



THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

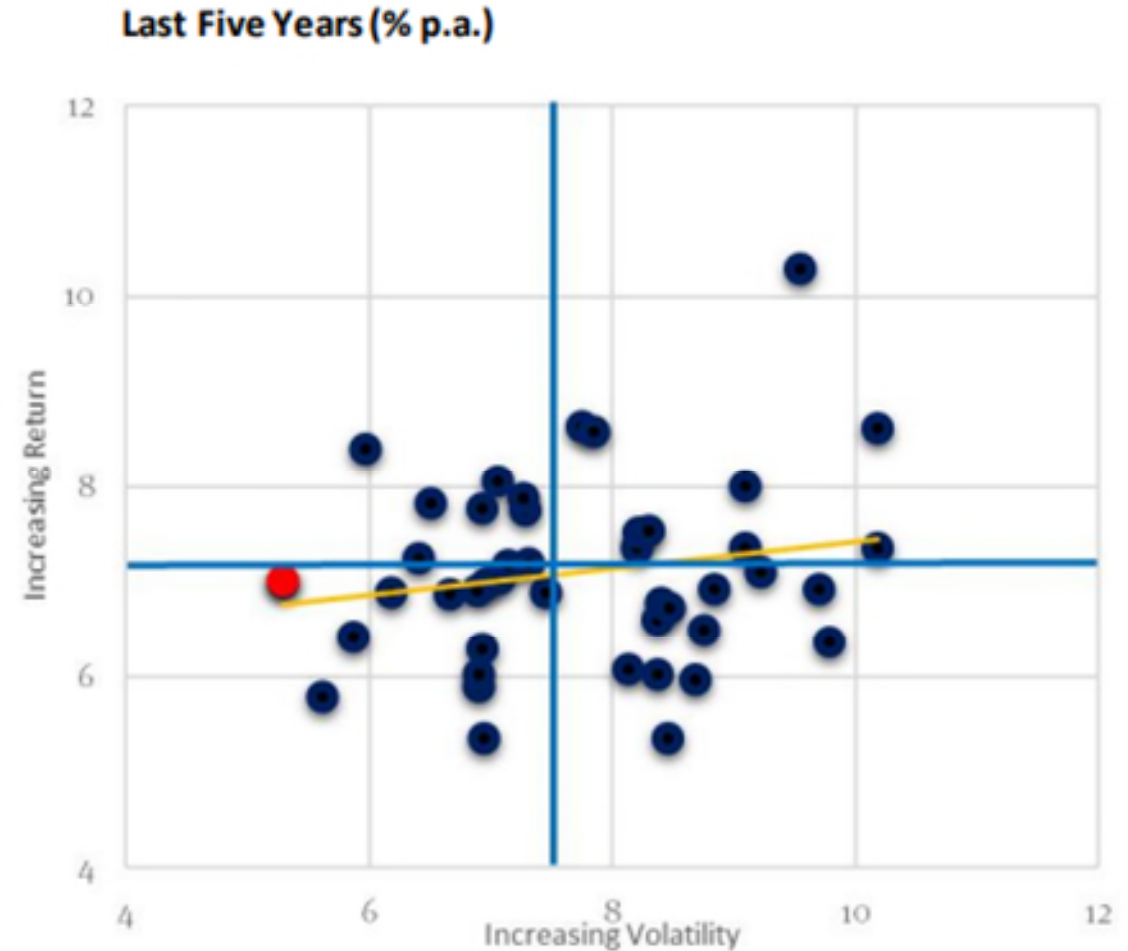
Annual Meeting
16 November 2022

Welcome – Councillor Julian Sharpe

1. Introduction from Head of Pension Fund – **Damien Pantling** CPFA
2. Annual Review and a look ahead – **Philip Boyton** MCIPPdip
3. LGPS regulations update – **Kevin Taylor** MCIPPdip
4. Actuarial update – **Barry McKay** FFA PhD
5. Q and A – **All**

Introduction from Head of Fund - Damien Pantling CPFA

- ▶ Fund value grown from £2.4bn to £2.7bn
- ▶ Investment returns 12.5%
- ▶ Improved annual report & communications
- ▶ Enhanced responsible investment
- ▶ External factors (Gilt crisis, Sterling, Ukraine war)



