



THE ROYAL COUNTY OF  
**BERKSHIRE**  
PENSION FUND



**Annual Meeting**  
**16 November 2023**

# *Welcome* – Councillor Simon Bond

## Chairman of Berkshire Pension Fund Committee

1. Introduction from Head of Pension Fund – **Damien Pantling CPFA**
2. LGPS Regulations update – **Philip Boyton MCIPPdip**
3. Review of the Scheme Year 2023 – **Gavin Roberts MCIPPdip**
4. Actuarial update - **Dr Barry McKay FFA PhD**
5. Q & A - **All**

# Introduction from Head of Fund - Damien Pantling CPFA

## Financial position:

- ▶ Fund value grown £91m to £2.75bn at 31 March 2023
- ▶ Record year for income, taking £198m
- ▶ Fund operations £25m ahead of budget, generating £42m
- ▶ Investment activities £31m ahead of budget
- ▶ Overall position £57m positive

## Investment position:

- ▶ 1 year return 3.25%, universe average -3.3%, no.1
- ▶ £7m saving on investment manager fees
- ▶ Strategy of low risk, high return, well diversified

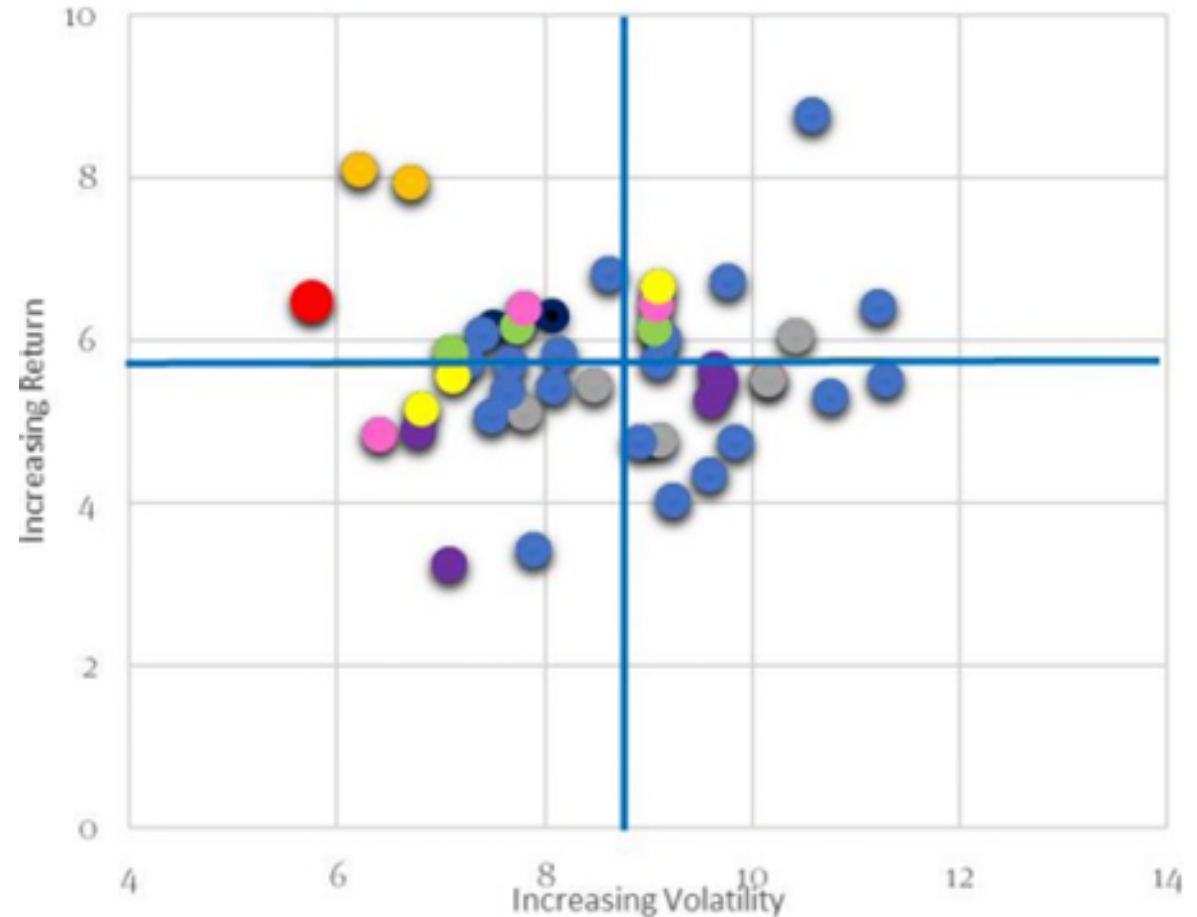
## Funding update:

- ▶ 80% today, £3.7bn Liabilities, £3bn Assets, deficit £700m

## Other:

- ▶ Enhanced responsible investment
- ▶ Crisis/conflict exposure
- ▶ Inflation and interest rates

Last Five Years (% p.a.)



## 2022/23 Financial Position

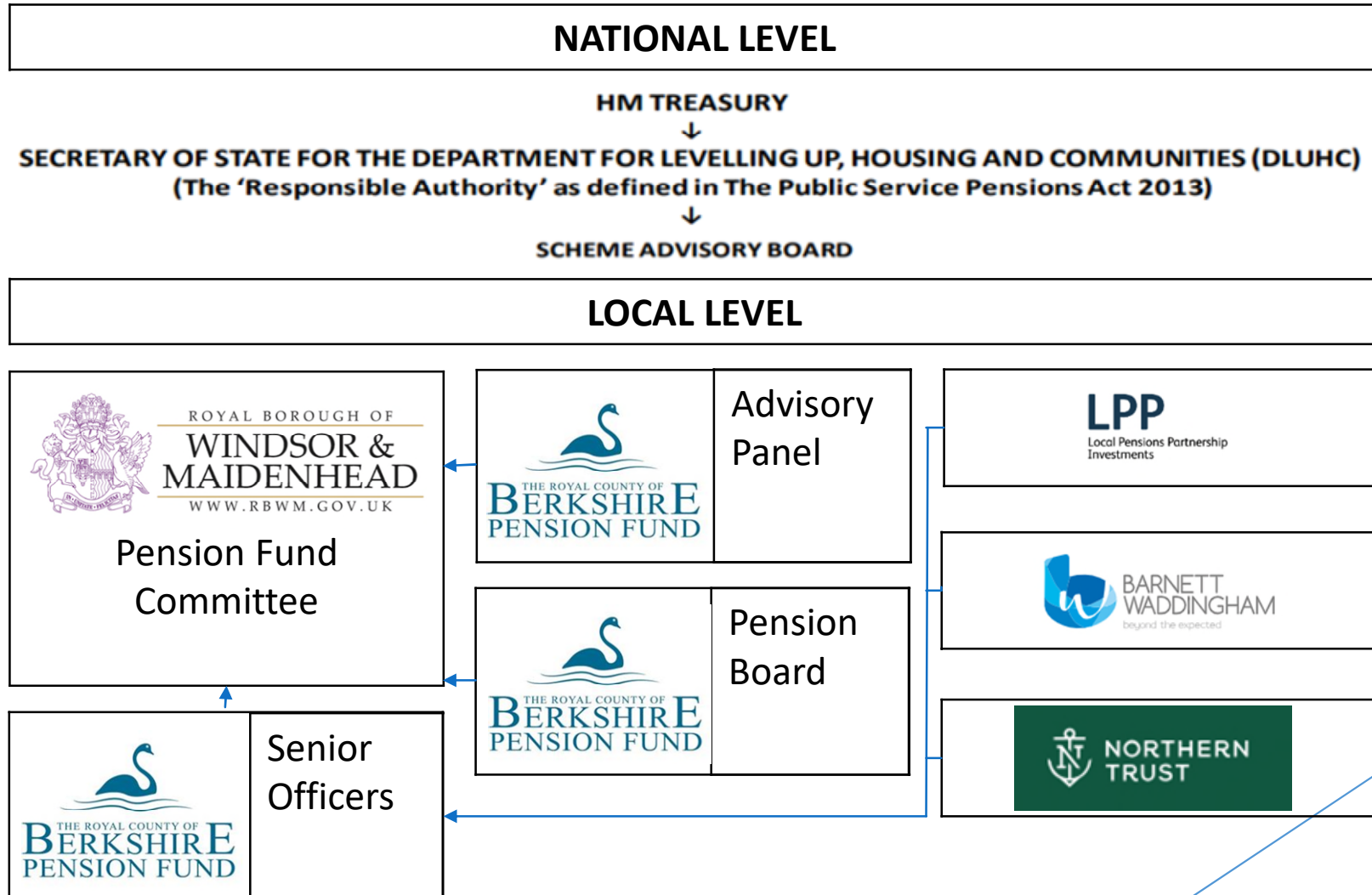
	Budget	Actual	Variance
Income from members, employers and transfers in	159.4	197.8	38.3
Pensions paid, lump sums, refunds and transfers out	(143.2)	(156.3)	(13.1)
<b>Fund Operations (Dealings with members and employers)</b>	<b>16.3</b>	<b>41.5</b>	<b>25.3</b>
Investment activities	20.4	51.5	31.2
Administrative cost of running the Fund	(2.4)	(2.2)	0.2
<b>Net Increase in fund value</b>	<b>34.3</b>	<b>90.9</b>	<b>56.7</b>

