temple Row
Birmingham
B2 5AF

CUSTODIANS

JP Morgan, on behalf of BlackRock Investment Management (UK) Limited
1 Royal Mint Court
London
EC3N 4HH

UBS Fund Services (Cayman) Limited
on behalf of BlackRock Investment Management (UK) Limited (BlackRock Alternative Advisors)
UBS House, 227 Elgin Avenue
P O Box 852
Grand Cayman
KY1-1103
Cayman Islands

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Custodian of the assets held in the Schroders Real Estate Continental Europe Fund II is:

Brown Brothers Harriman (Luxembourg) SCA
on behalf of Schroder Property Investment Management Limited
2-8 Avenue Charles de Gaulle
L-1653 Luxembourg
Grand Duchy of Luxembourg

Custodian of the assets held in the Schroder Indirect Real Estate Fund is:

BNP Paribas Securites Services Ltd
Liberte House
19-23 La Motte Street
St Helier
Jersey
JE4 5R

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TRUSTEES' REPORT

The Trustees of The People's Dispensary For Sick Animals Retirement Benefits Plan (1978) (RBP/'Plan') present their report and the audited financial statements for the year ended 31 December 2013, together with reports from the Plan's Actuary and Investment Managers. The financial statements have been prepared and audited in accordance with regulations made under Section 41 (1) and (6) of the Pensions Act 1995.

CONSTITUTION

The Plan was set up under an irrevocable Trust Deed and is governed by Rules, which are available for inspection on request. An outline of the Rules is provided by the explanatory booklet issued to members.

A consolidated Trust Deed and Rules became effective on 19 February 2008. There were some further Deeds of Amendment during 2008 which were consolidated into the Trust Deed and Rules with effect from 22 September 2008. The effect of both consolidated Trust Deed and Rules was to consolidate 'amending' deeds.

The Plan is registered with HM Revenue & Customs. The Trustees know of no reason why the status should be withdrawn or compromised.

The Plan is registered with The Pensions Regulator and members are contracted out of the State Second Pension (S2P), formerly the State Earnings Related Pension Scheme (SERPS).

TRUSTEES

The names of the Trustees during the year are given on page 3. Under the terms of the Trust Deed the right of appointing and removing Trustees rests with the Employer.

At least one-third of the Trustees are nominated by the Plan members in accordance with the requirements of the Pensions Act 2004 and the Plan Rules. As at 31 December 2013 there were two member nominated Trustees.

Mike Dornie retired from his position of Chairman of the Trustees and Simon Baynes, representing Capital Cranfield Pension Trustees Limited, was appointed 6 August 2013 and elected as the new Chair at the Trustees' meeting held on 6 September 2013.

Graham Dobbie retired as a Pensioner Member Nominated Trustee (MNT) on 4 April 2014. He was replaced by John Lewis.

Ian Fleming retired as an Active Member Nominated Trustee (MNT) on 13 June 2014 and was replaced by Robert Newcombe.

There were five meetings of the Trustees during the year, in addition there were three Governance Sub-Committee and four Investment Sub-Committee meetings.

Knowledge and Understanding

The Pensions Act 2004 requires the Trustees to have knowledge and understanding of pensions legislation, investments, the Plan's Trust Deed and rules, the Statement of Investment Principles, the Statement of Funding Principles and other documentation which sets out administration policy in relation to the Plan. The Pensions Regulator has issued a Code of Practice in respect of this.

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TRUSTEES' REPORT

Knowledge and Understanding (continued)

The Trustees regularly assess of their knowledge in the areas required under the Act and of the skills required for effective Trusteeship.

Trustees are encouraged to complete the on-line training programme, "The Trustee Toolkit", managed by The Pensions Regulator. Trustee training is also delivered in a number of other ways. Training activity might include: formal training courses run by various providers, attendance at pension conferences, training by the Plan's adviser(s) at, or ahead of, each Trustees' meeting.

The Trustees actively seek to ensure their management of the Plan complies with "best practice" as expressed in the Code of Practice.

PLAN ACTUARY

Andy McKinnon FIA of Aon Hewitt Limited resigned as Plan Actuary with effect from 12 December 2013. He declared that there were no circumstances connected with his resignation which affected members' interests. Simon Baynes of Capital Cranfield Pension Trustees Limited and John Miller met with the replacement put forward by Aon Hewitt and, after having considered their options, the Trustees subsequently appointed Peter Redhead FIA of Aon Hewitt as Plan Actuary on 17 December 2013.

AUDITORS

Change of pension scheme auditors

Baker Tilly Audit Limited ceased trading on 31 March 2014. In accordance with the provisions of Section 47 of the Pensions Act 1995, Baker Tilly Audit Limited resigned their appointment as Auditor to the scheme on 31 March 2014 and confirmed that there were no circumstances connected with their resignation which, in their opinion, should be brought to the attention of the Trustees, members or beneficiaries of the Scheme.

The Trustees, having been notified of the cessation of trade of Baker Tilly Audit Limited, nominated Baker Tilly UK Audit LLP as Auditor on 1 April 2014. Baker Tilly UK Audit LLP accepted nomination and accepted office on 1 April 2014.

MEMBER COMMUNICATION

Member Report and Summary Funding Statement

In 2013 the Trustees produced a Member Report for the year ended 31 December 2012 in recognition of the importance of good member communication. The report was designed to keep members up to date with events affecting the Plan and its financial development as well as general issues in the wider world of pensions.

The Member Report included the annual Summary Funding Statement which provided members with an update on the Plan's financial position as at 31 December 2012. A copy of the Member Report is included as an appendix to this report.

Pension Tax Changes

The Trustees and the Employer have considered the various options available to enable members to access a 'scheme pays' solution for any personal tax liability as a result of being a Plan member. This solution has been agreed and communicated to those members who were affected.

Deficit Mitigation Activities

In 2012 certain members received communications in relation to exercises that were run as part of the ongoing strategy to manage the long-term financial liabilities of the Plan, these exercises continued to run into 2013.

These exercises were in the form of options offered to members of the Plan, a Pension Increase Exchange (PIE) exercise, where future increases in a members pension could be exchanged for a higher pension but

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TRUSTEES' REPORT

MEMBER COMMUNICATION (CONTINUED)

non-increasing now and a Total Pension Increase Exchange (TPIE) exercise, where members over age 55 are offered an option to 'reshape' their benefits by transferring from the Plan and purchasing an immediate pension via an insurance company.

Pensioner Member Nominated Trustee (MNT) Exercise

In October 2013 pensioner members were notified that the current pensioner MNT, Graham Dobbie, would be stepping down when his term of office comes to an end and was not seeking reselection. The letter provided details of the role and how pensioner members could apply for the position. Early in 2014 the Trustees wrote to active members regarding the appointment of an active MNT.

The Trustees will be writing to members in 2014 to inform them of the outcome of both of the selection processes.

BUSINESS PLAN

The Trustees have a scheme events calendar for the Plan which details the key tasks or events planned to take place each year. This assists the Trustees in the on-going management of the Plan and in monitoring the activities of its advisers.