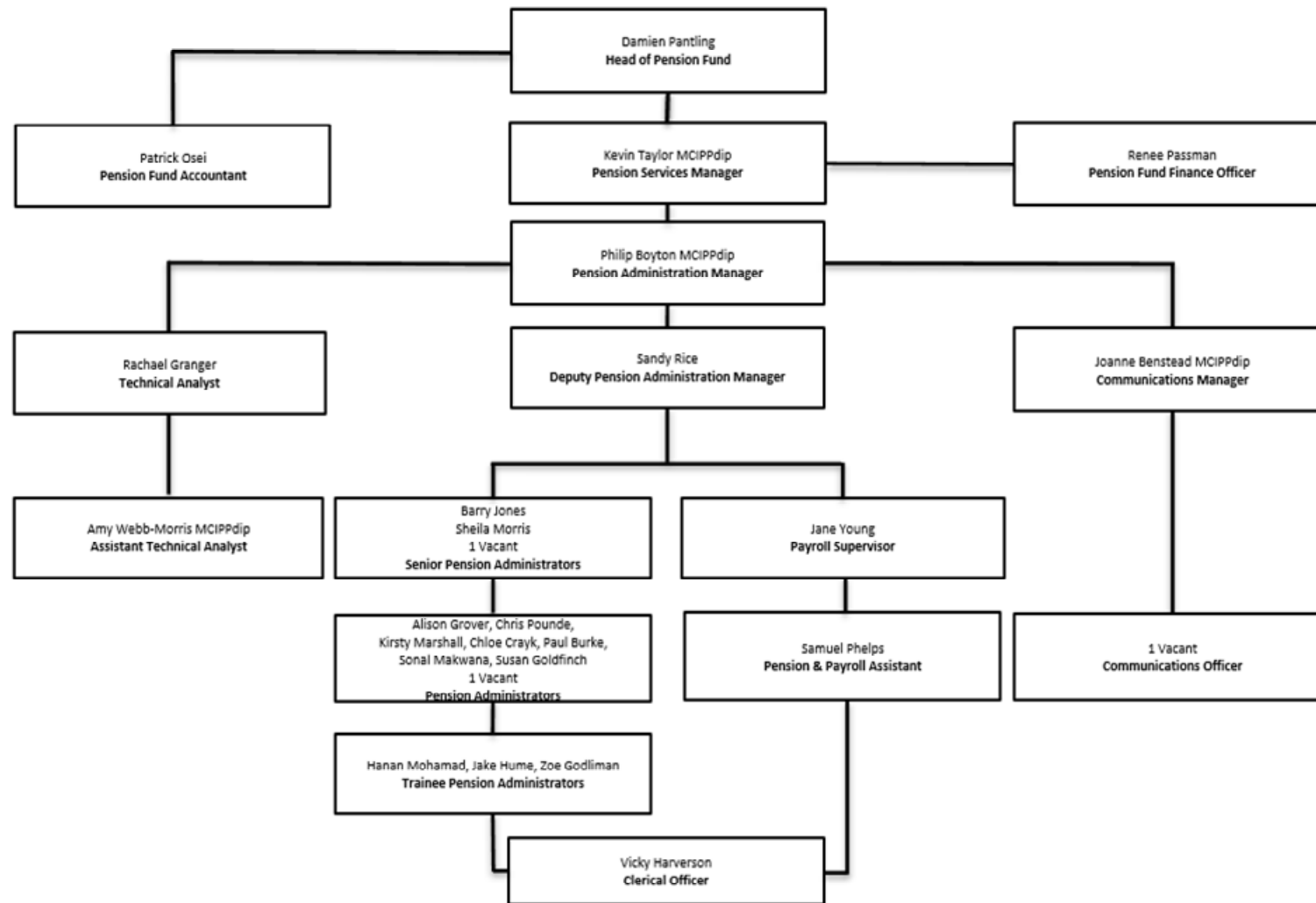
Review of the Scheme Year 2022

Philip Boyton MCIPPdip

Pension Administration Manager

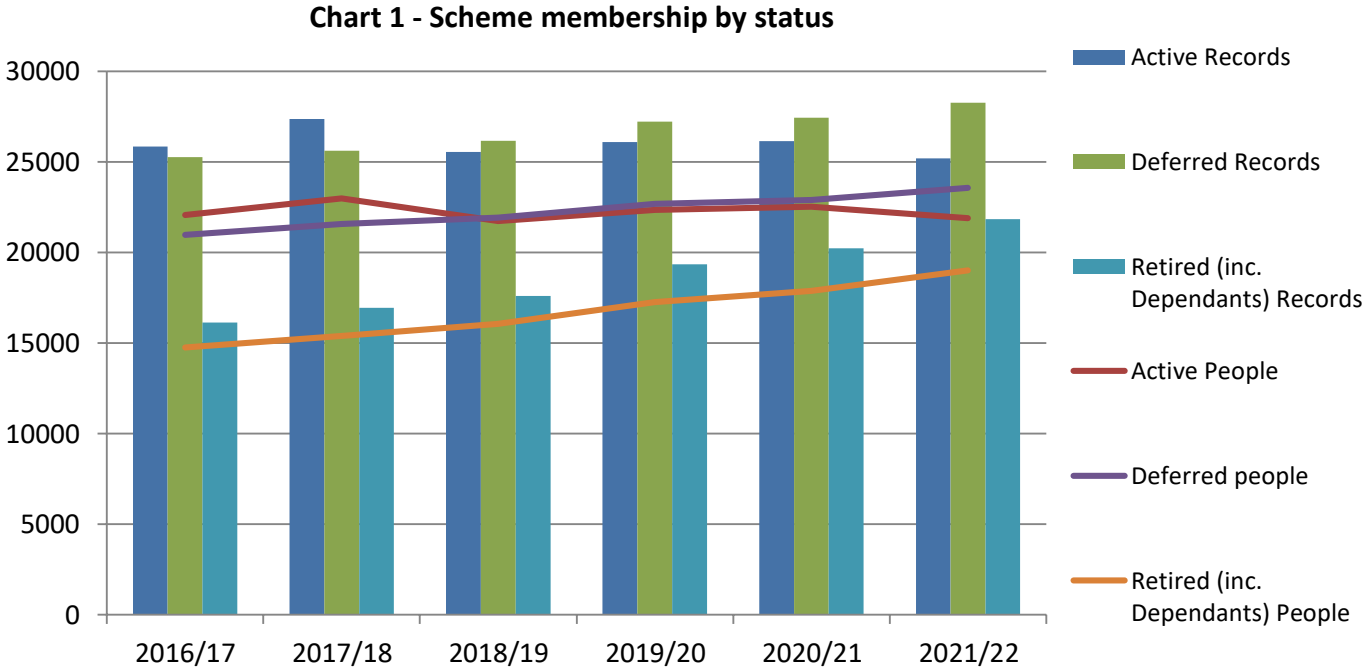
Administration Team Structure





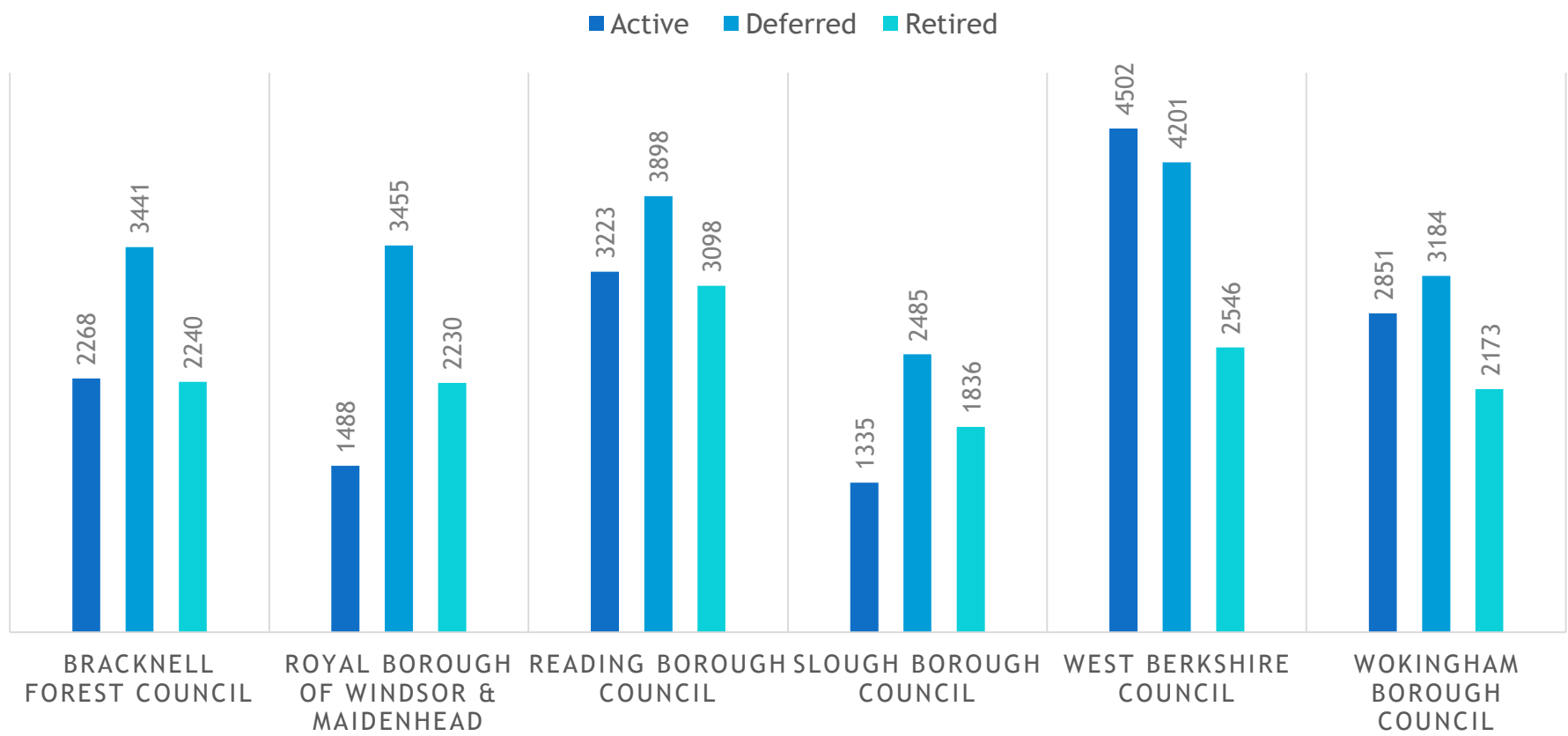
Membership & Workload

Membership History

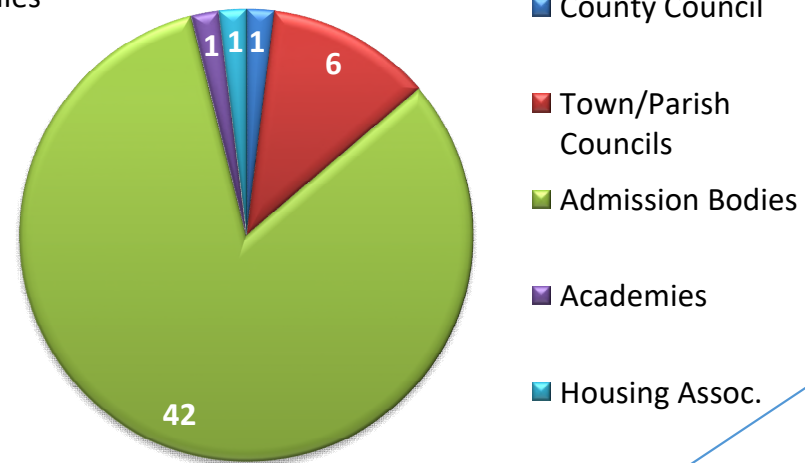
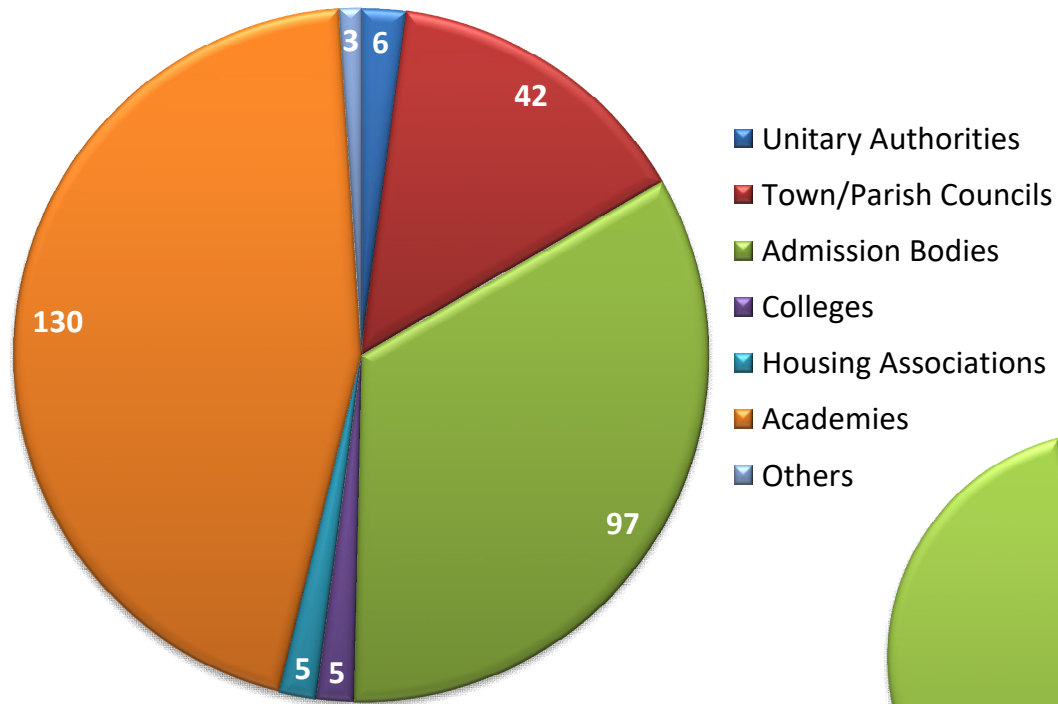