# LGPS Regulations Update

Philip Boyton MCIPPDip  
Deputy Head of Pension Fund



# Governance Structure



# McCloud Remedy – 1 October 2023

## ▶ What is the McCloud Remedy?

## ▶ Which members are affected?

> Not protected by the McCloud Remedy if:

- turned 65 before 1 April 2014
- left the LGPS before 1 April 2014

> Protected by the McCloud Remedy if:

- a member of the LGPS or another public service pension scheme - pre 1 April 2012
- a member of the LGPS in the remedy period - 1 April 2014 and 31 March 2022
- under age 65 in the remedy period; and
- not had a disqualifying gap

## ▶ Berkshire Pension Fund actions



The  
McCloud  
Remedy  
for the lgps

# Pensions Dashboards Programme

## Pension Schemes Act 2021

- ▶ **What are Pensions Dashboards?**
- ▶ **Goals and Compliance:**
  - > Awareness and understanding of pensions information
  - > Greater sense of control and ownership over pensions
  - > Increase engagement
  - > Enable people to access pensions information at a time of their choosing
  - > reconnect people with 'lost' pension pots
- ▶ **Connection – 31 October 2026**

# Lifetime Allowance

## Finance (No. 2) Act 2023

- ▶ What is the Lifetime Allowance?
- ▶ The Chancellor's budget announcement – 15 March 2023
- ▶ Abolished 6 April 2024



# SCAPE Discount Rate Change - 30 March 2023

- ▶ What is the SCAPE Discount Rate?
- ▶ Impact on the LGPS
- ▶ Berkshire Pension Fund actions

# Considerations of the Scheme Advisory Board

- ▶ **Data Collection – Monthly**
- ▶ **Key Performance Indicators**
- ▶ **Lump Sum Death Grants – Age 75**
  - > still paying in the LGPS
  - > left the LGPS but have not taken payment of your pension
  - > left after 31 March 2008 and have been receiving your pension for less than 10 years
  - > left the LGPS between 1 April 1998 and 31 March 2008 and have been receiving your pension for less than 5 years.
- ▶ **Surviving Partner Equalisation**

# Governance Opportunity – Pension Board

Deadline for applications: 30 November 2023

[pensionboard@rbwm.gov.uk](mailto:pensionboard@rbwm.gov.uk)



For an informal discussion please contact:  
Philip Boyton, Deputy Head of Pension Fund  
07792 324459

[philip.boyton@rbwm.gov.uk](mailto:philip.boyton@rbwm.gov.uk)