GOVERNANCE FRAMEWORK

The Trustees have a document setting out the Governance Framework. This confirms the arrangements surrounding the governance of the RBP including: size and composition of the Trustee body, Trustee terms of office, Trustee selection processes, notice periods, removal from office arrangements, sub-committee structures and their terms of reference and job descriptions.

The Trustees have recently been reviewing their governance procedures and as a result have completed a formal review of the governance documentation, this includes a new risk register which is used to record and monitor the risk faced by the Plan.

RISK REGISTER

The Trustees continue to carry out a regular formal risk assessment and management review of internal controls. The Plan's risk management framework continues to be monitored by the Trustees.

ANTI-BRIBERY & CORRUPTION

Following the consideration of the Bribery Act 2010, which came into force on 1 July 2011, and their risk assessment, which indicates that there is a low risk of bribery and corruption associated with the RBP, the Trustees have put in place measures to counter bribery and corruption. A statement on the RBP Trustees' approach to bribery and corruption has been developed and is contained within the Conflicts of Interest Policy. The Trustees reviewed their advisers' and the Employer's approach to bribery and corruption and on-going due diligence routines are now in place.

CONFLICTS OF INTEREST POLICY

The Trustees have a Conflicts of Interest Policy which is reviewed and monitored regularly.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

A review of the Plan's AVC arrangements has been undertaken by the Trustees. The Trustees will be communicating to members who hold AVC arrangements the results and recommendations from this review in 2014.

DATA CLEANSING EXERCISE

From December 2012, the Pensions Regulator introduced new guidance for pension schemes, regarding member data. All common data such as name, address, date of birth, National Insurance number, membership dates etc. must be present and accurate for 95% of the 'legacy' data (i.e. data created before June 2010) and 100% of 'new' data (i.e. data created after June 2010), or it must be shown that 'reasonable endeavours to resolve inaccurate or missing data are being taken'.

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MEMBER COMMUNICATION (CONTINUED)

Following a review of the Plan's data to ensure that the Plan met these new data quality requirements, the Trustees have carried out a range of activities to obtain missing common data, and will continue to monitor the position in the future.

ADMINISTRATION

The Aon Hewitt administration service for the Plan transferred from their Sheffield office to their Birmingham office in December 2013.

MEMBERSHIP

The membership of the Plan on the last day of the year covered by this report was made up as follows:

	2013	2012
Current members	551	618
Early leavers with deferred benefits	1,045	1,082
Pensioners (including beneficiaries receiving pensions)	555	510
Total	<u>2,151</u>	<u>2,210</u>

FINANCIAL REVIEW

The 2013 financial statements, set out later in this Annual Report, provide an overview of the Plan's income and its investments.

Details of the performance of the Plan's investments are set out on page 11.

INCREASES MADE TO PENSIONS

As at July 2013, the pensions in payment were increased in line with the Plan's Rules. There were no discretionary increases during the year.

Where appropriate pensions in excess of the Guaranteed Minimum Pension (GMP), were increased in line with Retail Prices Index (RPI) (March 2013) at 3.3% for benefits earned before 6 April 2006, and at 2.5% for benefits earned on or after 6 April 2006. Post-1988 GMP increases are based on the increase in the Consumer Prices Index (CPI) over the year to September 2012, capped at 3%. As CPI in September 2012 was 2.2%, the increase to post-GMP pension was 2.2%. No increase was applied to pre-1988 GMPs.

FUNDING STATUS OF THE PLAN

Pension scheme valuations for funding purposes must be completed under the Statutory Funding Objective funding regime at least every three years. This regime requires Trustees to set out their approach in a formal document called the Statement of Funding Principles. The content of the Statement of Funding Principles must normally be agreed with the Employer.

A full actuarial funding valuation was carried out as at 31 December 2011 and completed on 28 March 2013. The next formal actuarial valuation will be carried out with an effective date of 31 December 2014. In between full valuations the Trustees commission annual actuarial valuation updates.

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FUNDING STATUS OF THE PLAN (CONTINUED)

Statement of Funding Principles

The current Statement of Funding Principles was agreed as part of the 31 December 2011 funding valuation and was completed on 28 March 2013. The Statement of Funding Principles sets out the assumptions used for calculating the technical provisions and future contribution requirements for the Plan; this document is available to members on request.

Technical provisions

The valuation as at 31 December 2011 assessed that the technical provisions were 76% covered by the market value of the assets at the effective date.

Recovery Plan

A plan to fund the deficit revealed as at 31 December 2011 has been agreed with the Employer and, assuming the assumptions are borne out in practice, the deficit is expected to be removed by October 2023.

Schedule of Contributions

Contributions payable to the Plan during the year ended 31 December 2013 have been received in accordance with the applicable Schedule of Contributions.

The current Schedule of Contributions was agreed as part of the 31 December 2011 funding valuation and was completed and certified by the Plan Actuary on 28 March 2013. In addition to the contributions agreed to remove the deficit, the Employer will contribute 17.3% pa of pensionable salaries to meet the expected cost future benefit accrual.

Members, unless they are participating in the salary sacrifice arrangement, continue to pay 3% pa of pensionable salaries for the 80th accrual rate and 8% for the 60th and 40th accrual rates. The Employer will also pay to the Plan contributions equal to the salary exchanged by members by virtue of their participation in the salary sacrifice arrangement. The total contributions payable to the Plan will, in respect of members who participate in the salary sacrifice arrangement, be the same as would have been payable by the Employer and by members, had the salary sacrifice arrangement not been introduced.

The actuarial certificate certifying the adequacy of the Schedule of Contributions is shown on page 30.

TRANSFER VALUES

Transfer values paid during the year were calculated on a basis decided upon by the Trustees, following advice from the Plan Actuary. This basis is compatible with both the guidelines issued by the Institute of Actuaries and the Faculty of Actuaries and current statutory requirements. No discretionary payments were included in the calculation of transfer values.

An agreement was made by the Trustees, as of November 2007, to cease acceptance of transfers in from other schemes, except in exceptional circumstances.

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TRUSTEES' REPORT

INVESTMENT STRATEGY

The Trustees, with assistance from their investment advisers, regularly review and monitor the investment performance and strategy. The Investment Sub-Committee undertakes most of this work and reports back to the full Trustee board regularly.

INVESTMENT REPORT

As at 31 December 2013, BlackRock were responsible for the investment of 93.9% of the assets, BlackRock Alternative Advisors ("BAA") were responsible for the investment of 4.1% of the assets and Schroder Property Managers ("Schroders") were responsible for the investment of 2.0% of the assets.

The day-to-day investment management decisions are made by the investment managers appointed by the Trustees.