Active Records	25,188	Active People	21,893
Deferred Records	28,276	Deferred People	23,574
Retired Records	21,853	Retired People	19,021
TOTAL	75,317	TOTAL	64,488

Membership by Unitary - Records

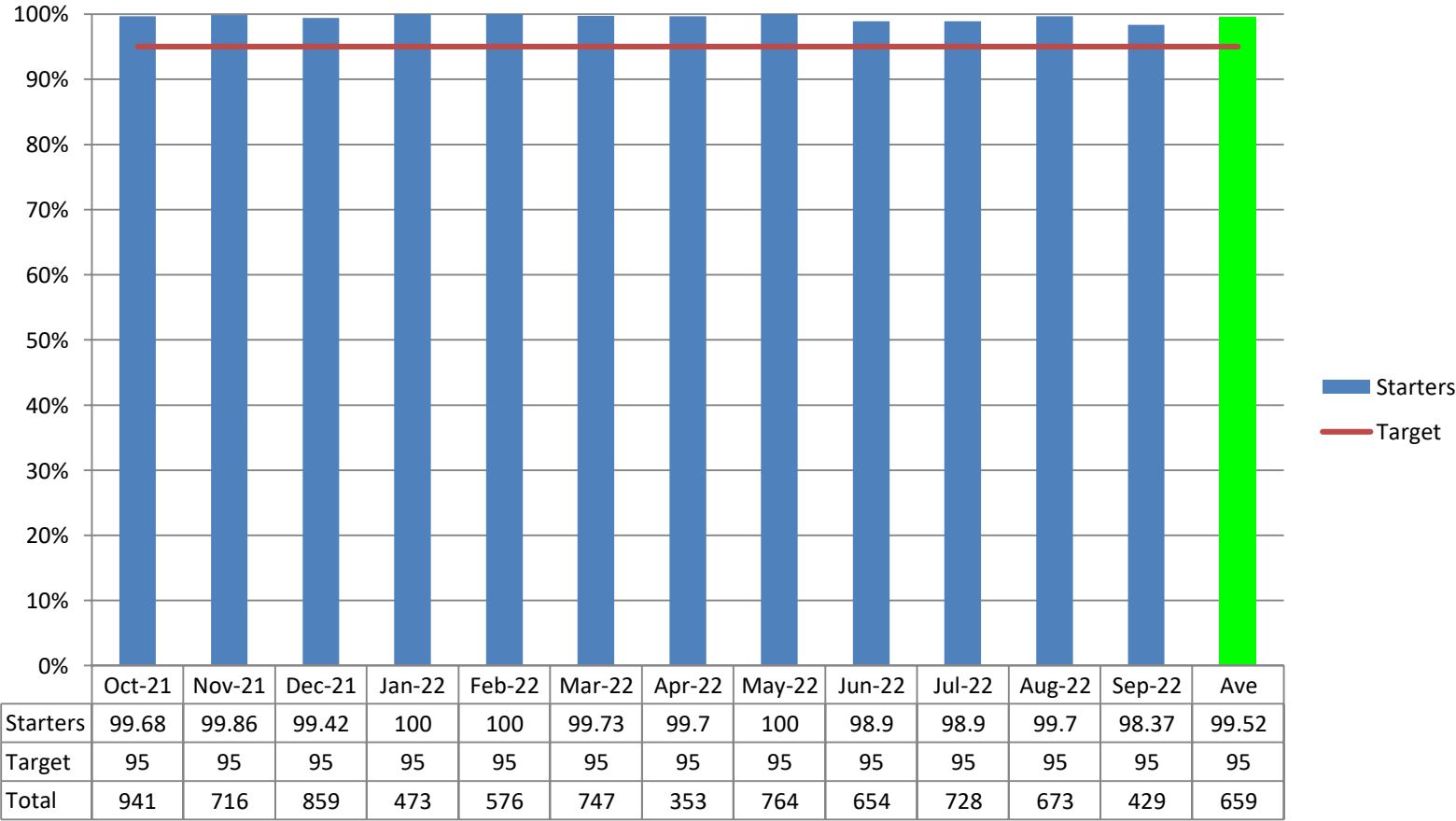


Active Employer Membership



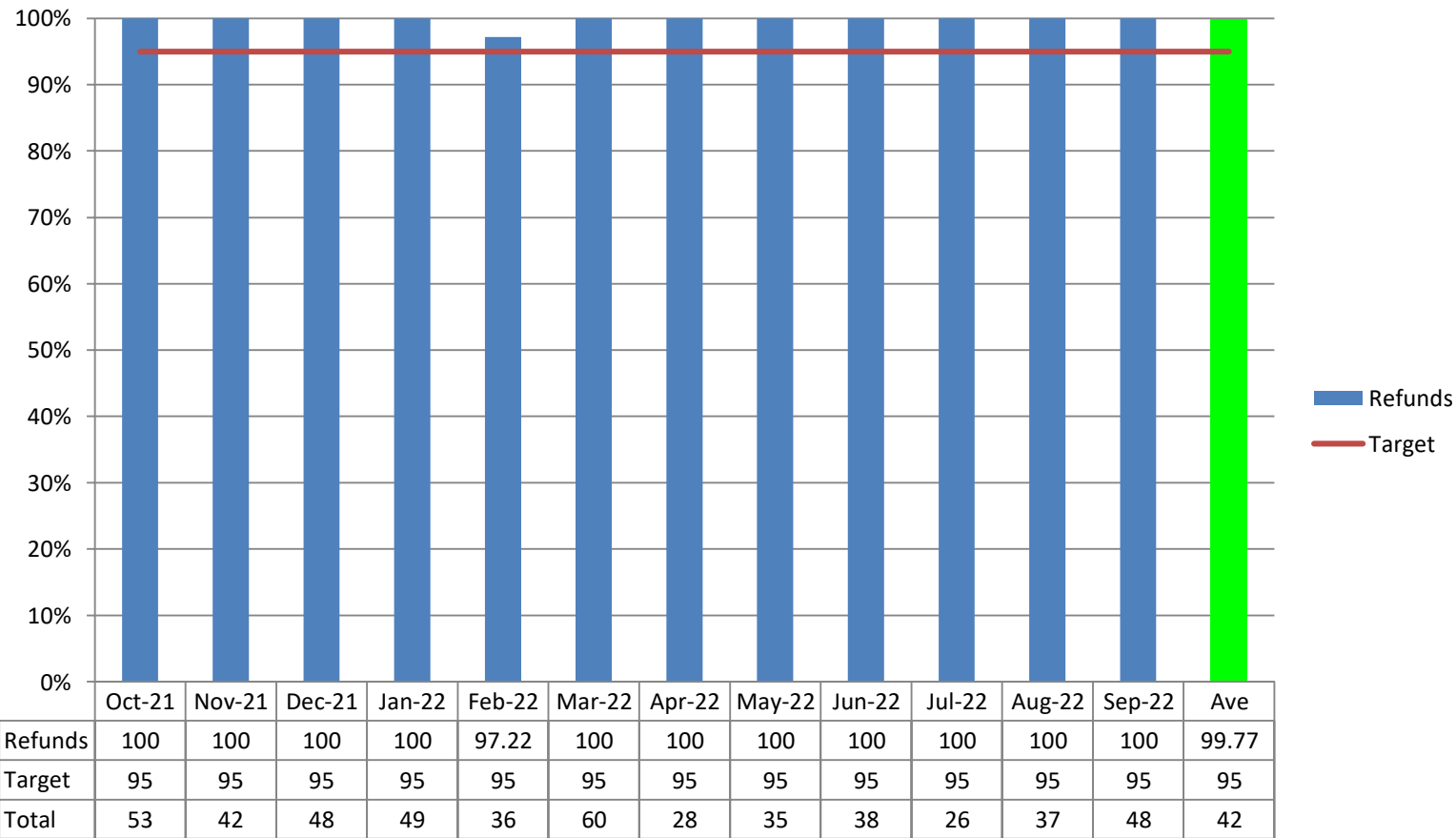
Workloads: Starters – 20 working days

CIPFA – Two months from date of joining the scheme or if earlier within one month of receiving jobholder information.