# **Review of the Scheme Year 2023**

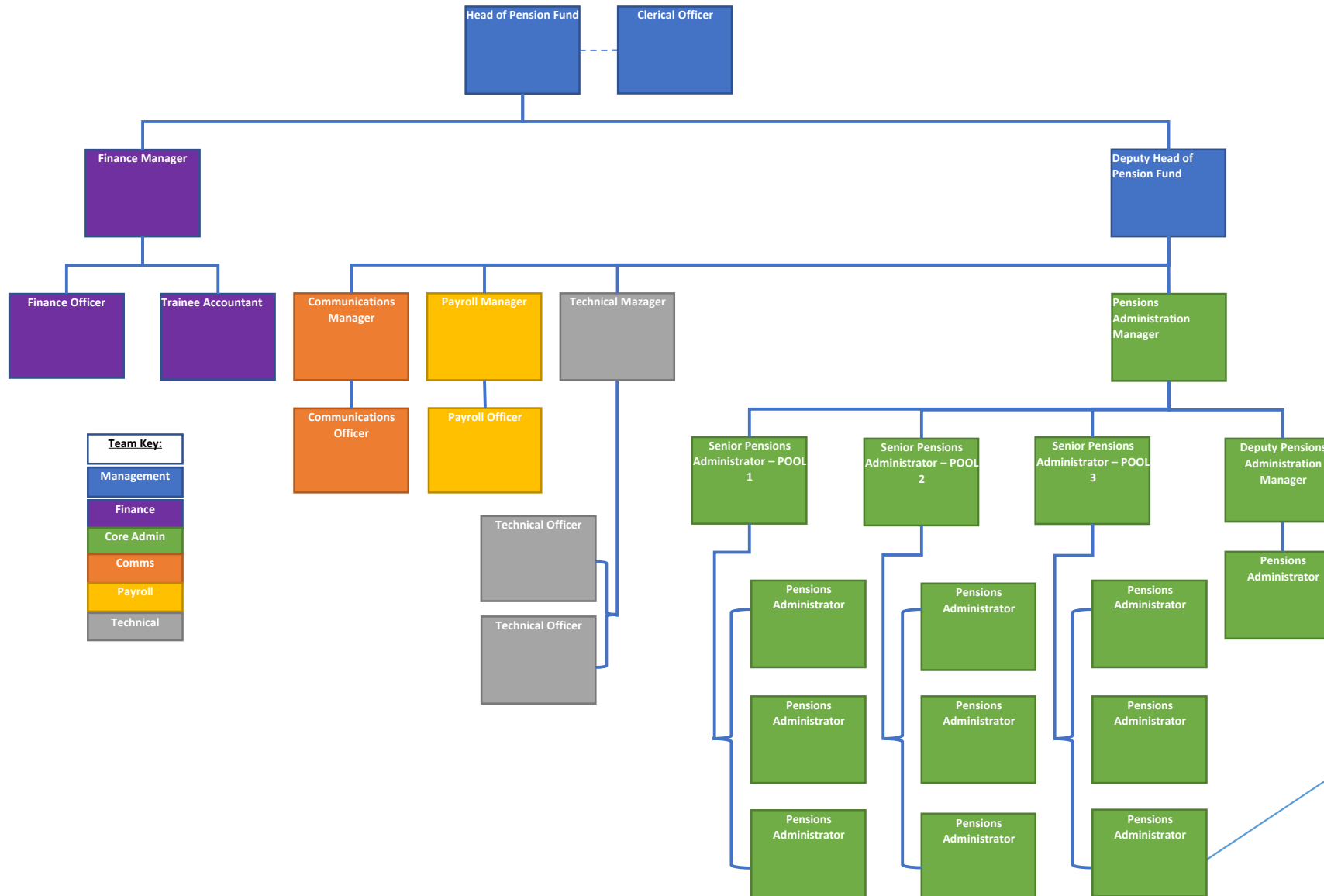
**Gavin Roberts MCIPPdip**

**Pensions Administration Manager**

# Administration Team Structure



# Royal County of Berkshire Pension Fund Administration Team Structure

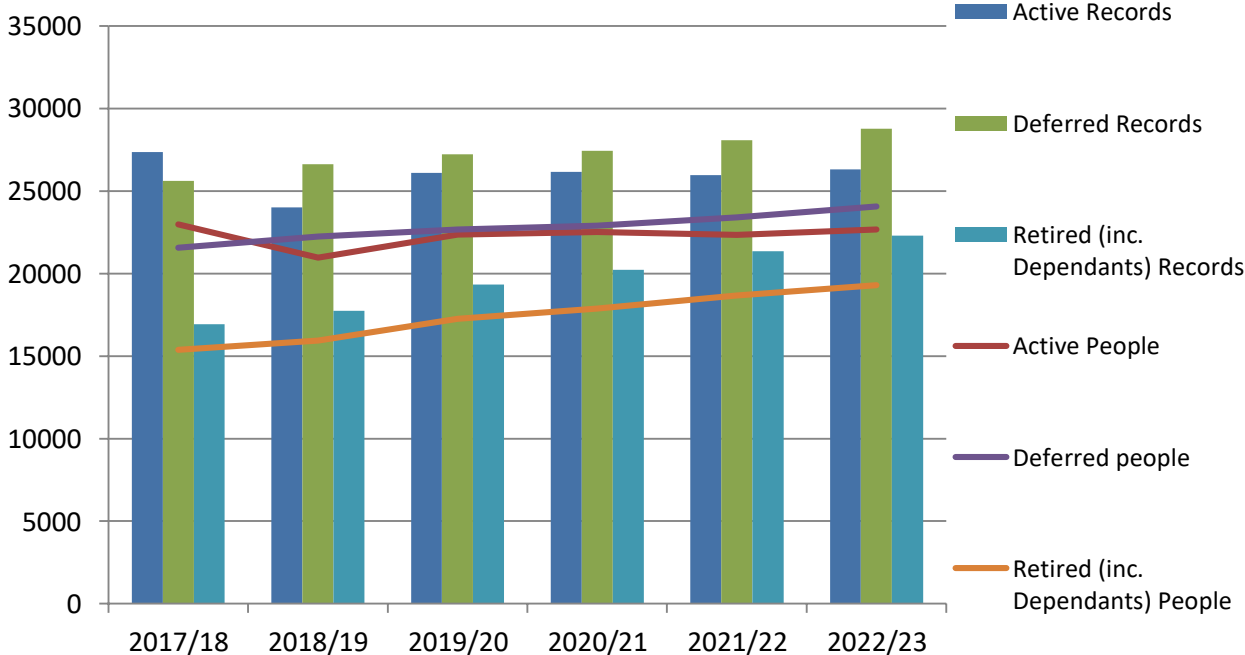


# Membership & Workload



# Membership History

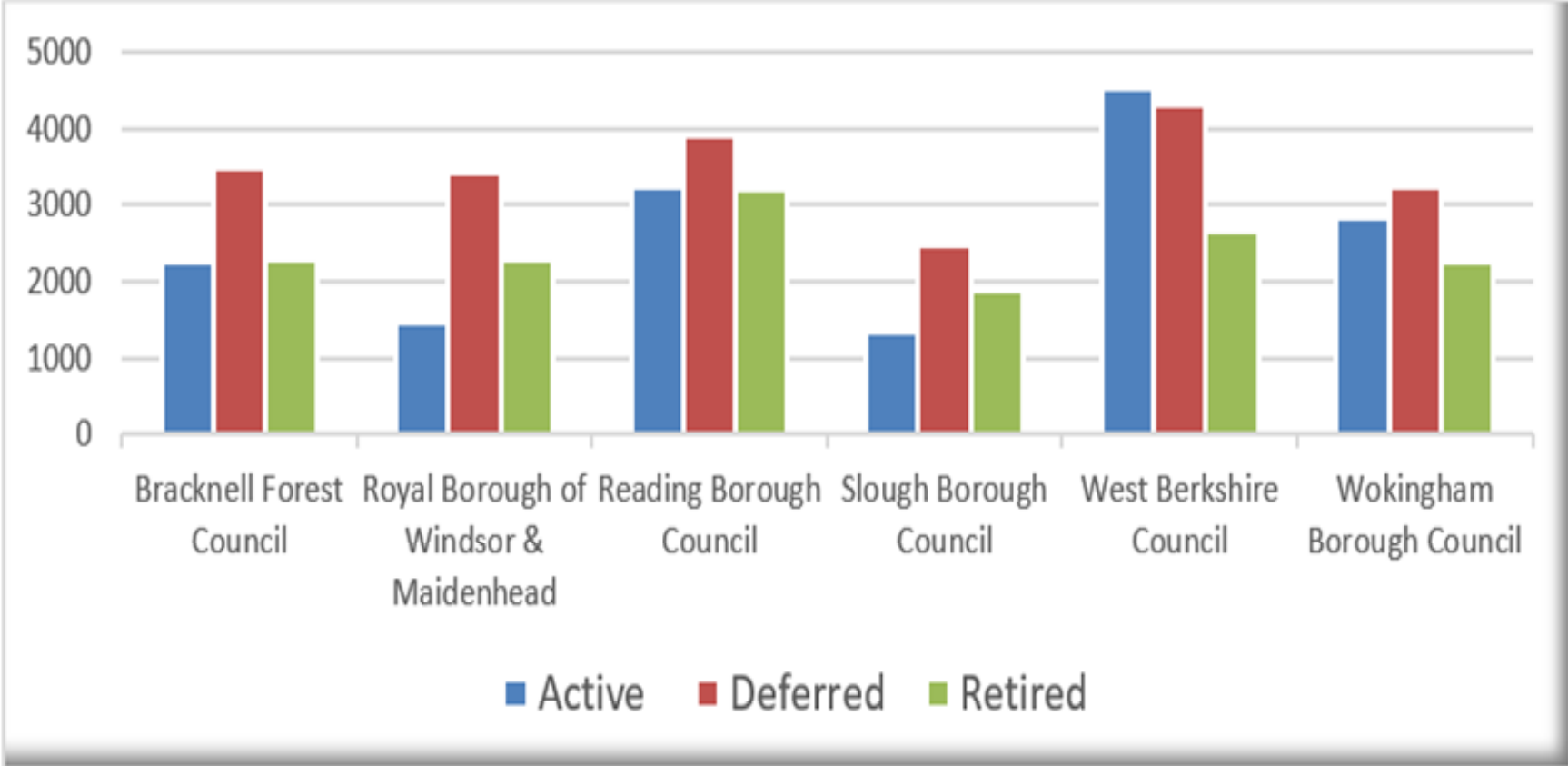
Chart 1 - Scheme membership by status



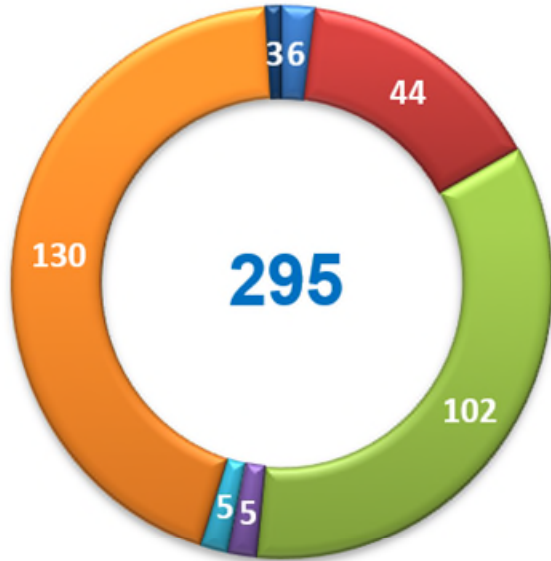
Active Records	26,076	Active People	22,685
Deferred Records	28,951	Deferred People	24,199
Retired Records	22,500	Retired People	19,419
<b>TOTAL</b>	<b>77,527</b>	<b>TOTAL</b>	<b>66,303</b>