The general investment strategy of the investment managers is to achieve steady growth over the medium to long term, subject to an acceptable level of risk. The managers reduce the level of risk by investing in a range of different securities within each investment market. Further information on investment issues is detailed in the Statement of Investment Principles prepared by the Trustees in accordance with the requirements of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

Asset Class

The deployment of assets over the period is shown in the table below:

Asset Class	31/12/13 (%)	31/12/12 (%)
UK Equities	19.8	16.8
Overseas Equities	17.6	15.1
US Equities	3.8	3.0
Europe ex UK Equities	6.5	5.2
Japanese Equities	3.1	2.6
Pac Basin ex Japan Equities	2.7	2.6
Emerging Market Equities	1.5	1.6
Sterling Currency Hedging	3.1	2.1
UK Index-Linked Gilts	32.0	34.1
UK Fixed Interest Gilts	7.5	8.2
UK Corporate Bonds	8.1	8.3
Fund of Hedge Funds	3.9	6.7
UK Property	0.0	6.7
European Property	1.9	1.9
Cash/Other	6.1	0.1
Total	100.0	100.0

Total Plan Value	£82.61m	£80.79m
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TRUSTEES' REPORT

INVESTMENT REPORT (CONTINUED)

The Plan's allocation to UK property managed by Schroder was redeemed over the year. In addition, the BlackRock hedge fund allocation was partially redeemed and the remaining assets will be disinvested in March 2014. These redemptions were held in cash in the Trustees' bank account and on short-term deposit, pending the asset allocation review exercise.

In accordance with the revised Statement of Recommended Practice covering pension scheme accounting, the value quoted for 2013 represents the fair value (bid value) of the Plan's assets.

Performance

The below table outlines the performance of the Plan's investments for the year, three years and five years ended 31 December 2013. Performance for BlackRock is shown gross of management fees, however BlackRock Alternative Advisors and Schroders performance is illustrated net of management fees.

Fund	1 Year		3 Years		5 Years	
	Fund %	Bmrk %	Fund % pa	Bmrk % pa	Fund % pa	Bmrk % pa
BlackRock UK Equity Index	20.9	20.8	9.5	9.4	14.4	14.3
BlackRock US Equity Index	30.4	30.4	14.1	14.1	14.9	14.8
BlackRock European Equity Index	26.3	26.1	8.1	7.9	9.8	9.6
BlackRock Japanese Equity Index	24.9	24.8	3.9	3.8	4.6	4.6
BlackRock Pacific Rim Equity Index	2.4	2.4	2.2	2.1	15.0	14.6
BlackRock Emerging Markets Accumulation	-3.0	-2.6	-3.4	-3.5	12.3	12.5
BlackRock Sterling Currency Hedging	48.6	48.4	24.2	24.6	19.7	21.3
BlackRock Over 5 Yrs Index Linked Index	0.7	0.6	7.7	7.6	7.6	7.5
BlackRock All Stocks UK Gilt Index	-3.8	-3.9	4.6	4.5	4.0	3.9
BlackRock All Stocks Corporate Bond	0.8	0.9	6.9	6.8	7.9	7.9
BlackRock Alternative Advisors ARS III – Institutional Fund	9.9	0.0	6.6	0.1	10.5	0.1
Schroders Continental European Fund II	-4.2	2.0	1.2	8.0	-2.5	8.0

Custody of Assets

The investment managers have appointed independent custodians to the assets underlying the funds they manage. The custodians for the investment managers are:

BlackRock - JP Morgan Chase Bank;
BAA - UBS Fund Services (Cayman) Ltd;
Schroders - Brown Brothers Harriman (Luxembourg) S.C.A.

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TRUSTEES' REPORT

MARKET COMMENTARY

General Background

In the US, the fiscal cliff deadline was met at the start of 2013 in a last minute agreement. However, US budget negotiations failed to yield a solution before automatic spending cuts were triggered at the beginning of March. Further disagreements in Congress led to a 16-day Government shutdown in October, before a budget agreement was finally reached to fund the government for two years.

The Federal Reserve (Fed) continued its open-ended quantitative easing (QE) programme to support the US economy. However, investors became anxious in May as Fed Chairman Bernanke signalled a reduction in QE sooner than expected. After it was anticipated that tapering would begin in September, the Fed initiated its withdrawal of QE in December. However, this came with strengthened forward guidance on keeping interest rates low for longer.

The Eurozone crisis experienced various flare-ups at the beginning of 2013 with the bailouts of Greece and Cyprus, as well as political tensions in other peripheral countries. However, the region emerged from recession in Q2, led by stronger German growth, although many peripheral countries continued to struggle. Deflationary concerns caused the ECB to lower its policy rate to 0.25%.

For many developed economies, economic data picked up over the year, with a string of strong Purchasing Managers' Index (PMI) releases globally in the second half of the year. Growth in emerging economies slowed however, with the larger economies, such as China, particularly disappointing investors.

Markets brushed aside concerns over a reduction in QE, and despite various economic and political difficulties, global equity returns were strong over the 12 months to 31 December 2013.

UK fixed interest gilts provided negative return over the year as better economic data and speculation over an end to QE put upward pressure on UK bond yields.

UK corporate bonds returned 0.9% over the year as the narrowing of credit spreads offset the rise in gilt yields.

UK property returns were positive, with the IPD Monthly Index rising 10.9% over the period.

UK Equities

The UK equity market (FTSE All Share) moved up by 20.8% over the 12 month period, supported by an easy monetary policy stance, a more stable Eurozone situation and, in the latter half of the year, an improved economy. Equities were largely unaffected by Moody's downgrading of the UK government credit rating from AAA to AA1 in February on the back of the UK's poor growth outlook and high debt burden.

The UK avoided falling back into recession in Q1 2013 with 0.3% real growth and the economy slowly gained momentum in Q2. Economic data in the second half of 2013 was particularly encouraging. Telecommunications (62.1%) produced the strongest returns, whilst Basic Materials (-10.5%) was the worst performing sector. Small cap equities climbed 32.8% over the year, outperforming large (18.7%) and mid cap (32.3%) equities.

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MARKET COMMENTARY (CONTINUED)

Overseas Equities

Over the period, US equities returned 32.8% in local currency terms and 30.4% in sterling terms, which was the highest of all the equity regions. Returns were boosted by its QE programme and a stronger economic recovery than most other developed markets.

Continental European equities gained 23.4% in local currency terms but sterling weakness at the beginning of the year caused a gain of 25.2% in sterling terms. Economic data was initially weak as the region remained in recession whilst austerity measures hit consumer sentiment and business activity. However, positive GDP growth in Q2 ended the region's recession and economic data continued to improve in Q3.

Japan was the strongest performing region (54.8%) in local currency terms as new government and central bank leadership led to an aggressive stimulus package in an attempt to jumpstart growth and end years of deflation. However, consequent yen weakness led to a return of 25.0% in sterling terms.

Emerging Markets lagged and were the worst performers in both local currency (3.8%) and sterling (-4.1%) terms. This poor performance was due to a mix of weaker economies and commodity prices. Investors also grew concerned about the impact of Fed monetary policy on the region.

Health Care (33.2%) and Consumer Services (31.4%) were the best performing sectors in the FTSE All World ex UK index. Basic Materials (-1.0%) was the worst performing sector.