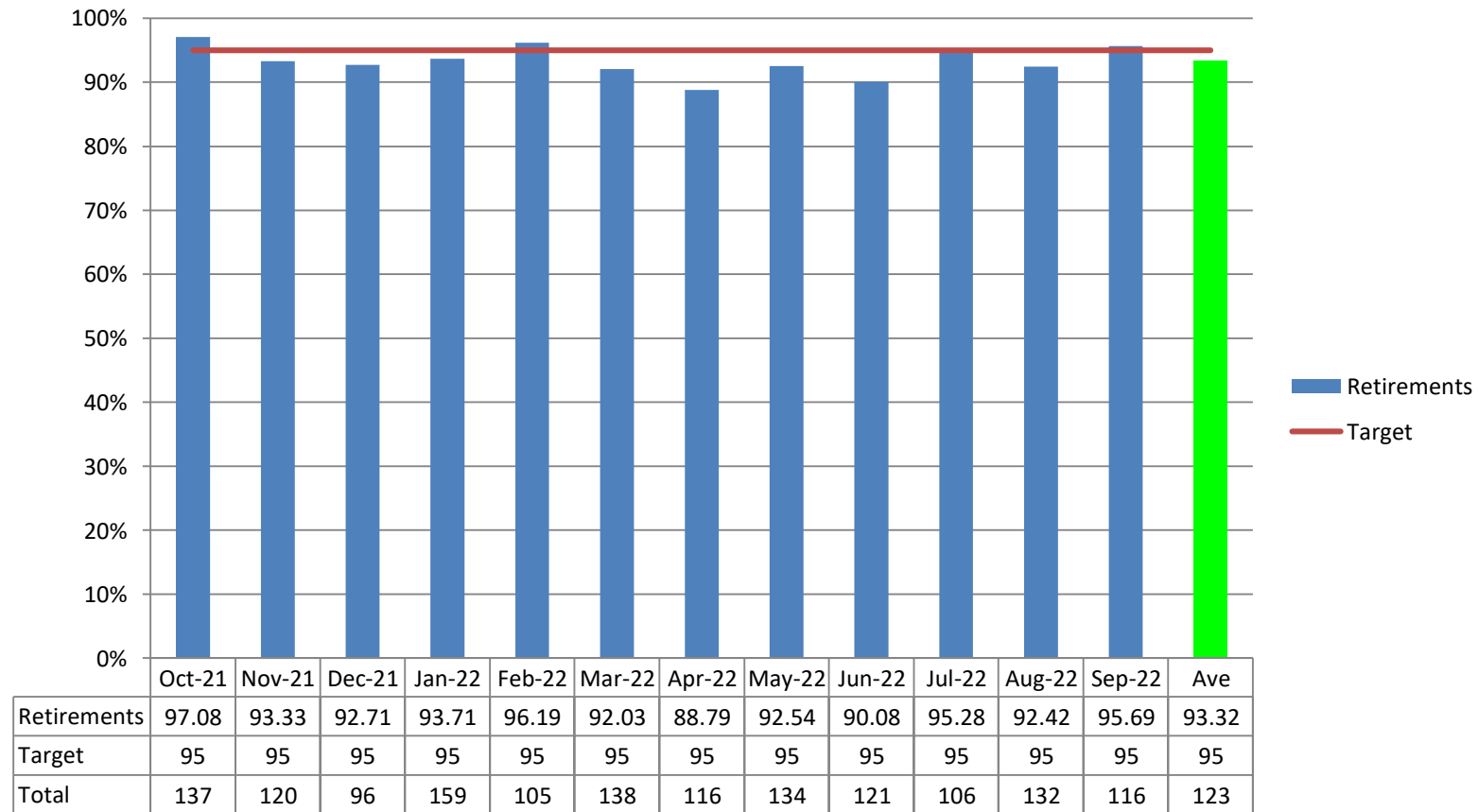
Workloads: Refunds – 10 working days

CIPFA - No more than two months from date of receiving the scheme members signed declaration requesting to receive a refund of employee pension contributions.



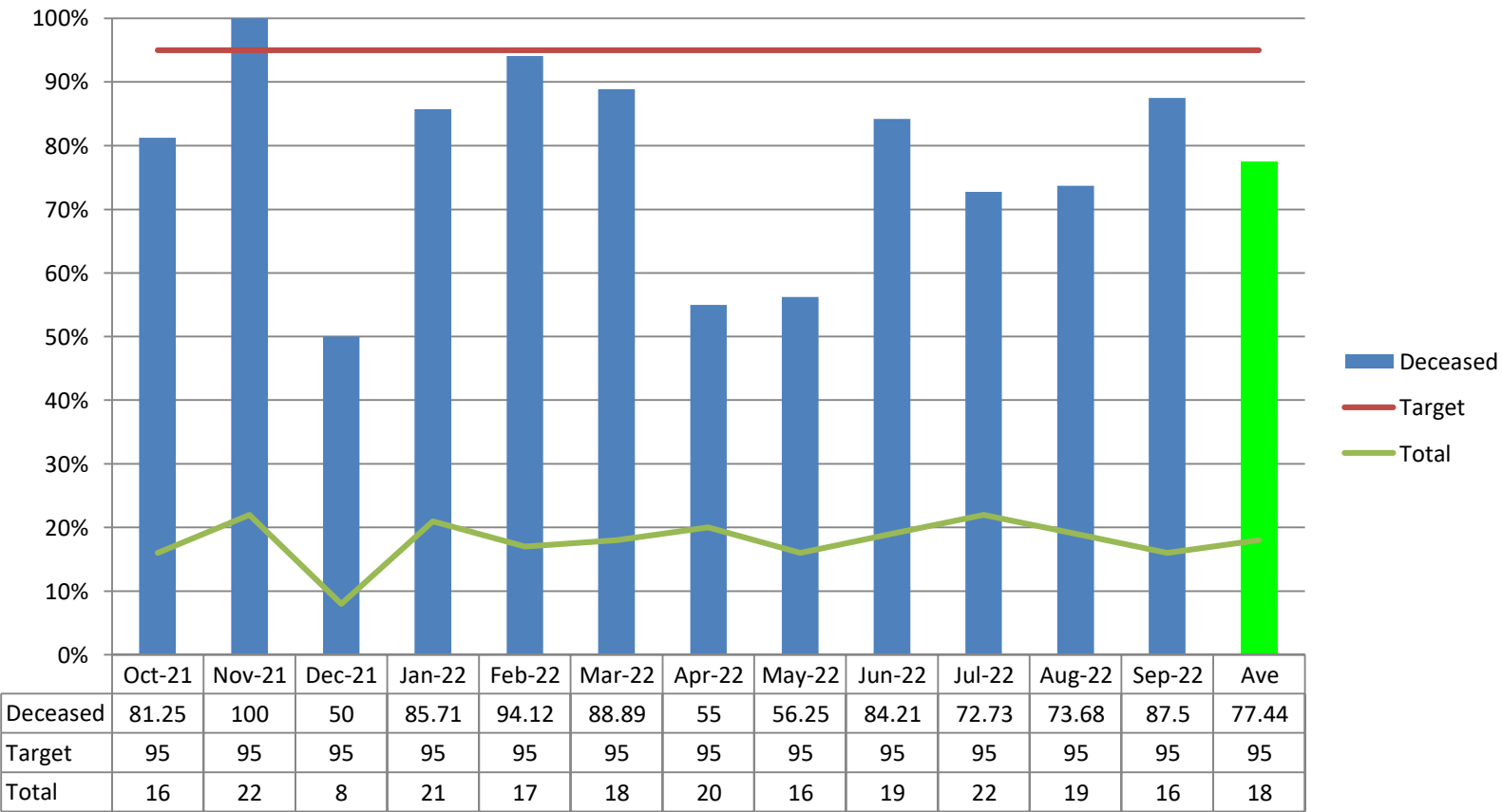
Workloads: Retirements – 5 working days

CIPFA – One month from date of retirement if on or after normal pension age or two months from date of retirement if before normal pension age.



Workloads: Deceased – 5 working days

CIPFA – As soon as practicable and no more than two months from date of notification from scheme employer.



The background features abstract geometric shapes in various shades of blue, including triangles and polygons, some overlapping. A thin blue line also extends from the bottom left towards the right side of the image.

i-connect Software

What is i-connect Software?