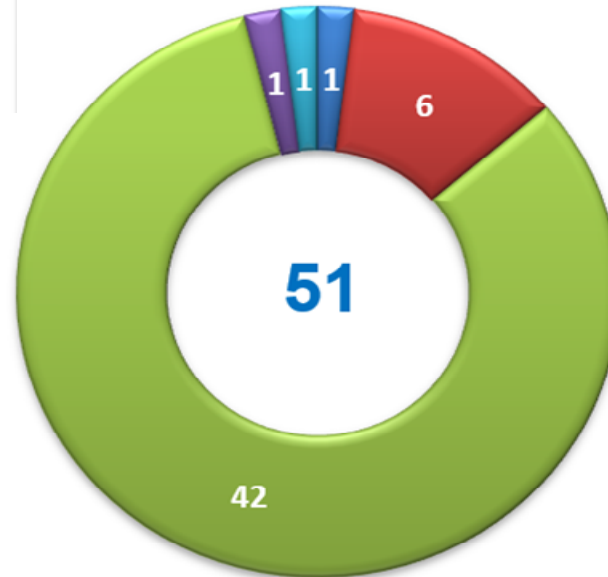
# Membership by Unitary - Records



# Active Employer Membership



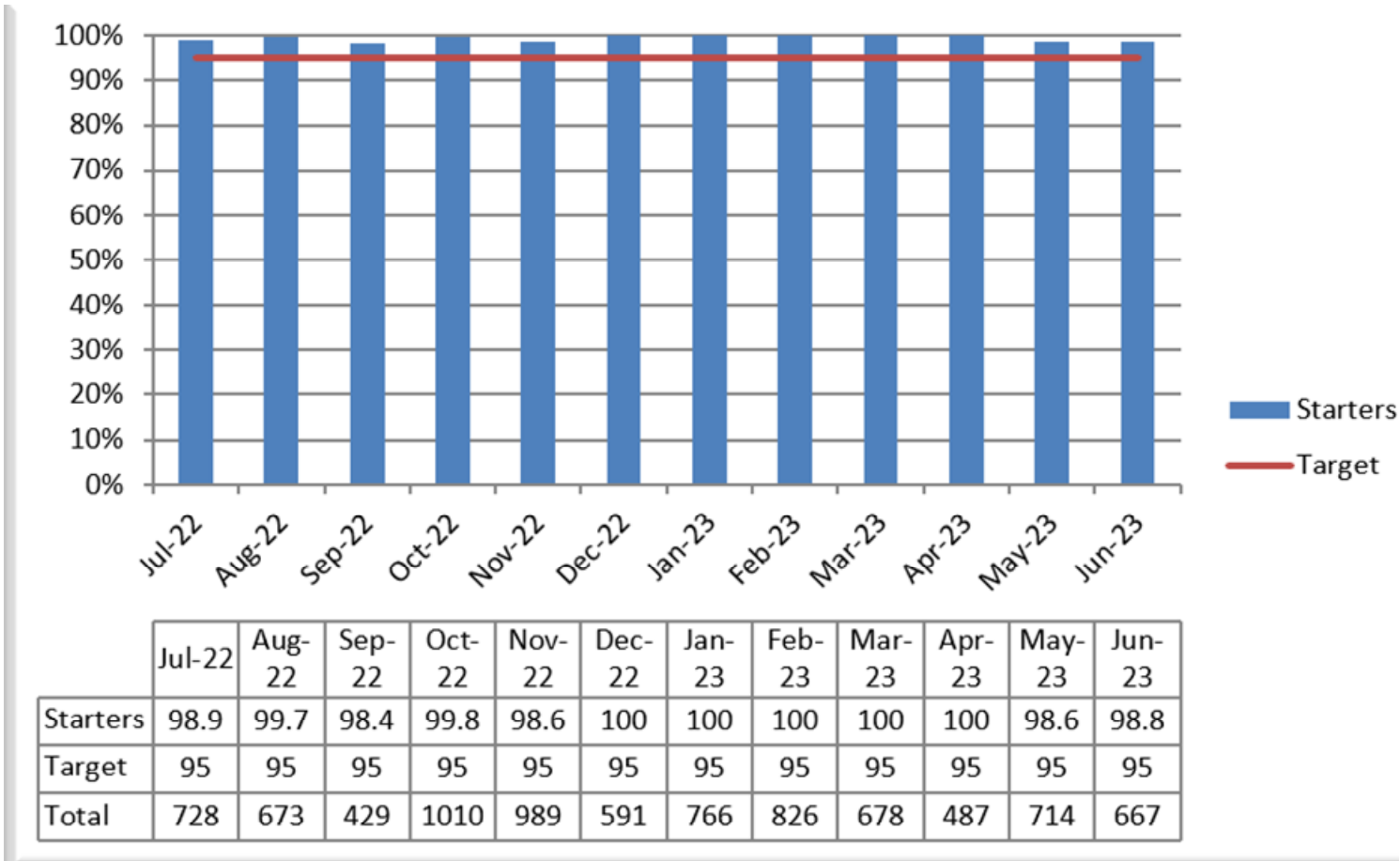
- Unitary Authorities
- Town/Parish Councils
- Admission Bodies
- Colleges
- Housing Associations
- Academies
- Others



- County Council
- Town/Parish Councils
- Admission Bodies
- Academies
- Housing Assoc.