Currencies and Interest Rates

Bank of England (BoE) policy rates remained at 0.5%, unchanged since March 2009. New BoE Governor Mark Carney, who started on 1 July, issued forward guidance that interest rates would stay low until unemployment drops. Improving UK economic data caused sterling to appreciate against most major currencies in the second half of the year. Sterling ended the year up 1.6% on a trade-weighted basis.

The Federal Funds rate remained at 0-0.25%. QE3 continued throughout the year with \$85bn a month of asset purchases. In December it was announced that monthly purchases would be reduced by \$10bn. The US dollar appreciated against the pound during the first half of the year, but fell during the second half to end 1.9% lower.

The ECB cut rates by 25 basis points to 0.5% in May 2013, after which weak inflation data and a reduction in growth forecasts prompted the ECB to further cut their policy rate to 0.25% in November. The euro appreciated 2.6% over the year against sterling, driven by improving prospects over the summer.

The Bank of Japan (BoJ) left rates at 0-0.1% throughout the year. In April the new BoJ Governor announced a massive escalation in monetary easing to boost growth and end deflation. The yen depreciated by 19.3% against sterling over the year as a result.

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MARKET COMMENTARY (CONTINUED)

Gilt Market

UK fixed interest gilts provided a negative return over the year as better economic data and rising US yields put upward pressure on UK bond yields.

Long dated fixed interest gilts fell the most (-5.9%), underperforming short (-0.6%) and medium (-5.0%) term maturities. However, in index-linked gilts, long maturities (2.2%) outperformed short and medium maturities by 1.7% and 5.1% respectively.

Fixed interest gilt returns were weaker than their index-linked gilt counterparts across all maturities as breakeven inflation levels increased. This was particularly as a result of the announcement that there would be no change to the RPI formula in January, after markets had priced in a change.

Fixed interest gilt yields increased across all maturities over the year.

Index-linked gilt yields rose generally over the year, particularly at medium maturities. At the 30-year point, yields were broadly unchanged.

Fixed Interest and index-Linked Yield Curves

Fixed interest gilt yields increased across all maturities over the year.

Index-linked gilt yields rose generally over the year, particularly at medium maturities. At the 30-year point, yields were broadly unchanged.

UK Investment Grade Credit

UK iBoxx non-gilts credit spreads (the difference between the yields on non-government bonds and equivalent maturity government bonds) narrowed 49 bps to 121 bps over the year, which led to outperformance against government bonds.

Credit spreads narrowed the most for BBB-rated issues whilst AAA-rated spreads reduced the least.

The combination of income return and narrowing credit spreads more than offset the increase in gilt yields over the year and non-gilts returned 0.9%.

UK Property

The IPD Monthly Index moved up by 10.9% over the year, giving the highest 12-month return since 2011.

The income return was 6.8%. Capital growth was 3.8%, while rental value growth was 0.6%.

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TRUSTEES' REPORT

EMPLOYER RELATED INVESTMENTS

Details of employer related investments are set out in note 10 to the accounts. These are all held in compliance with the Pensions Act 1995.

FURTHER INFORMATION

Individuals have the right to obtain further information about the Plan including the right to inspect certain documents. In some circumstances copies of those documents can be provided on request but a charge may be made for some of them. Karen Hailes will be pleased to deal with any queries about individual entitlements to benefits or generally, which should be sent to her at the address at the front of this report.

DISPUTE RESOLUTION PROCEDURE

The Trustees have devised and published a dispute resolution procedure to consider complaints from members or their representatives. Details of the procedure are available from Karen Hailes.

Signed on behalf of the Trustees



S Baynes
Chairman of RBP Trustees



K Hailes
Secretary to RBP Trustees

Date: 25-6-2014

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STATEMENT OF TRUSTEES RESPONSIBILITIES

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.

The Trustees are also responsible for making available certain other information about the scheme in the form of an Annual Report.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)**

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES

We have audited the financial statements of The People's Dispensary For Sick Animals Retirement Benefits Plan (1978) for the year ended 31 December 2013 on pages 20 to 27, which comprise the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Plan's Trustees as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan and the Plan's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 17, the Plan's Trustees are responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the year ended 31 December 2013, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date *2/7/14*

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)**

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS

We have examined the summary of contributions payable to the People's Dispensary For Sick Animals Retirement Benefits Plan on pages 28, in respect of the scheme year ended 31 December 2013.

This statement is made solely to the scheme's Trustees as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan's Trustees those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan and the Plan's Trustees as a body, for our audit work, for this statement, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Plan's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustees are also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions and to report our opinion to you.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the schedule of contributions.

Statement about contributions payable under schedule of contributions

In our opinion the contributions for the scheme year ended 31 December 2013 as reported in the attached summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary on 28 March 2013.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date

2/7/14

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)

FUND ACCOUNT
Year ended 31 December 2013

	Note	2013 £	2012 £
Contributions and benefits			
Contributions	2	4,948,627	3,614,975
Transfers in		3,476	43,136
Other income	3	-	45,153
		<u>4,952,103</u>	<u>3,703,263</u>
Benefits	4	2,303,082	2,141,271
Leavers	5	2,142,947	137,883
Other payments	6	67,378	67,224
Administration expenses	7	539,278	770,623
		<u>5,052,685</u>	<u>3,117,001</u>
Net (withdraws)/additions from dealings with members		<u>(100,582)</u>	<u>586,262</u>
Returns on investments			
Investment income	8	365,150	384,570
Change in market value of investments	9	6,721,526	4,942,924
Investment management fees		(84,489)	(73,290)
Net returns on investments		<u>7,002,187</u>	<u>5,254,204</u>
Net increase in the Plan during the year		6,901,605	5,840,466
Net assets of the Plan			
At 1 January		81,832,749	75,992,283
At 31 December		<u>88,734,354</u>	<u>81,832,749</u>

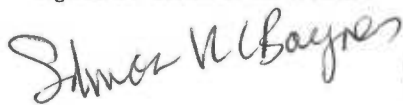
THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)

NET ASSETS STATEMENT
31 December 2013

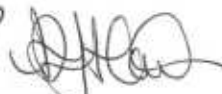
	Note	2013 £	£	2012 £	£
INVESTMENT ASSETS					
Pooled investment vehicles invested in:					
Fixed interest securities	9	39,364,909		40,818,660	
Other	9	38,243,030		39,854,428	
Cash deposits	9	5,005,618		112,762	
AVC investments	9	1,015,717		963,416	
			<u>83,629,274</u>		<u>81,749,266</u>
CURRENT ASSETS					
Employer contributions		344,304		207,238	
Employee contributions		2,012		3,027	
Amounts due from Employer	10	6,364		32,576	
Other debtors		110,927		105,969	
Cash at bank		4,910,356		258,479	
			<u>5,373,963</u>		<u>607,289</u>
CURRENT LIABILITIES					
Unpaid benefits				(139,789)	
Other creditors		(268,883)		(384,017)	
			<u>(268,883)</u>		<u>(523,806)</u>
NET ASSETS OF THE PLAN AT THE YEAR END					
			<u>88,734,354</u>		<u>81,832,749</u>

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and other benefits which fall due after the end of the Plan year. The actuarial position of the Plan, which does take account of such obligations, is dealt with in the Trustees' Report and the Actuarial Certification of the Technical Provisions and these financial statements should be read in conjunction with them.