- A web-based Secure Data Exchange Software
- Sits between scheme employer Payroll system and Pension Fund's administration system
- Created by *heywood* Pension Technologies, provider of our pension administration system *altair*

The benefits of i-connect Software

No need to
complete pension
forms

No year end return
to complete

Validation of data
earlier in the
process

Reduce manual
errors

Reduced transit
time

Reduced number of
queries from
pensions

Greater security of
data

Better quality data
– real time

Reduced employer
contribution rate

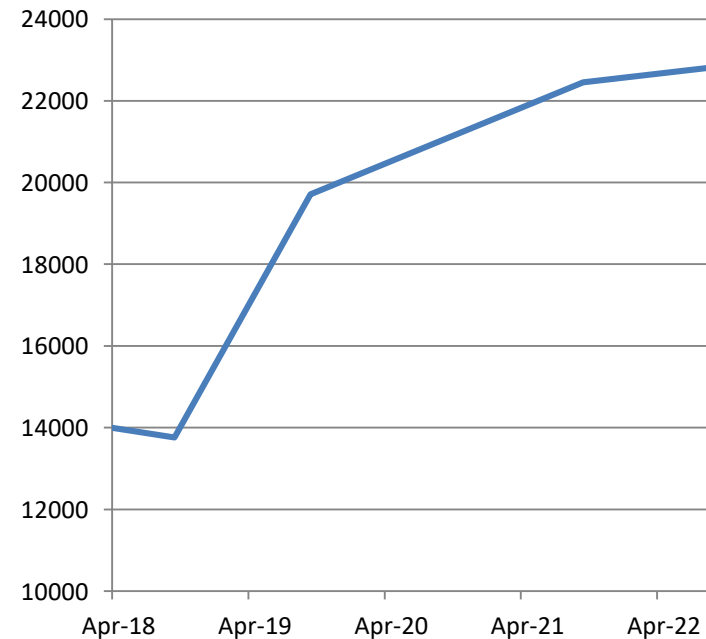
Reduced risk of
fines for non-
compliance of
statutory duties

Fulfil Automatic
Enrolment
requirements

Better member
experience

Member Records

- At 30 September 2022 – **22,836 records**
Represents **90.66%** of all member records
- At 30 September 2021 – **22,453 records**
Represents **89.29%** of all member records
- At 30 September 2019 - **19,716 records**
Represents **79.66%** of all member records
- At 30 September 2018 - **13,758 records**
Represents **52.96%** of all member records



Data Quality Exercise

Year 5

Two types of data

Common Data – The basic data items used to identify scheme members. In all there are 11 basic data items that all pension schemes should hold for all scheme members:

- National Insurance Number
- Surname
- First Name or Initials
- Data of Birth
- Sex
- Address
- Postcode
- Normal Pension Age
- Current Membership Status i.e. Active, Deferred, Pensioner
- Last Status Event (the date membership status last changed i.e. from Active to Deferred)
- Date Pensionable Service started

Two types of data

Scheme Specific Data – Data varies from pension scheme to pension scheme and depends on many factors including scheme type, structure and the administration system used.

- **Year 1 (2018)** – tPR wished to initially focus on **84** data items. However, reduced number of only 60 data items.
- **Year 2 onwards**– tPR wished to focus on only **22** ‘core’ data items.

Examples of LGPS Scheme Specific Data are:

- Employer Name
- Service History
- Pensionable Pay
- Employee and Employer Contribution
- Value of scheme member Annual Pension
- GMP Values – Date of Leaving and Current Value

Analysis 2022 - Common Data



Analysis 2022 - Scheme Specific Data



The background features abstract geometric shapes in various shades of blue, including light blue, medium blue, and dark blue, creating a modern and dynamic visual effect.

Year End 2022

Importance of timely and accurate data



on time pension payments mean an employee's last contact with their employer is a good experience

accurate data for fund valuation results in correct charges being levied on the employers



employees receive correct information on which to make decisions on their pension choices



August 2015

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

annual benefit statements produced on time and accurately

minimise risk of fines or additional charges



reduce effort expended responding to queries about pensions

How did we all do in 2022?

Item	Issued / Date
Deferred Annual Benefit Statements	2020, 2021, 2022 – 100%
Produced ONLINE	2022 – 11/04/2022 2021 – 12/04/2021 2020 – 06/04/2020
Posted	2022 – 16/05/2022 2021 – 31/05/2021 2020 – 29/05/2020
Contributor Annual Benefit Statements	2020, 2021, 2022 – 100%
Produced ONLINE	2022 – 11/04 – 11/08/2022 2021 – 22/04 – 12/08/2021 2020 – 06/04 – 07/08/2020
Posted	2022 – 15/08/2022 2021 – 20/08/2021 2020 – 14/08/2020

Communications

Types of Communications

- Employer Bulletin – *‘inscribe’*
- Member & Employer Self Service
- Newsletters – *‘The Quill’ / ‘The Scribe’*
- Pensions & Procurement
- Pension Surgeries
- Presentations
- Training
- Website

Moving Forward

- McCloud Judgement
- Stronger Nudge to Pension Guidance
- Finance Bill 2021/2022
- Exit Payment Cap
- Cyber Security
- Pensions Dashboards
- Self Service
- Transfers and Pension Scams
- Year End 2023

Scheme and Regulatory Update

Kevin Taylor MCIPPdip
Pension Services Manager



Local Government
Pension Scheme

McCloud



► Background:

- In 2014/2015 the Government reformed public service pension schemes (LGPS 1 April 2014- CARE)
- Protections introduced for 'older' scheme members (those in 2012 within 10 years of retirement).
- The Underpin – Better of Final Salary v CARE
- Court of Appeal ruled that 'younger' members of the Judges (McCloud) and Firefighters (Sargeant) Pension schemes were discriminated against on grounds of age as the protections did not apply to them.
- Following consultation, Government has proposed a remedy to remove 'age discrimination' from the LGPS

Stronger Nudge to Pension Guidance



■The 'Nudge Regulations' came into effect on 1 June 2022 and affect LGPS members when they apply, or make contact about applying, to take or transfer their AVCs. The requirement to refer AVC members to Pension Wise:

- applies to applications received on or after 1 June 2022
- applies to all applications to take payment of AVCs in the LGPS
- replaces the requirement to signpost members to Pension Wise where it applies
- only applies to transfers where the member is 50 or over and transferring their AVCs to access them in another defined contribution scheme (some exemptions apply).

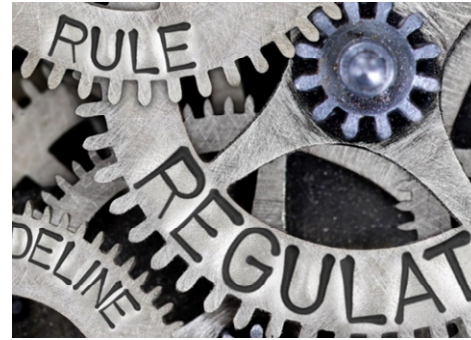
A member can opt out of taking guidance.

Where the member is applying to take payment of their AVC in the LGPS, they will generally need to opt out in a separate communication.

Members do not need to opt out of guidance in a separate communication when they apply to transfer their AVCs.

Administrators must not proceed with an application unless they receive confirmation that the member has received guidance or opted out of receiving guidance (meaning guidance from Pension Wise).

Finance Bill 2021/22



- 6 April 2015 – Pension Freedoms introduced
- Normal Minimum Pension Age (NMPA) = 55 (earliest age from which to draw workplace or personal pension (ill-health grounds or ‘protected pension age.’))
- 6 April 2028 – Bill increases NMPA from 55 to 57.
- Also protect members of pension schemes who before 4 November 2021 had a right to take their benefits at or before age 55.

The Return of the £95K Cap? Out for Consultation

- Not all LG employers seem to be in scope – those classed as Central Government
- Shift of emphasis from previous iterations
- The £95k limit still includes pension strain cost but
 - this time the approval process applies to the decision of the employer for the exit to happen not the payment to the employee
 - Where the £95k limit is exceeded, relevant government departments will need to assess each case to determine whether the exit should be approved
 - Any exit which gets through the approval process will result in the employee receiving the full amount of their benefits (as under current regulations)
 - Employers will need to know the strain cost prior to commencing the approval process

Royal County of Berkshire Pension Fund

Annual meeting
2022 Actuarial Valuation

Barry McKay, Partner

16 November 2022





What is a valuation?



Proposed assumptions

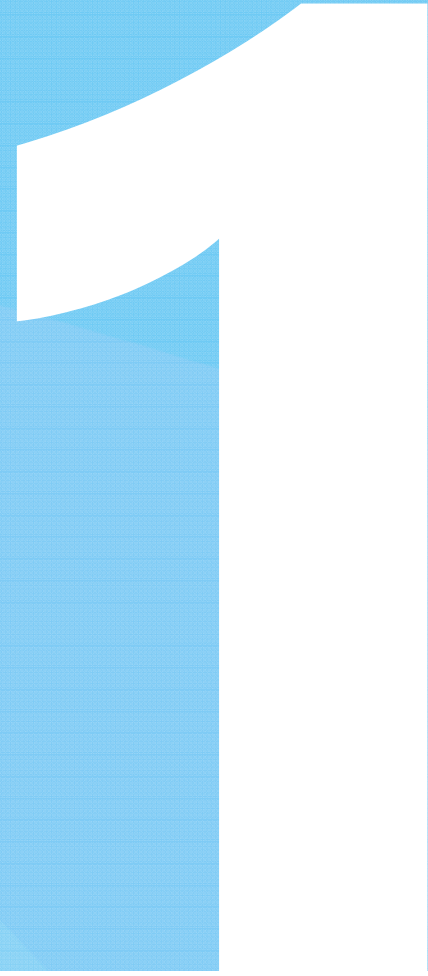


2022 Whole Fund results



Looking ahead...

What is a valuation?