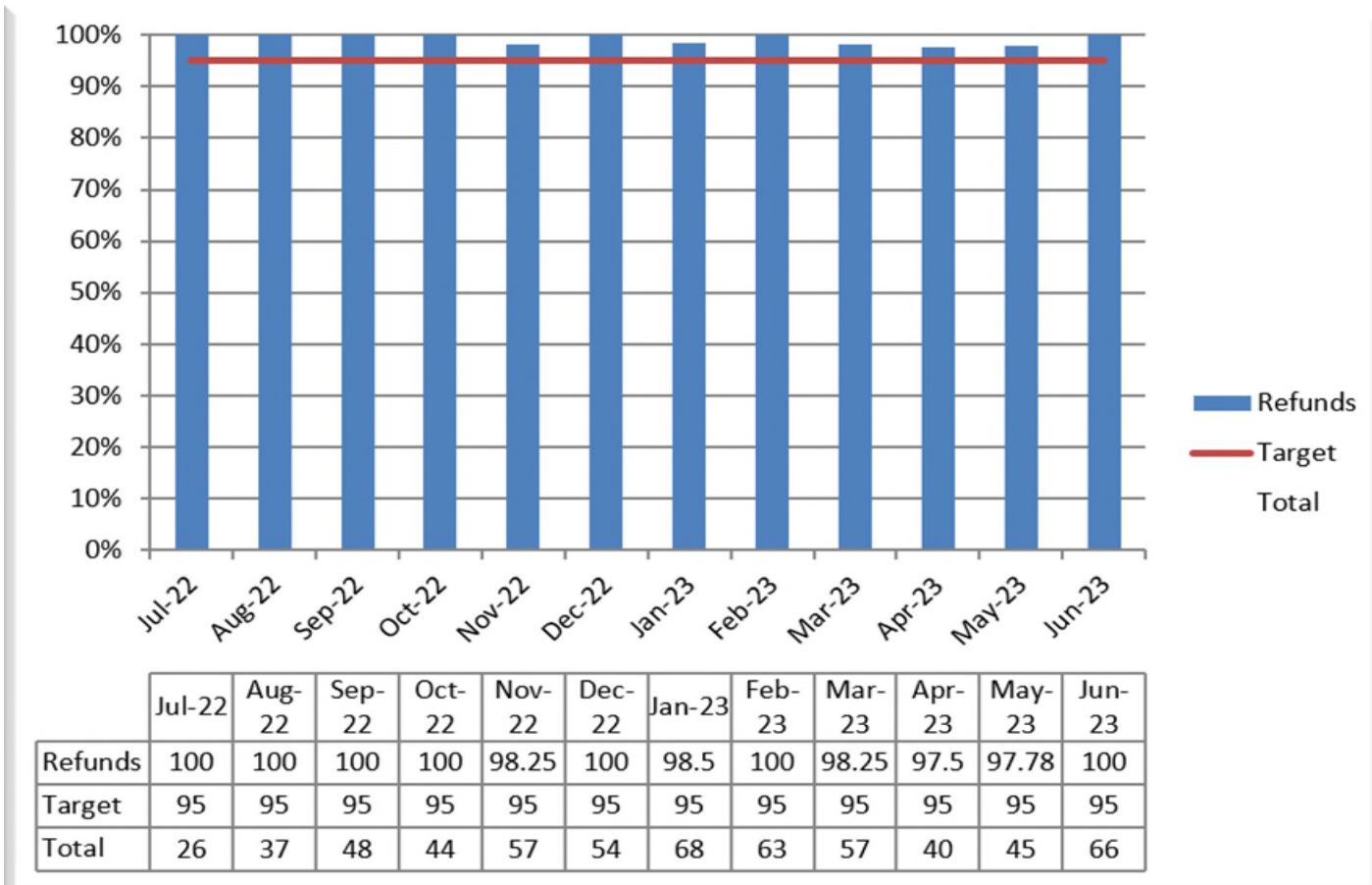
# Workloads: Starters – 20 working days

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



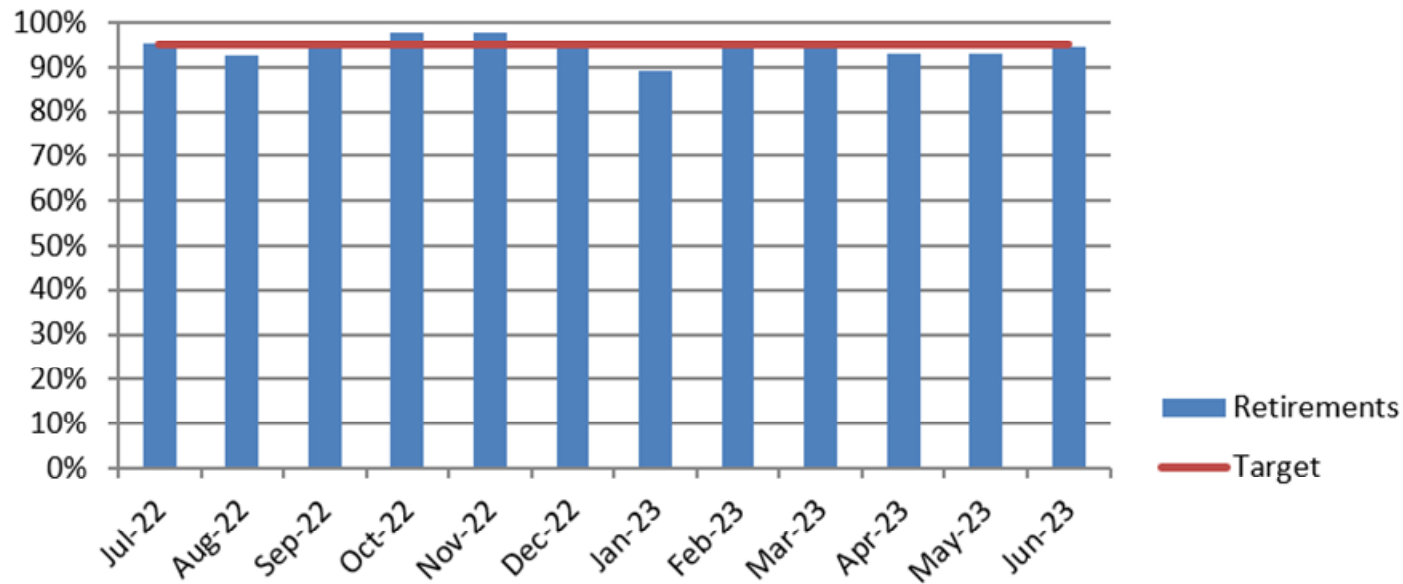
# Workloads: Refunds – 10 working days

*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

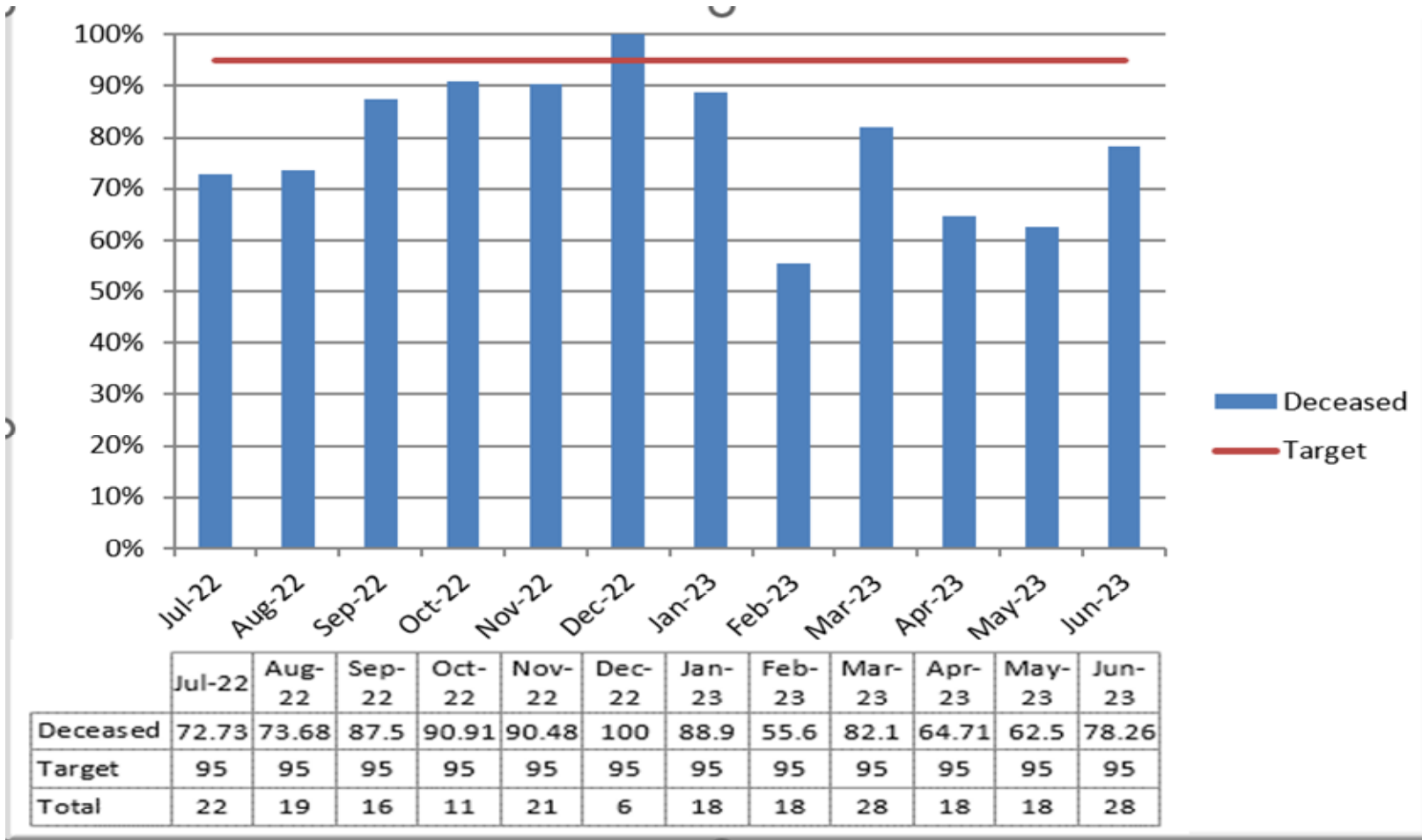
*CIPFA – One month from date of retirement if on or after normal pension age or two months from date of retirement if before normal pension age.*