These financial statements were approved by the Trustees
Signed on behalf of the Trustees



S Baynes
Chairman of RBP Trustees



K Hailes
Secretary to RBP Trustees

Date:

25-6-2014

Date:

25/6/14

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes (Revised May 2007)."

The principal accounting policies which the Trustees have adopted are set out below.

Contributions and benefits

Normal contributions from the Employer and from members have been made at the rates set out in the Schedule of Contributions in force for the Plan year. Normal contributions relating to wages and salaries earned in the Plan year have been recognised in these accounts.

Employer's deficit funding contributions are recognised as they fall due under the Schedule of Contributions. Contributions for the augmentation of benefits are included as they fall due under arrangements with the employer.

Members' additional voluntary contributions (AVCs) are recognised as soon as they are deducted from the payroll. AVCs paid other than by payroll deduction are recognised on receipt.

Receipts from insurance companies for pensions and pensions payable are included on the accruals basis. Other benefits payable are accounted for as they fall due.

Investment income

Dividends and interest on investments for which an established market exists are included in income when earned. All other interest is included on an accruals basis.

Investment income is stated inclusive of any related taxation which is recoverable.

Transfers to and from other schemes

Transfer values are accounted for as they fall due.

Valuation of investment assets

Investments are included at their market value at the year end.

The market value of pooled investment vehicles is stated at the closing bid or single price, determined by the manager of the vehicles concerned.

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2013

2. CONTRIBUTIONS

	2013 £	2012 £
From Employer:		
Normal	2,199,315	1,886,984
Additional Employer contributions	671,876	576,931
Deficit funding	1,959,391	900,000
Other - Life assurance	67,378	67,224
From Members:		
Normal	29,326	161,977
Additional voluntary contributions	21,341	21,859
	<u>4,948,627</u>	<u>3,614,975</u>

Contributions payable to the Plan during the year ended 31 December 2013 have been received in accordance with the Schedule of Contributions for the period 1 January 2012 to 31 October 2013 as certified by the Plan Actuary on 28 March 2013, together with the additional contributions detailed above.

Members, unless they are participating in the salary sacrifice arrangement, pay 3% pa of pensionable salaries for the 80th accrual rate and 8% for the 60th and 40th accrual rates. The Employer has also paid to the Plan contributions equal to the salary exchanged by members by virtue of their participation in the salary sacrifice arrangement. The total contributions payable to the Plan have been, in respect of members who participate in the salary sacrifice arrangement, the same as would have been payable, by the Employer and by members, had the salary sacrifice arrangement not been introduced.

3. OTHER INCOME

	2013 £	2012 £
Claims on term insurance policies	-	45,153
	<u>-</u>	<u>45,153</u>

4. BENEFITS

	2013 £	2012 £
Commutations and lump sum benefits on retirement	779,465	665,783
Lump sums on death	10,638	45,152
Pensions	1,512,979	1,430,336
	<u>2,303,082</u>	<u>2,141,271</u>

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2013

5. LEAVERS	2013	2012
	£	£
Individual transfers to other schemes	2,142,947	137,883
	<u>2,142,947</u>	<u>137,883</u>
6. OTHER PAYMENTS	2013	2012
	£	£
Premiums on term assurance policies	67,378	67,224
	<u>67,378</u>	<u>67,224</u>
Death in service benefits are insured with Aviva.		
7. ADMINISTRATION EXPENSES	2013	2012
	£	£
Audit	7,215	6,105
Administration and actuarial fees	371,764	492,941
Other expenses	160,299	271,577
	<u>539,278</u>	<u>770,623</u>
8. INVESTMENT INCOME	2013	2012
	£	£
Interest received on cash deposits	12,035	850
Income from pooled investment vehicles	10,122	-
Dividend receivable	196,485	217,714
Annuity income receivable	130,848	146,904
AVC interest	15,660	19,102
	<u>365,150</u>	<u>384,570</u>

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2013

9. INVESTMENTS

(a) Market value of investments

	Value at beginning of year £	Purchases £	Sales £	Change in market value £	Value at end of Year £
Pooled investment vehicles invested in:					
Fixed interest securities	40,818,660	-	(1,500,000)	46,249	39,364,909
Equities	27,458,129	-	-	6,037,916	33,496,045
Other – Hedge Fund of Funds	5,433,973	5,652,766	(8,279,281)	401,393	3,208,851
Property	6,962,326	-	(5,577,805)	153,613	1,538,134
AVC investments	963,416	37,002	(67,030)	82,329	1,015,717
	<u>81,636,504</u>	<u>5,689,768</u>	<u>(15,424,116)</u>	<u>6,721,500</u>	<u>78,623,656</u>
Cash deposits					
BlackRock	13	5,605	-	-	5,618
Schroders Offshore Cash Fund	112,749	-	(112,775)	26	-
Employer Deposit	-	-	-	-	5,000,000
	<u>81,749,266</u>			<u>6,721,526</u>	<u>83,629,274</u>

The changes in market value of investments during the year comprise all increases and decreases in the market value of investments held at any time during the year, including profits and losses on sales of investments during the year.

Transaction costs are included in the cost of purchases and sales proceeds, and include costs charged directly to the Plan such as fees, commissions, stamp duty and other fees. Indirect transaction costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect transaction costs is not separately disclosed to the Plan.

(b) Analysis by investment type

	2013 £	2012 £
Pooled investment vehicles invested in fixed interest securities		
UK public sector quoted	32,643,365	34,158,380
UK corporate quoted	6,721,544	6,660,280
	<u>39,364,909</u>	<u>40,818,660</u>

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2013

	2013 £	2012 £
Other pooled investment vehicles		
UK equities	16,450,570	13,605,397
Overseas equities	14,525,731	12,157,232
Cash instruments	2,519,744	1,695,500
BlackRock Hedge Fund of Funds	3,208,851	5,433,973
Schroders Property	1,538,134	6,962,326
	<u>38,243,030</u>	<u>39,854,428</u>
	<u>77,607,939</u>	<u>80,673,088</u>

(c) Cash deposits

	2013 £	2012 £
BlackRock Cash Account	5,618	13
Schroders Offshore Cash Fund	-	112,749
Employer Deposit Account	5,000,000	-
	<u>5,005,618</u>	<u>112,762</u>

Economic exposure in respect of the BlackRock Hedge Fund of Funds has not been provided by the Investment Manager.

Schroders Offshore Cash Fund is a liquidity fund managed outside the UK.

(d) AVC investments

	2013 £	2012 £
Marine and General Mutual	28,454	25,578
Friends Provident (London & Manchester)	-	8,793
Prudential	362,686	362,229
Equitable Life	98,002	89,781
Legal & General	526,575	477,035
	<u>1,015,717</u>	<u>963,416</u>

The additional voluntary contributions are paid directly to the various providers, as above, and are invested separately from the Plan's main investments, for the benefit of the individuals concerned. Members participating in this arrangement receive an annual statement made up to 1 January each year, confirming the amounts held in their account and the movement during the year.