Key outcomes – funding position

**Funding
position**

**Funding level =
Assets / Liabilities**

**Surplus (Deficit) =
Assets - Liabilities**

Key outcomes - Employer contribution rates

Primary rate

- Cost of future benefits
- Employer share only
- Membership profile

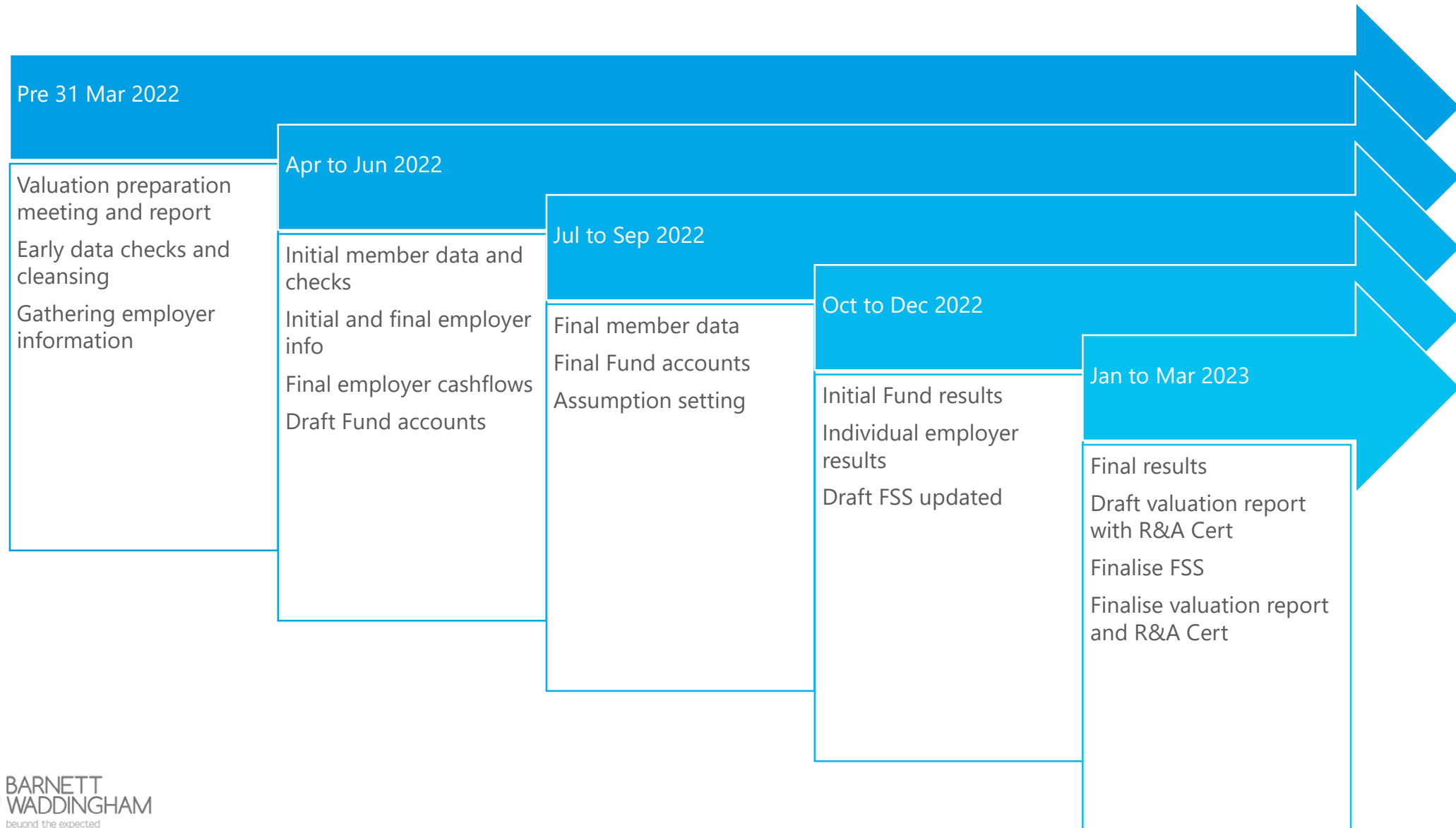
Secondary rate

- Reflects employer's funding position and individual circumstances
- Surplus/deficit

Total contribution rate

- Primary plus secondary
- Stability objective

Valuation project timescales



What is a funding valuation?



Liabilities

- Financial value of pension promises
- Today's value of future pensions from the Fund



Assets

- Long-term investments
- Suitable risk
- Investment return on assets



Employer results

- Employers pooled or standalone
- Tracked separately

Valuing liabilities for each employer



Member data for details of the benefits

Assumptions about future **amount** of benefit

Assumptions about **when** benefits will be paid

Actuary builds **model** and runs (lots of) calculations

Liability for each individual employer, in line with FSS

Valuing assets for each employer



Proposed assumptions



Impact of increase in financial assumptions

Pension increases (CPI)

- Increases liability for **all members**
- All benefit payments are higher

Salary increases

- Increases liability for some **active members**
- Final salary benefit payments higher

Discount rate

- Reduces liability for **all members**
- Investment return does more work

Assumptions

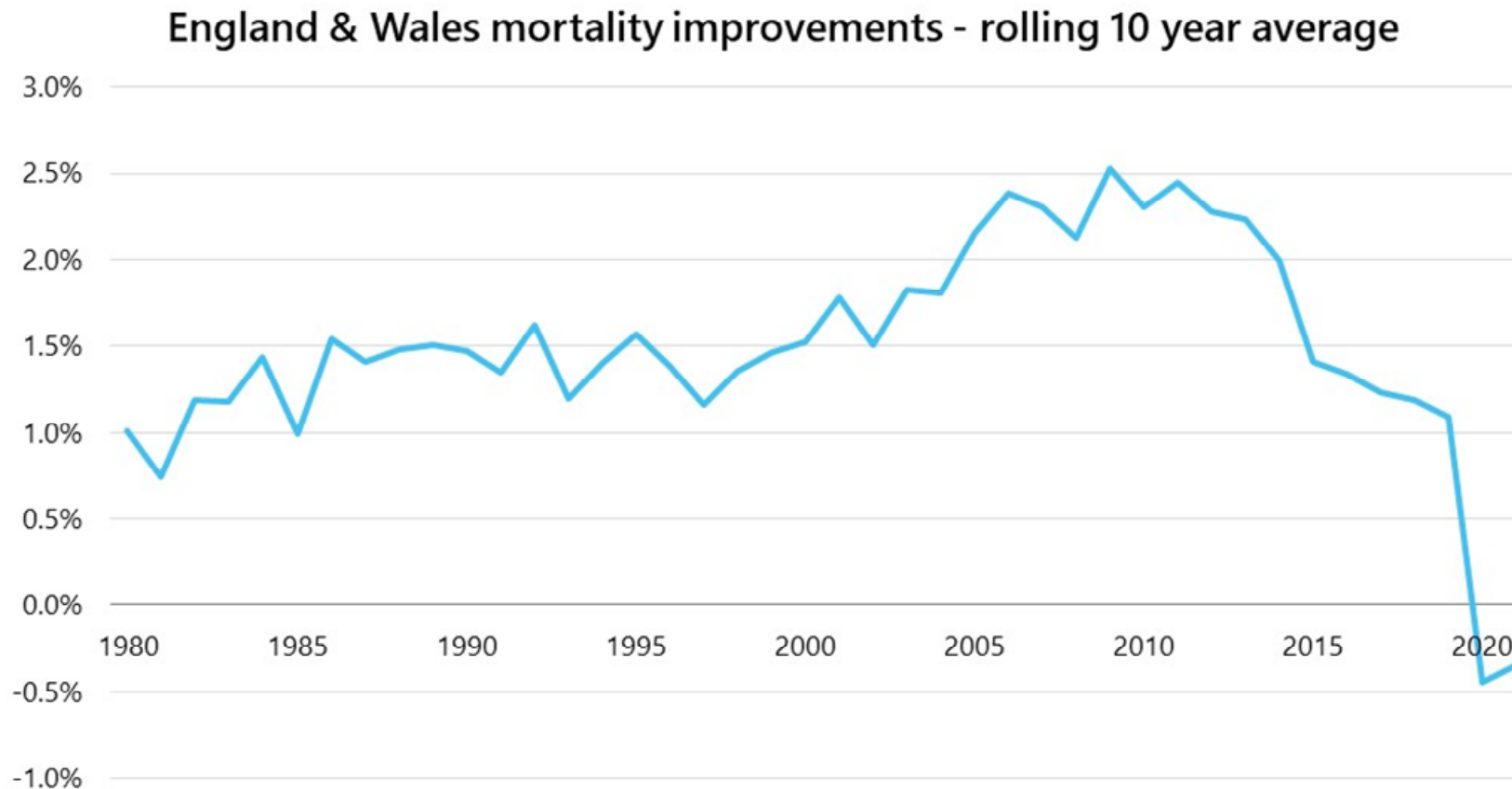
2022 valuation 2019 valuation

Financial assumptions

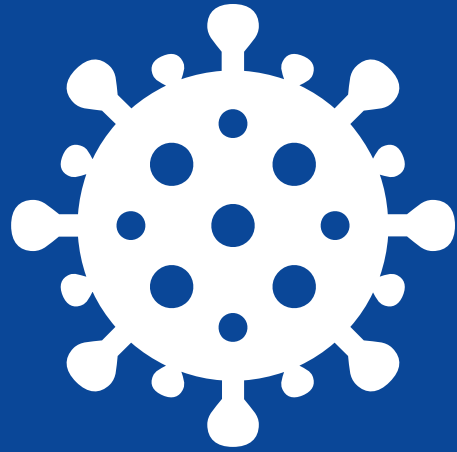
CPI inflation	2.9%	2.6%
Salary increases	3.9%	3.6%
Discount rate	5.1%	5.3%

Future mortality improvements

Refers to the percentage reduction in the probability of death for a particular age group from one year to the next. The chart shows how mortality improvement rates in England & Wales, averaged across ages 20-100, have changed in recent decades.