	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Retirements	95.28	92.42	95.69	98.01	97.96	95.52	89.3	95.1	95.4	92.86	93.04	94.49
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	106	132	116	151	98	67	140	101	87	112	115	127

# Workloads: Deceased – 5 working days

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



# **i-Connect Software**



i-Connect

# 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

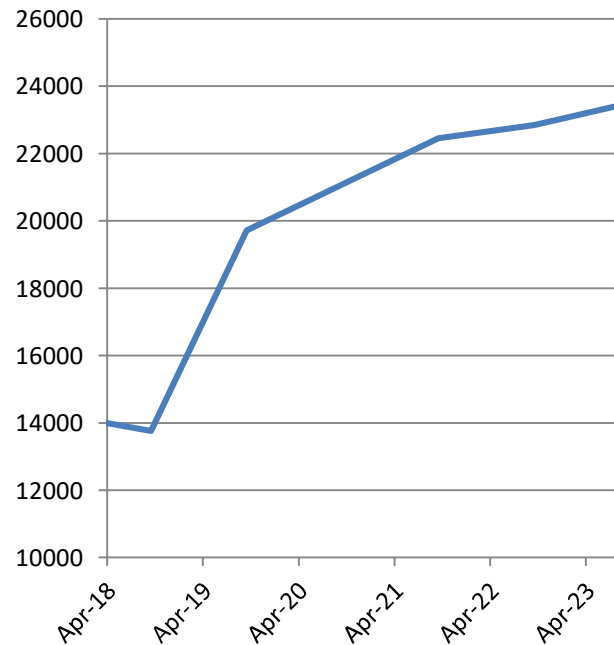
Reduced risk of fines for non-compliance of statutory duties

Fulfils Automatic Enrolment requirements

Better member experience

# Member Records

- At 30 September 2023 – **23,499 records**  
Represents **91.10%** of all 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



**Year End 2023**



# 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

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
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

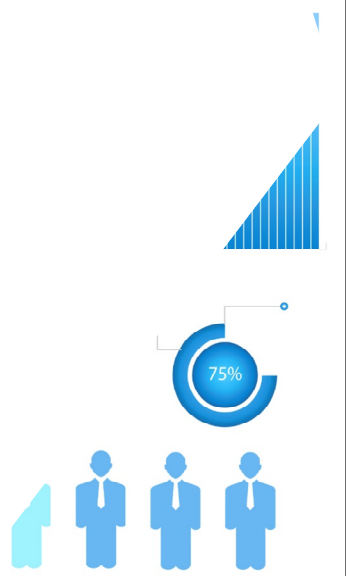


reduce effort expended responding to queries about pensions

# How did we all do in 2023?

Item	Issued / Date
Deferred Annual Benefit Statements	2021, 2022, <b>2023</b> – 100%
Produced ONLINE	<b>2023</b> – 17/04/2023 2022 – 11/04/2022 2021 – 12/04/2021
Posted	<b>2023</b> – 19/05/2023 2022 – 16/05/2022 2021 – 31/05/2021
Contributor Annual Benefit Statements	2021, 2022, <b>2023</b> – 100%
Produced ONLINE	<b>2023</b> – 19/04 – 09/08/2023 2022 – 11/04 – 11/08/2022 2021 – 22/04 – 12/08/2021
Posted	<b>2023</b> – 15/08/2023 2022 – 15/08/2022 2021 – 20/08/2021

# Communications



# Types of Communications

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

# Moving Forward

- McCloud Remedy
- Pensions Dashboards
- Self Service
- Year End 2024





# Royal County of Berkshire Pension Fund

Annual General Meeting 2023

Barry McKay, Partner

16 November 2023





A recap - 2022 valuation results



What's happened since March 2022?

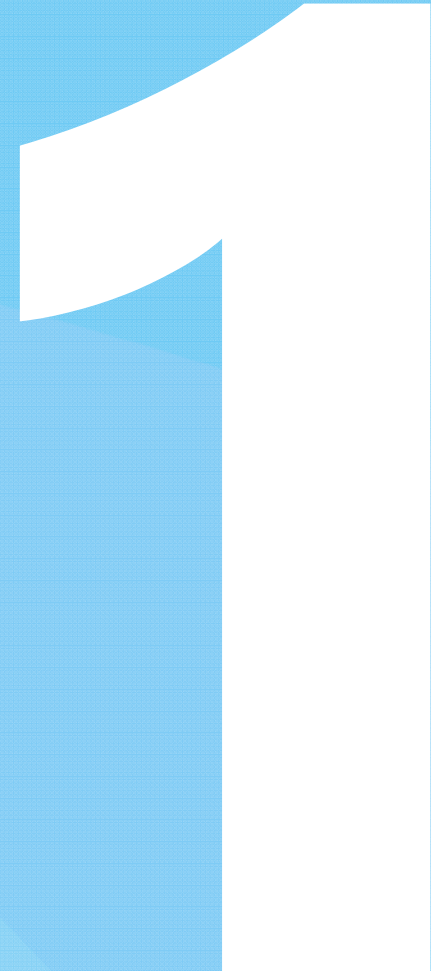


Where are we now?