Members of the Plan who are already contributing to AVCs can continue to make additional voluntary contributions which are invested in insurance policies to provide additional benefits within the overall limits allowed by HM Revenue & Customs.

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2013.

AVC contributions received from Plan members are invested with a number of providers recommended by the Trustees at various times in the life of the Plan. The current recommended provider for new contributors is Legal and General Assurance Society Limited, but contributions by current members received prior to 1998 have been variously invested with Prudential, Friends Provident Corporate Pensions, Equitable Life Assurance Society and Marine and General Mutual.

The AVC funds operated for Plan members by the five providers are as follows:

The Equitable Life Assurance Society (two schemes)

- a with profits scheme
- a unit linked scheme

Prudential

- an AVC with profits Plan with funds invested in a wide range of deposit, equity, interest, index linked and property assets

Friends Provident Corporate Pensions

- the Secure Growth Fund, a deposit administration fund

Marine and General Mutual (two schemes)

- a conventional with profits scheme
- unit linked scheme

Legal and General

- unit linked scheme

(e) Insurance policies covering pensions in payment

The Trustees hold insurance policies with insurance companies that secure the pensions payable to specified beneficiaries. These policies remain assets of the Trustees, but as permitted under current regulations and accounting practice, the Trustees have decided that the policies need not be included at value in the net asset statement.

10. BALANCES WITH EMPLOYER

	2013 £	2012 £
Due from employer	<u>6,364</u>	<u>32,576</u>

The balance includes VAT, recoverable through the employer's returns and expenses paid on behalf of the Plan, of £252,679 (2012: £242,841 payable), £7,192 of which is VAT offset by £828 of expenses paid by employer. The amount represents (0.007%) of the year end net assets (2012 – 0.040 %).

11. RELATED-PARTY TRANSACTIONS

Trustees were paid expenses amounting to £1,813 during the year (2012: £2,866).

12. POST NET ASSETS STATEMENT

Following the year end, and after receiving appropriate advice, the Trustees agreed to a change to their investment policy. The Trustees decided to sell a proportion of the RBP's investments in government bonds and use the proceeds, along with some other cash assets, to purchase a bulk annuity policy with Aviva. The policy is in respect of the current pensioner members of the RBP, therefore, Aviva will pay the RBP a stream of payments that match the benefit payments that the Trustees are obliged to make to these members. The initial premium payment was made by the Trustees on 16 April 2014 and the first payment from Aviva is due on 23 May 2014.

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)

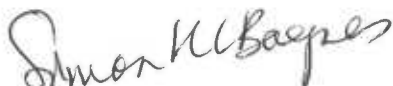
SUMMARY OF CONTRIBUTIONS

During the year ended 31 December 2013, the contributions payable to the Plan were as follows:-

Regular contributions payable under the Schedule of Contributions	£
Contributions from Employer:	
Normal	2,199,315
Additional Employer contributions	671,876
Deficit funding	1,959,391
Other - Life assurance	67,378
 Contributions from members:	
Normal	29,326
 Total payable under the Schedule of Contributions	<hr/> 4,927,286
Other contributions payable	
Contributions from members:	
Additional voluntary contributions	21,341
 Total contributions reported in the financial statements	<hr/> 4,948,627 <hr/>

Contributions payable to the Plan during the year ended 31 December 2013 have been received in accordance with the Schedule of Contributions for the period 1 January 2012 to 31 October 2013 as certified by the Plan Actuary on 28 March 2013, together with the additional contributions detailed above.

Signed on behalf of the Trustees



S Baynes
Chairman of RBP Trustees

Date: 25-6-2014



K Hailes
Secretary to RBP Trustees

Date: 25/6/14

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)

CERTIFICATE OF TECHNICAL PROVISIONS



Appendix G — Actuary's Certification of Technical
Provisions

ACTUARIAL CERTIFICATE GIVEN FOR THE PURPOSES OF REGULATION 7(4)(a) OF THE
OCCUPATIONAL PENSION SCHEMES (SCHEME FUNDING) REGULATIONS 2005

Name of Plan: People's Dispensary for Sick Animals Retirement Benefits Plan (1978)

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Plan's technical provisions as at
31 December 2011 is made in accordance with regulations under section 222 of the Pensions Act
2004. The calculation uses a method and assumptions determined by the Trustees of the Plan and
set out in the Statement of Funding Principles dated 28 March 2013.

Signature		Date	28 March 2013
Name	Andrew McKinnon	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	Colmore Gate 2 Colmore Row Birmingham B3 2QD	Name of Employer	Aon Hewitt Limited

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)

CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

Name of scheme: People's Dispensary for Sick Animals Retirement Benefits Plan (1978)

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2011 to be met by the end of the period specified in the recovery plan dated 28 March 2013.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles effective from 28 March 2013.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective is not a certification of their adequacy for the purpose of securing the plan's liabilities by the purchase of annuities, if the plan were wound up.

Signature: 

Date: 28 March 2013

Name: Andrew McKinnon

Qualification: Fellow of the Institute and Faculty of Actuaries

Address: Colmore Gate
2 Colmore Row
Birmingham
B3 2QD

Name of employer: Aon Hewitt Limited

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)

MEMBER REPORT INCLUDING SUMMARY FUNDING STATEMENT

Is my pension guaranteed?

The PDSA RBP Trustees' aim is for there to be enough money in the PDSA RBP to pay pensions now and in the future, but this depends on PDSA continuing to operate and pay for the PDSA RBP.

If PDSA were to cease operation or to decide to stop paying for the PDSA RBP, it must pay the PDSA RBP enough money to buy all the benefits built up by members from an insurance company. This is known as the PDSA RBP being 'wound-up'.

The comparison of the PDSA RBP's assets to the cost of buying the benefits from an insurance company is known as the 'solvency position'.

Is there enough money in the PDSA RBP to provide my full benefits if it were to be wound-up?

The December 2008 solvency position calculations showed that, in the event of the PDSA RBP winding up, the amount the Plan would have needed in order to buy insurance policies to provide members' benefits in full was £107 million (known as the discontinuance figure); with assets of £50.2 million this corresponded to a shortfall of approximately £57 million. The cost of providing for all the benefits immediately in this way is much higher than the cost of paying for them gradually over future years and, in addition, insurance policy prices will include the insurance company's administration charges and a profit margin. Even if a scheme has sufficient assets to meet its ongoing funding target (see current financial position above), the discontinuance figure is always likely to be well below 100% of that funding target. If the PDSA RBP had been fully funded on the ongoing basis as at 31 December 2008, this would have covered 62% of the solvency liabilities.

The fact that we have shown the solvency position does not mean that PDSA is thinking of winding up the PDSA RBP. We are legally obliged to advise you of this information to help you understand the financial security of your benefits.