Covid-19



What is the effect
on future longevity
and mortality
assumptions?

Current situation

- › Higher than expected mortality since 2019
- › Different age groups impacted differently
- › Relatively small impact on liabilities

Future longevity

- › Limited information = uncertainty
 - › Could decrease (e.g. long-covid, NHS pressure)
 - › Could increase (e.g. improved health, medical advancements)



Proposed mortality assumptions – impact

Life expectancies

Life expectancy from age 65 (years)	2019 val	2022 current mortality, 2019 improvements	2022 current mortality, 2022 improvements	Total change frm 2019 to 2022
Male, retiring today, age 65	21.6	21.8	20.9	-0.7 years
Female, retiring today, age 65	24.2	24.5	23.8	-0.4 years
Male, retiring in 20 years, current age 45	23.0	23.2	22.1	-0.9 years
Female, retiring today, current age 45	25.7	26.0	25.2	-0.5 years

The proposed mortality assumptions will improve the funding position by 1.6% and reduce Fund primary contributions by 0.4%.

The majority of this improvement is due to the change in approach to future improvements.

Note, however, that as the Fund has a longevity contract in place for some members the improvements stated above will be largely offset.



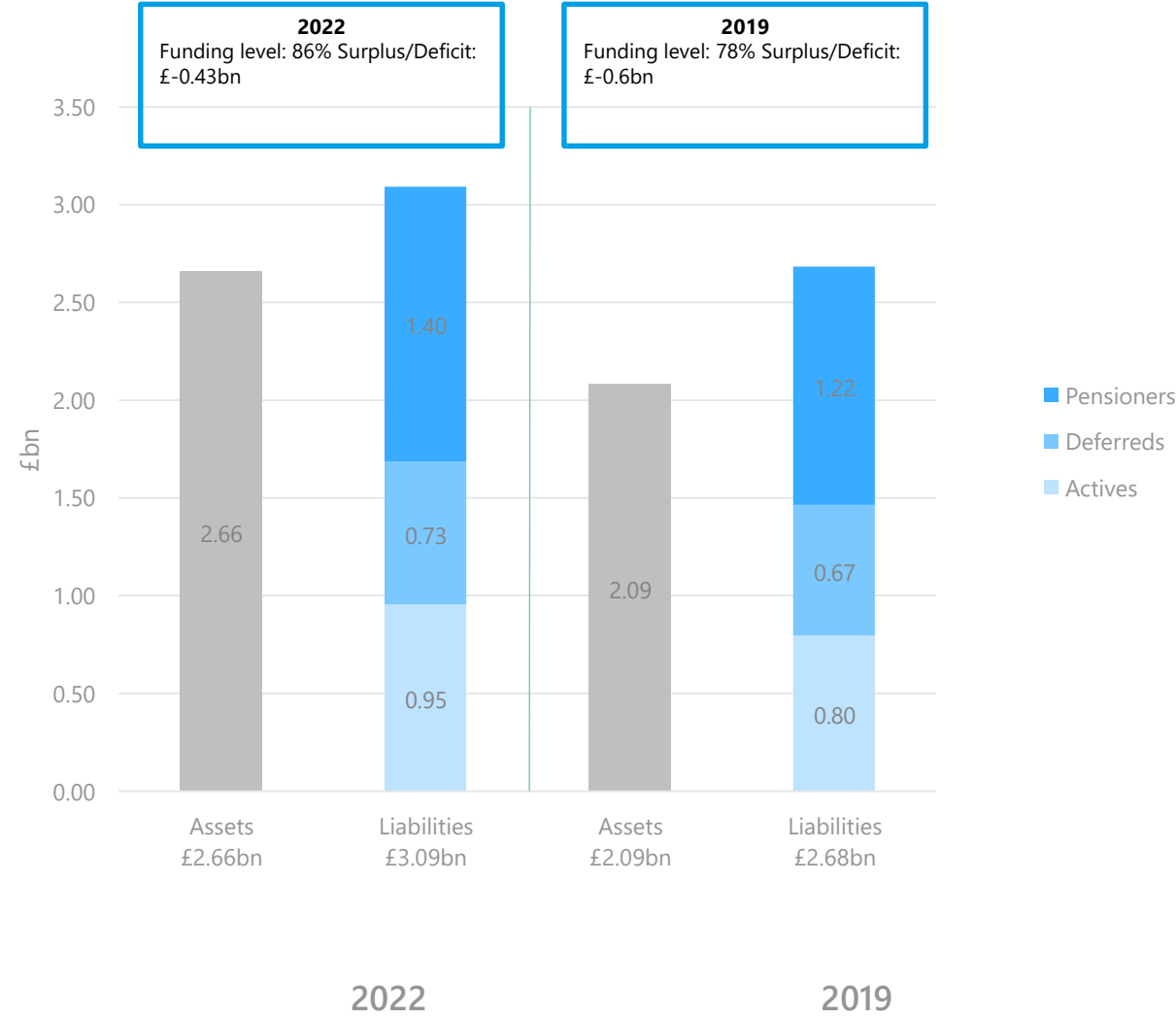
Decrease in
liabilities

Whole Fund results

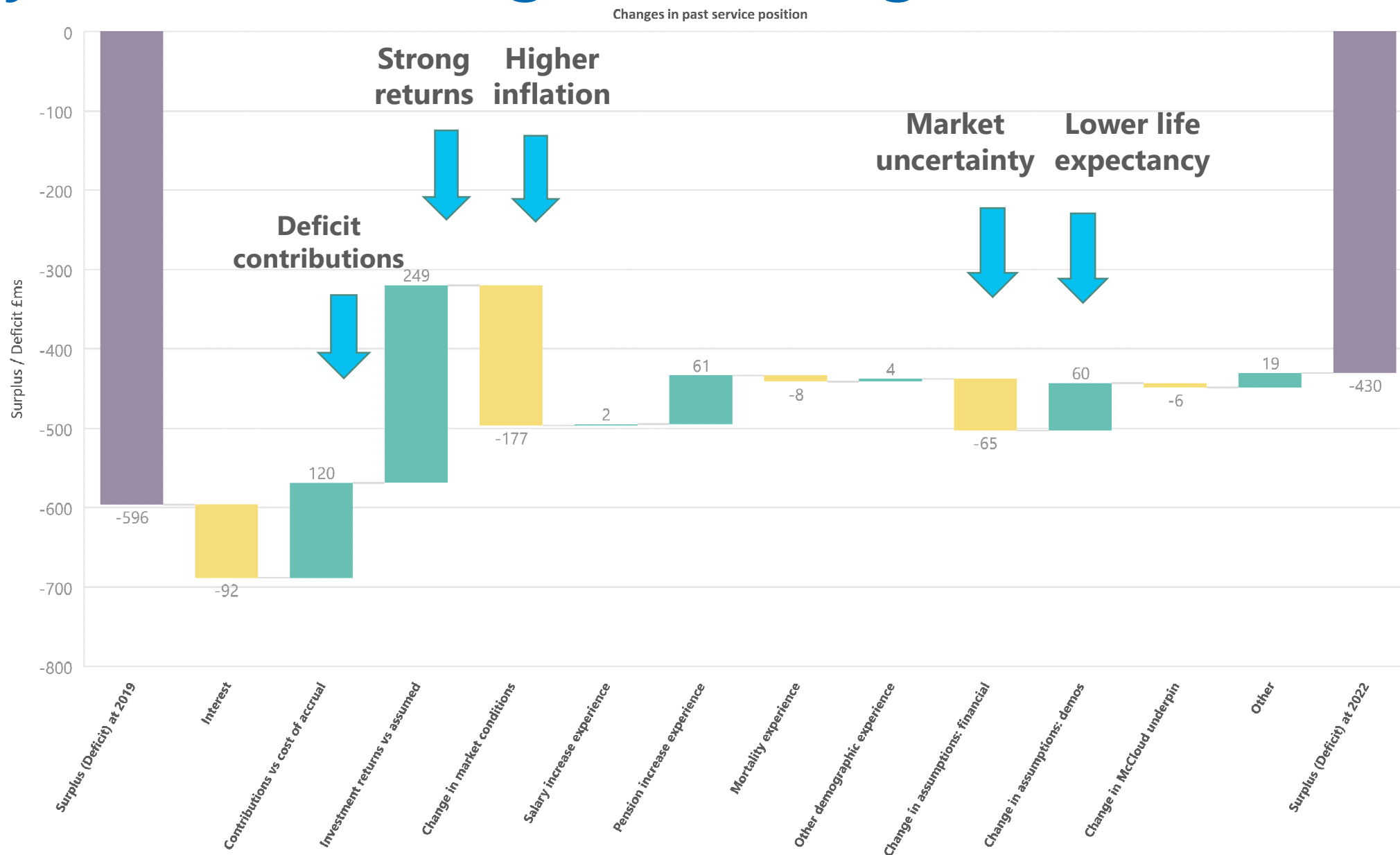
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2022 whole Fund results