Looking ahead to 2025

# 2022 Valuation results



# Reminder of the nature of the Fund

- Single pool of assets managed by the Fund for the benefit of all
- Assets notionally allocated to employers but no legal separation of assets
- All employers are credited the same investment returns each year but funding positions reflect other differences
- Key aim of Fund Actuary – ensure solvency of the Fund and ensure there is enough money to pay member benefits

# 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

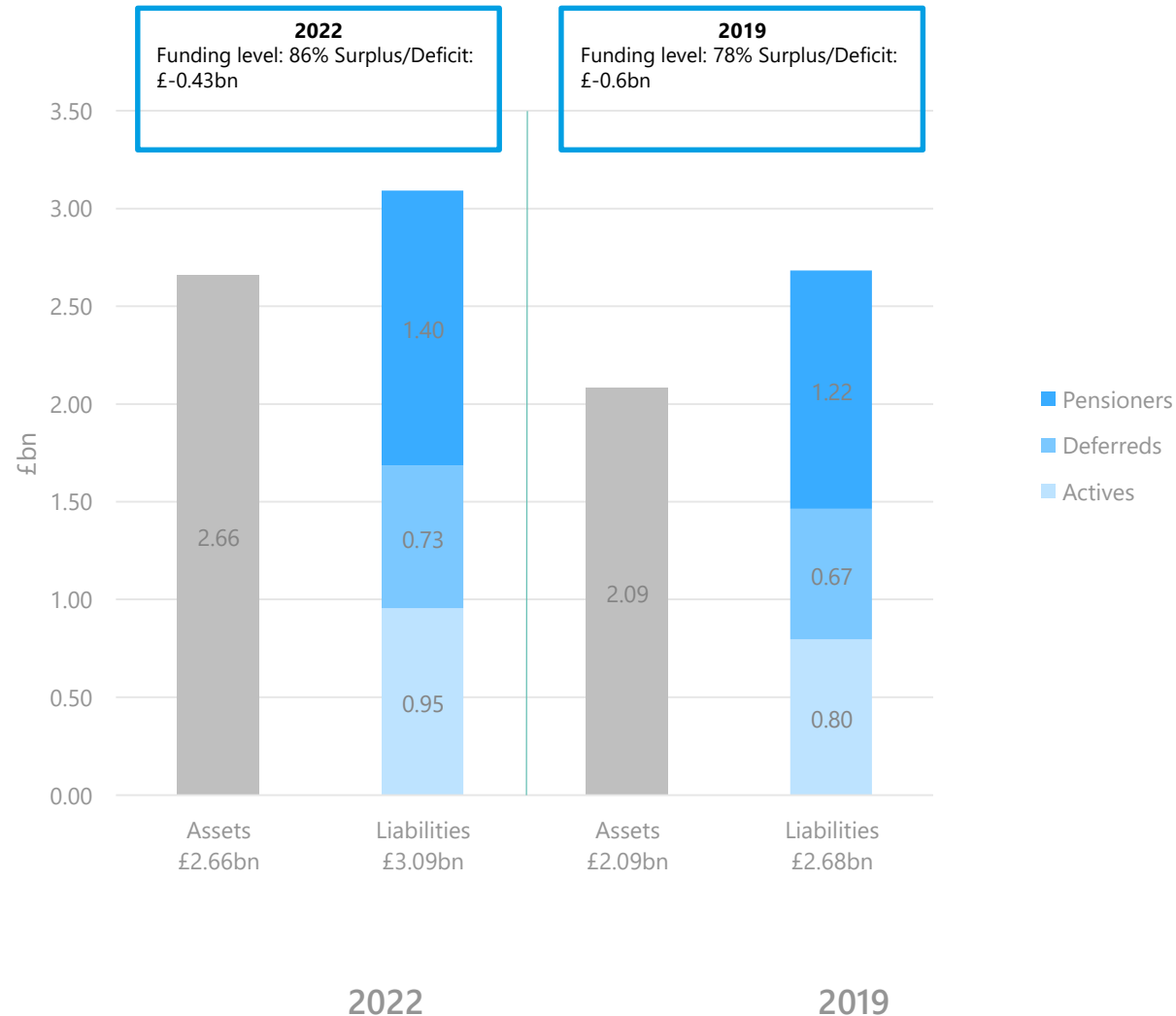


## Employer results

- Employers pooled or standalone
- Tracked separately

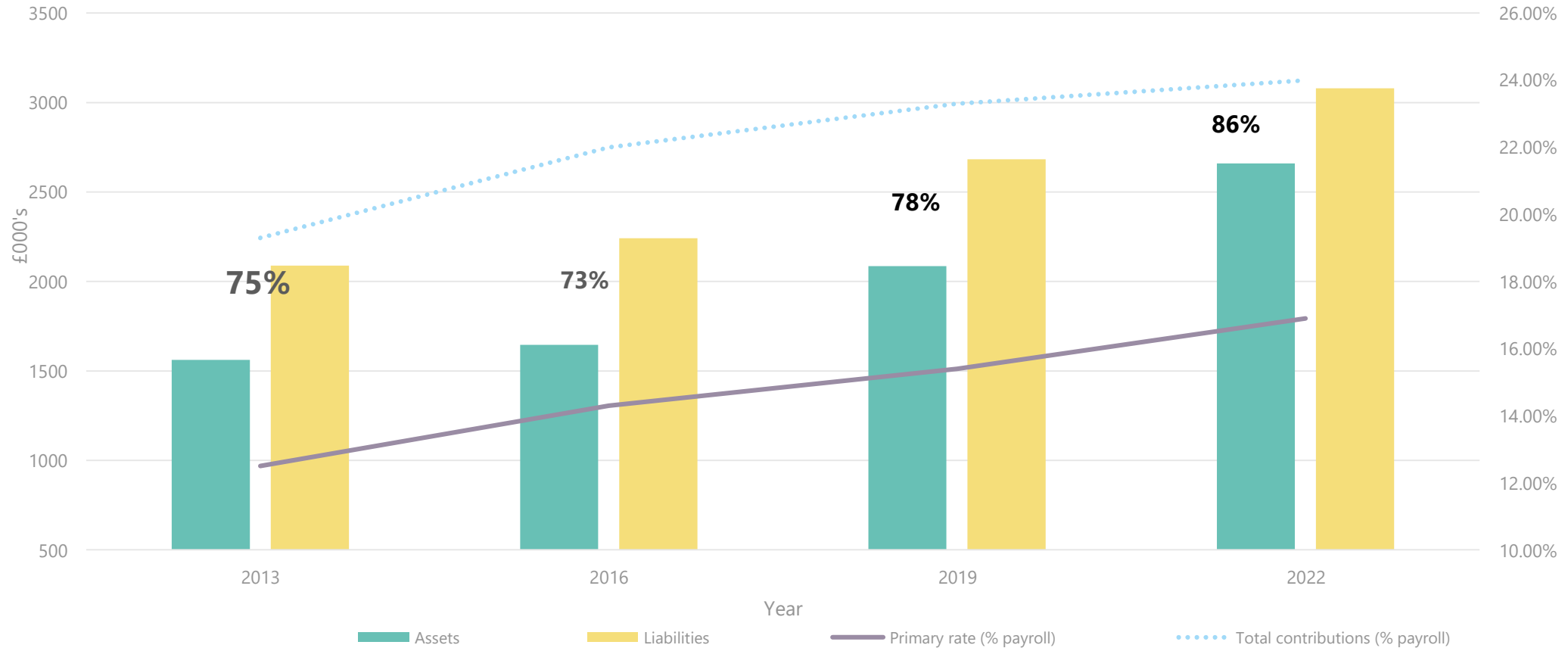
# 2022 whole Fund results

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.



# Fund triennial valuation progress

Berkshire triennial valuation results



# 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

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





What's happened  
since March 2022



# A lot!

## The inside story of the mini-budget disaster

25 September



### NEWS

[Home](#) | [Israel-Gaza war](#) | [Cost of Living](#) | [War in Ukraine](#) | [Climate](#) | [UK](#) | [World](#) | [Business](#) | [Politics](#) | [Culture](#)

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## Cost of living

### Why is UK inflation so high?

The rate at which prices are rising has fallen but remains well above the 2% inflation target.