In the unlikely event that the Plan were to be wound up, PDSA must, by law, pay enough money into the PDSA RBP to secure all the benefits built up by members with an insurance company. In cases where an employer is unable to do this due to insolvency, the Pension Protection Fund (PPF) can take over liabilities, though this would be less than the full benefits you have earned in the PDSA RBP. However, while the PDSA RBP remains ongoing, even though the funding may be below target, benefits will continue to be paid in full.

Further information and guidance is available on the PPF website at www.pensionprotectionfund.org.uk or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR.

Can I leave the PDSA RBP before I am due to retire?

If you are an active member, you can leave the PDSA RBP before you reach retirement – this happens automatically if you stop working for PDSA. Your pension will then be based on your service and salary when you leave. Your deferred benefits may be left paid up in the PDSA RBP to be paid at retirement or transferred to another pension arrangement.

Similarly, if you have already left and have deferred benefits you can, if you wish, transfer your benefits to another pension arrangement at any time prior to retirement.



Mike Dornie – Chair of the PDSA Retirement Benefits Plan

Expressing your wishes

The PDSA RBP Trustees decide who receives any lump sum death benefit paid from the PDSA RBP.

Generally your wishes will be followed, as long as you have notified the PDSA RBP Trustees of them beforehand.

The benefit is paid in this way because, under normal circumstances, no inheritance tax is payable.

This is why it is so important to nominate the people you would like to receive the benefits, which you can do by filling in an 'Expression of Wish' form.

A copy of this form is available from Karen Hailes at the address overleaf.

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)

MEMBER REPORT INCLUDING SUMMARY FUNDING STATEMENT

PDSA RBP Trustees

Roger Hills	PDSA nominated Trustee *
Karen Hailes	PDSA nominated Trustee #
Mike Dernie	PDSA nominated Trustee #
Robert Beck	PDSA nominated Trustee *
Graham Dobbie	Member nominated Trustee – pensioner members *
Ian Fleming	Member nominated Trustee – active members #

* Member of investment committee of the PDSA RBP

Member of governance committee of the PDSA RBP

Where can I get more information?

The following documents provide further information and are available on request from Karen Hailes, Secretary to PDSA RBP Trustees, at PDSA Head Office:

The Formal Actuarial Valuation Report – contains the details of the Actuary's check of the PDSA RBP's situation as at 31 December 2008.

The Statement of Funding Principles – explains how the Trustees manage the PDSA RBP with the aim of providing the benefits that members have built up.

The Schedule of Contributions – shows how much money is being paid into the PDSA RBP by PDSA and the members, and includes a certificate from the Actuary showing that it is sufficient to meet the requirements set out by law.

The Statement of Investment Principles – explains how the Trustees invest the money paid into the PDSA RBP.

The 2008 Annual Report and Accounts of the PDSA RBP – shows the PDSA RBP's income and expenditure in the year to 31 December 2008.

The Member Booklet for the PDSA RBP – the handbook for the PDSA RBP. You should have received a copy when you joined the PDSA RBP, but we can provide you with another copy.

The PDSA RBP Trustees will send you a Summary Funding Statement each year.

If you change your address, please notify:

Karen Hailes
Secretary to PDSA RBP Trustees
PDSA Head Office
Whitechapel Way
Priorslee
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The People's Dispensary for Sick Animals Retirement Benefits Plan (1978) Summary Funding Statement July 2011

How is the financial security of the PDSA Retirement Benefits Plan (PDSA RBP) measured?

To check the PDSA RBP's financial security we compare the value of its liabilities to its assets. If the PDSA RBP has fewer assets than liabilities, then it is said to have a 'shortfall'. If the assets are more than the liabilities it is said to have a 'surplus'.

We carry out an in-depth look at the PDSA RBP's finances at least every three years. This is called an 'actuarial valuation' and we ask a qualified, independent professional, known as an Actuary, to do this. We also ask the Actuary to check the financial security of the PDSA RBP on an annual basis. When this is done we receive an 'actuarial report' summarising the Actuary's conclusions.

What is the PDSA RBP's current financial position?

The latest valuation of the PDSA RBP was at 31 December 2008 and subsequent actuarial reports have been produced as at 31 December 2009 and 31 December 2010. The results of these are set out below.

Financial position as of end:	2008	2009	2010
PDSA RBP liabilities	£66.7 million	£76.0 million	£82.4 million
PDSA RBP assets	£50.2 million	£60.6 million	£69.0 million
PDSA RBP shortfall	£16.5 million	£15.4 million	£13.4 million

As shown above, as at 31 December 2008 the PDSA RBP had a deficit of £16.5 million, which reduced to £13.4 million by 31 December 2010. The reasons for this improvement are: PDSA has continued to pay deficit reduction contributions in line with the agreed funding plan (please refer to next answer for more information on the funding plan) and the investment return on assets was higher than expected, both of which have resulted in an increase in the assets. There has also been an overall increase in bond yields (although the effect of these has been partially offset by an increase in the expected rate of inflation) which has acted to reduce the liabilities.

Is the shortfall going to be paid off and, if so, how will this be done?

Following completion of the latest actuarial valuation, the Trustees of the PDSA RBP have agreed a funding plan with PDSA.

PDSA has agreed to pay £0.9 million per annum direct to the PDSA RBP until 31 December 2023. PDSA will also pay £0.8 million per annum into a separate account, called an escrow account, until the next formal valuation at 31 December 2011 is concluded. The escrow account is jointly controlled by PDSA and the PDSA RBP Trustees. This escrow account money may be used to reduce the Plan's liabilities and ensure the long-term viability of the PDSA RBP. Any balances not called upon within an agreed timeframe will be paid directly into the PDSA RBP Plan.

Your questions answered ...

How is financial security measured?

What is the current financial position?

How much is paid in each year?

How are assets invested?

Is my pension guaranteed?

What happens if the PDSA RBP is wound up?

Can I leave before I am due to retire?

Where can I get more information?

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)

MEMBER REPORT INCLUDING SUMMARY FUNDING STATEMENT



Key definitions

PDSA RBP – The People's Dispensary for Sick Animals Retirement Benefits Plan (1978)

Active member – someone who is currently earning benefits in the PDSA RBP linked to their salary.

Deferred member – someone who is no longer accruing benefits but has earned benefits in the PDSA RBP that will be payable in retirement.

Pensioner member – someone who has already retired and is receiving a pension from the PDSA RBP.

Liabilities – the estimated cost of providing all the benefits due under the PDSA RBP.

Assets – the total amount of money invested in the PDSA RBP.

Contributions – money collected from active members and from PDSA. These are invested to help provide the benefits due and are held in a communal fund, not in separate funds for each individual.

How much money is paid into the PDSA RBP each year?

As part of the 31 December 2008 valuation, the Actuary calculated the required contribution rate from PDSA to be 12.9% of members' Pensionable Salaries to fund the cost of future pensionable service.

Consequently, with effect from 1 April 2010, PDSA now contributes 12.9% of pensionable salaries, while members continue to contribute 3% or 8% depending on which section of the RBP they are in.

PDSA's contribution rate of 12.9% does not include the monies payable as part of the funding plan outlined on page 1 of this statement.

How do you know what contributions should be paid?