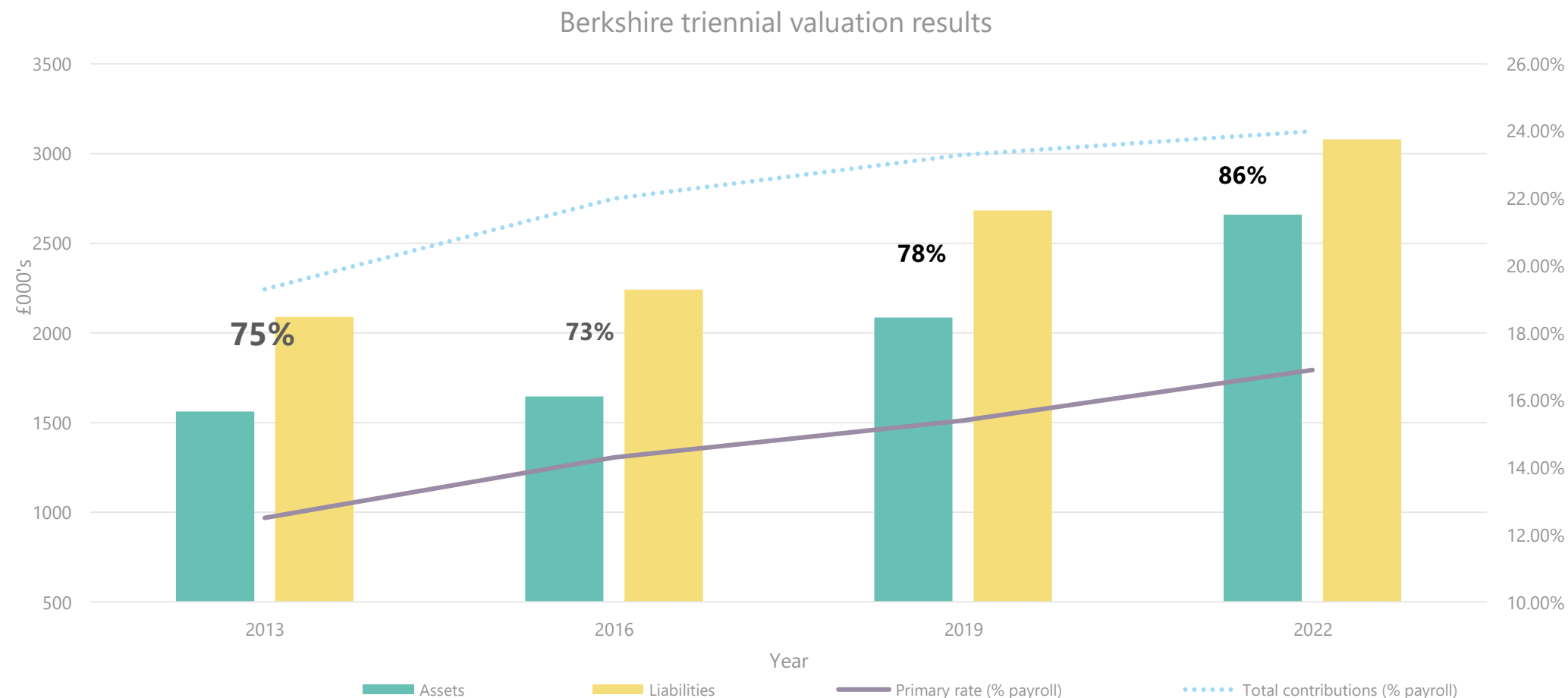
Using the proposed assumptions the results of the valuation are set out in the chart below. We have included the funding position at the previous valuation for comparison.



Why has the funding level changed?



Fund triennial valuation progress



2022 primary rate (whole Fund level)

Increase in primary rate due to increase in inflation

Secondary rate not included

Contribution rates will vary by employer

Primary rate	2022 Proposed basis	Previous valuation
	of payroll p.a.	of payroll p.a.
Average total future service rate	23.4%	21.9%
Less average member rate	6.5%	6.5%
Fund primary rate	16.9%	15.4%



Looking ahead

4

Regulatory uncertainties

- Draft regulations awaited for LGPS
- Benefit changes known and guidance from DLUHC provided
- Estimated calculations based on available data (actives only)
- Member by member calculations


- Estimated impact at whole Fund level:
 - 0.4% increase in liabilities
- Will vary by employer



McCloud

Impact

Regulatory uncertainties – climate risk

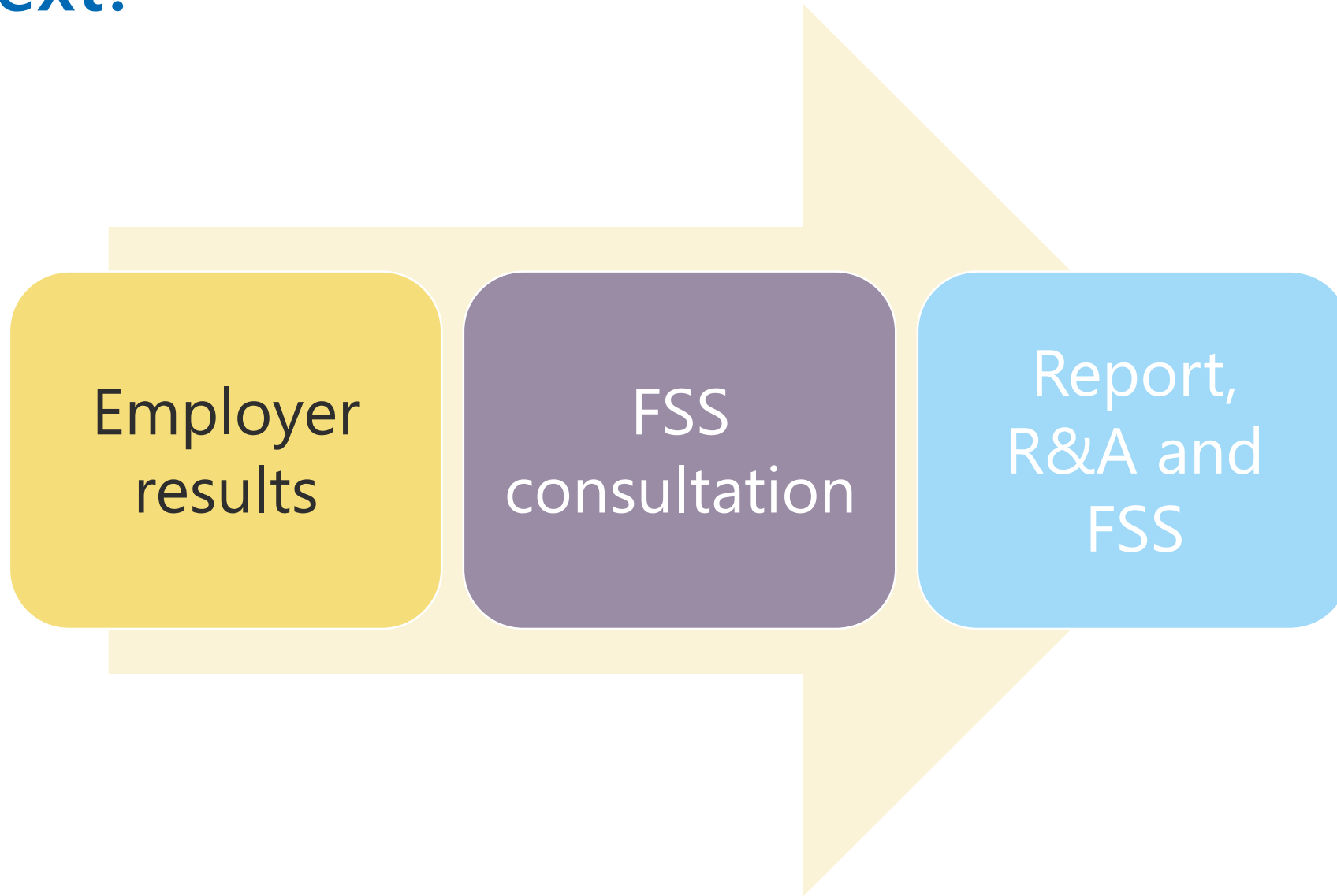


Funds should allow for climate risk in their funding strategy and covenant assessments as well as their investment strategy

Set of **four principles** for assessing impact of climate risk for the purpose of the 2022 valuation have been agreed by the actuarial firms and GAD

Analysis provided in a separate report which considers the impact on funding through use of **scenario analysis**

What next?





Q and A



Thank you for listening