Following each formal actuarial valuation, the Actuary advises the PDSA RBP Trustees of the amount of contributions that should be paid into the PDSA RBP so that we can expect to be able to continue to pay members' pensions. The Trustees then agree a level of contribution with PDSA and this is recorded in a document called the 'Schedule of Contributions'.

The PDSA RBP Trustees review and update the Schedule of Contributions at least each time the PDSA RBP has an actuarial valuation (i.e. at least every three years).

The valuation and Schedule of Contributions follow standards we have set out in a 'Statement of Funding Principles'. This document describes how we will manage the PDSA RBP with the aim of being able to continue to pay members' benefits.

Have there been any recent changes to the PDSA RBP?

The Trustees regularly review their advisors and during 2010 reviewed the services that had until recently been provided by Mercer Ltd. Twelve organisations were invited to tender to supply actuarial, investment consultancy and administration services to the Plan. As a result of this review, Aon Hewitt were formally appointed as the Plan's advisors. The Trustees worked closely with Aon Hewitt to effect a smooth transfer and actuarial and investment consultancy services transferred, from Mercer Ltd to Aon Hewitt, with effect from September 2010. The transfer of administration services was completed at the end of December 2010.

Following the Government's proposal to change the statutory inflation measure for pension increases from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI), the Trustees have sought legal advice and determined that benefits in respect of post-1988 Guaranteed Minimum Pensions (GMP) will increase with reference to CPI subject to a limit of 3% p.a. with effect from 1 July 2011. All other elements of pensions in payment will remain unaltered. With regard to increases in benefits from the date a member leaves the PDSA RBP to their date of retirement, the rate of increase remains unaltered.

How are the PDSA RBP's assets invested?

We invest contributions in a broad range of assets, with the target percentage invested in a particular class of assets as follows:

Asset class	Target allocation (%)
Equities	30
UK ordinary shares	15
Overseas ordinary shares	15
Bonds	45
Government issued bonds	37.5
Corporate bonds	7.5
Hedge Funds	10
Property	15
Total	100

The PDSA RBP Trustees are currently reviewing the investment strategy.

July 2011

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Is my pension guaranteed?

The PDSA RBP Trustees' aim is for there to be enough money in the PDSA RBP to pay pensions now and in the future, but this depends on PDSA continuing to operate and pay for the PDSA RBP.

If PDSA were to cease operation or to decide to stop paying for the PDSA RBP, it must pay the PDSA RBP enough money to buy all the benefits built up by members from an insurance company. This is known as the PDSA RBP being 'wound up'.

The comparison of the PDSA RBP's assets to the cost of buying the benefits from an insurance company is known as the 'solvency position'.

Is there enough money in the PDSA RBP to provide my full benefits if it were to be wound up?

The December 2008 solvency position calculations showed that, in the event of the PDSA RBP winding up, the amount the PDSA RBP would have needed in order to buy insurance policies to provide members' benefits in full was £107 million (known as the discontinuance figure); with assets of £50.2 million this corresponded to a shortfall of approximately £57 million. The cost of providing for all the benefits immediately in this way is much higher than the cost of paying for them gradually over future years and, in addition, insurance policy prices will include the insurance company's administration charges and profit margin. Even if a scheme has sufficient assets to meet its ongoing funding target (see current financial position above), the discontinuance figure is always likely to be well below 100% of that funding target. If the PDSA RBP had been fully funded on the ongoing basis as at 31 December 2008, this would have covered 62% of the solvency liabilities.

The fact that we have shown the solvency position does not mean that PDSA is thinking of winding up the PDSA RBP. We are legally obliged to advise you of this information to help you understand the financial security of your benefits.

In the unlikely event that the PDSA RBP were to be wound up, PDSA must, by law, pay enough into the PDSA RBP to secure all the benefits built up by members with an insurance company. In cases where an employer is unable to do this due to insolvency, the Pension Protection Fund (PPF) can take over liabilities, though this would be less than the full benefits you have earned in the PDSA RBP. However, while the PDSA RBP remains ongoing, even though the funding may be below target, benefits will continue to be paid in full.

Further information and guidance is available on the PPF website at www.pensionprotectionfund.org.uk or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR.

Can I leave the PDSA RBP before I am due to retire?

If you are an active member, you can leave the PDSA RBP before you reach retirement – this happens automatically if you stop working for PDSA. Your pension will then be based on your service and salary when you leave. Your deferred benefits may be left paid up in the PDSA RBP to be paid at retirement or transferred to another pension arrangement.

Similarly, if you have already left and have deferred benefits you can, if you wish, transfer your benefits to another pension arrangement at any time prior to retirement.



Mike Dernie – Chair of the
PDSA Retirement Benefits Plan

Expressing your wishes

The PDSA RBP Trustees decide who receives any lump sum death benefit paid from the PDSA RBP.

Generally your wishes will be followed, as long as you have notified the PDSA RBP Trustees of them beforehand.

The benefit is paid in this way because, under normal circumstances, no inheritance tax is payable.

This is why it is so important to nominate the people you would like to receive the benefits, which you can do by filling in an 'Expression of Wish' form. You should also update your wishes if your circumstances or preferences change.

A copy of this form is available from Karen Hailes at the address overleaf.

Summary Funding Statement

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)

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PDSA RBP Trustees

Robert Beck*	PDSA nominated Trustee
Mike Derrnie*	PDSA nominated Trustee
Graham Dobbie*	Member nominated Trustee – pensioner members
Ian Fleming*	Member nominated Trustee – active members
Karen Hailes*	PDSA nominated Trustee
Roger Hills*	PDSA nominated Trustee (retired 29 March 2011)
John Miller*	PDSA nominated Trustee (with effect from 24 November 2010)

* Member of the Investment Subcommittee of the PDSA RBP

* Member of the Governance Subcommittee of the PDSA RBP

Where can I get more information?

The following documents provide further information and are available on request from Karen Hailes, Secretary to PDSA RBP Trustees, at PDSA Head Office:

The Formal Actuarial Valuation Report – contains the details of the Actuary's check of the PDSA RBP's situation as at 31 December 2008.

The Statement of Funding Principles – explains how the Trustees manage the PDSA RBP with the aim of providing the benefits that members have built up.

The Schedule of Contributions – shows how much money is being paid into the PDSA RBP by PDSA and the members, and includes a certificate from the Actuary showing that it is sufficient to meet the requirements set out by law.

The Statement of Investment Principles – explains how the Trustees invest the money paid into the PDSA RBP.

The 2010 Annual Report and Accounts of the PDSA RBP – shows the PDSA RBP's income and expenditure in the year to 31 December 2010.

The Member Booklet for the PDSA RBP – the handbook for the PDSA RBP. You should have received a copy when you joined the PDSA RBP, but we can provide you with another copy.

The PDSA RBP Trustees will send you a Summary Funding Statement each year.

If you change your address, please notify:

Karen Hailes
Secretary to PDSA RBP Trustees
PDSA Head Office
Whitechapel Way
Priorslee
Telford
Shropshire
TF2 9PQ