### War in Ukraine [+ Add to m](#)

The latest news, analysis and opinion on the Wa

### Banks: Is this a banking crisis - how worried should I be?

2 May

War in Ukraine

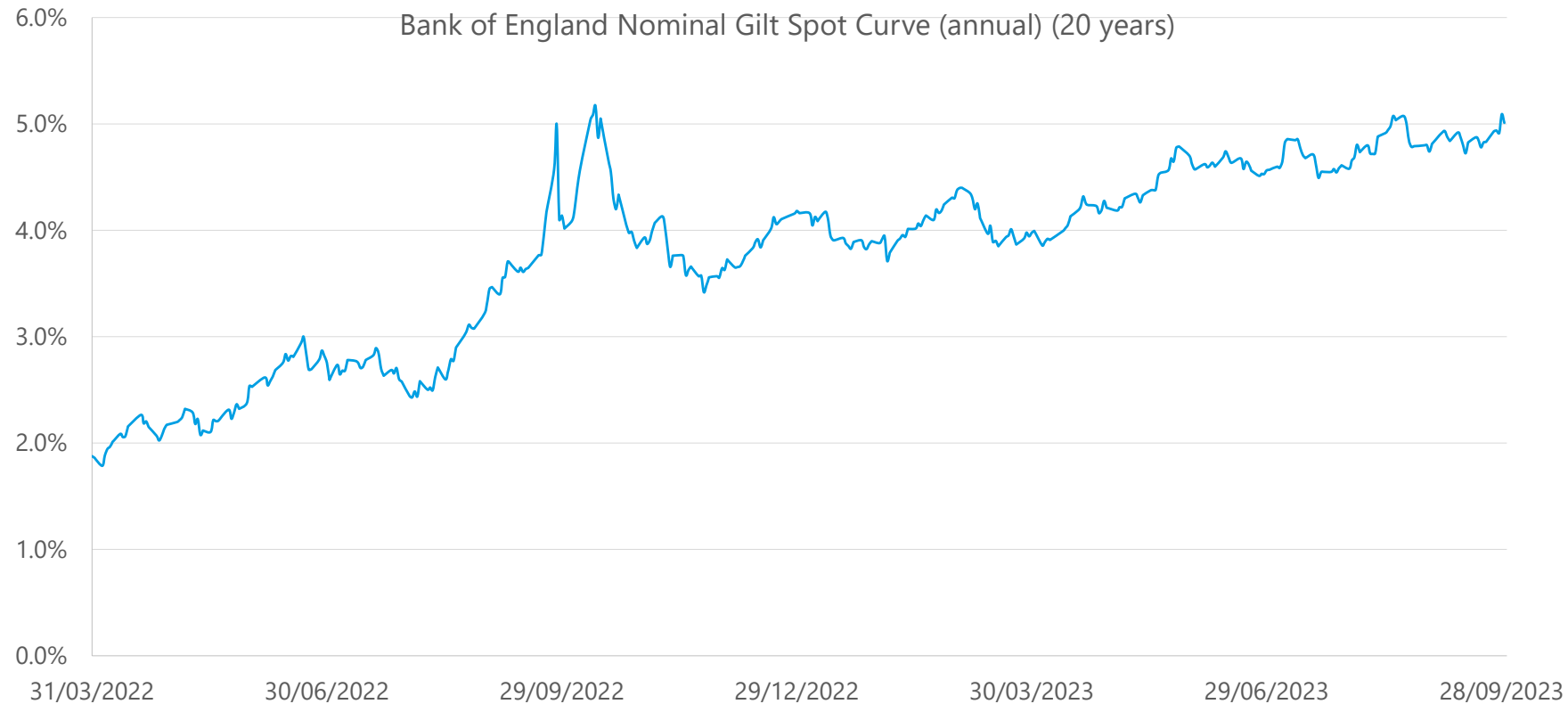
### Tracking Ukraine's counteroffensive against Russia in maps

A visual guide to the war

### Israel-Hamas war: what we know on day 36

# Higher interest rates

- Long-term government interest rates currently over 5% p.a. compared to below 2% p.a. at 31 March 2022



# What's the impact – assets?

- Higher interest rates should (in theory?!) lead to higher expected returns
- Our model isn't correlated to interest rates and so is more stable
- But markets have been flat since 31 March 2022, so actual asset returns behind expectations
- If asset returns do not pick up in next 18 months, **funding levels will be lower than at 2022**

# What's the impact – liabilities?

- High inflation – good for members, increased cost for employers
- Inflation has added around **18% to liabilities** in the last 2 years!
- This **actually increases** liabilities and reduces funding level

Where are we at  
half-time?

3

## Royal County of Berkshire Pension Fund (FUND)

ASSETS

LIABILITIES

### FUNDING LEVELS

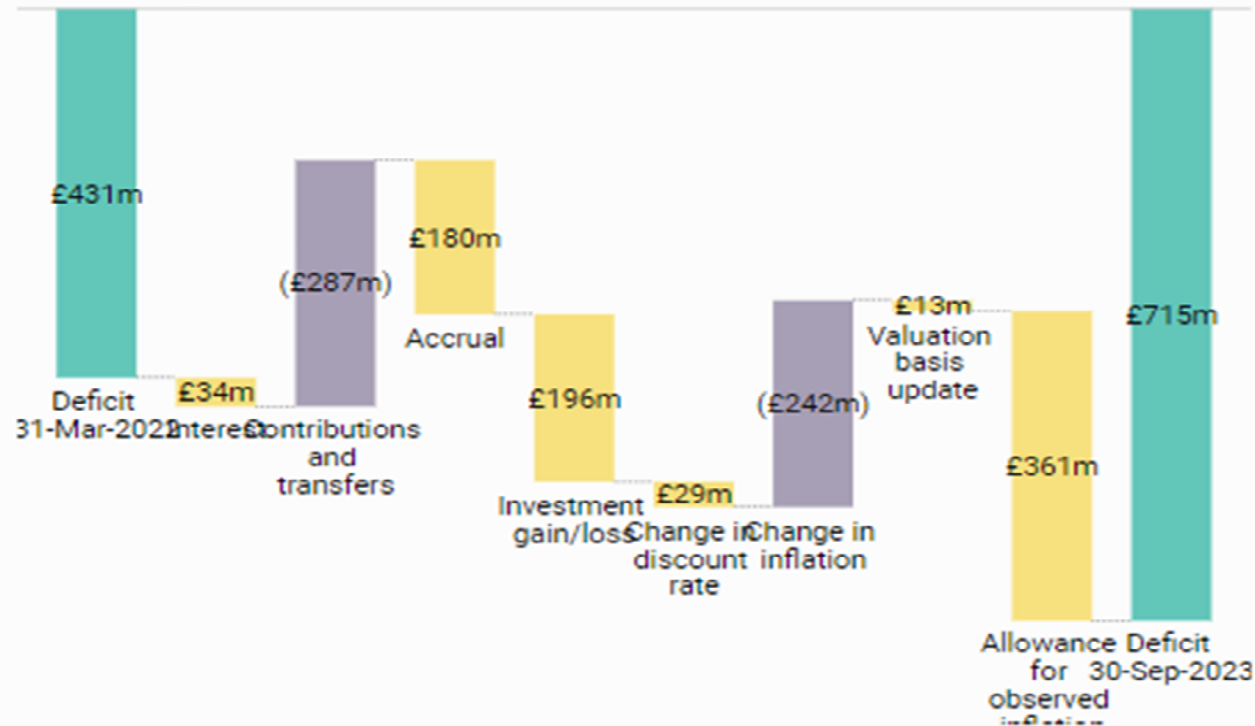


## Funding level at 30 September 2023

- › Assets increased from £2.7bn to £2.8bn
- › Liabilities increased from £3.1bn to £3.5bn
- › Funding level decreased to 80%

## ANALYSIS OF CHANGE IN DEFICIT

Ongoing funding (unsmoothed)



### ASSUMPTIONS

Ongoing funding (unsmoothed)	30-Sep-2023	31-Mar-2022
Discount Rate	5.10%	5.18%
CPI	2.56%	3.02%
Salary Increases	3.56%	4.02%

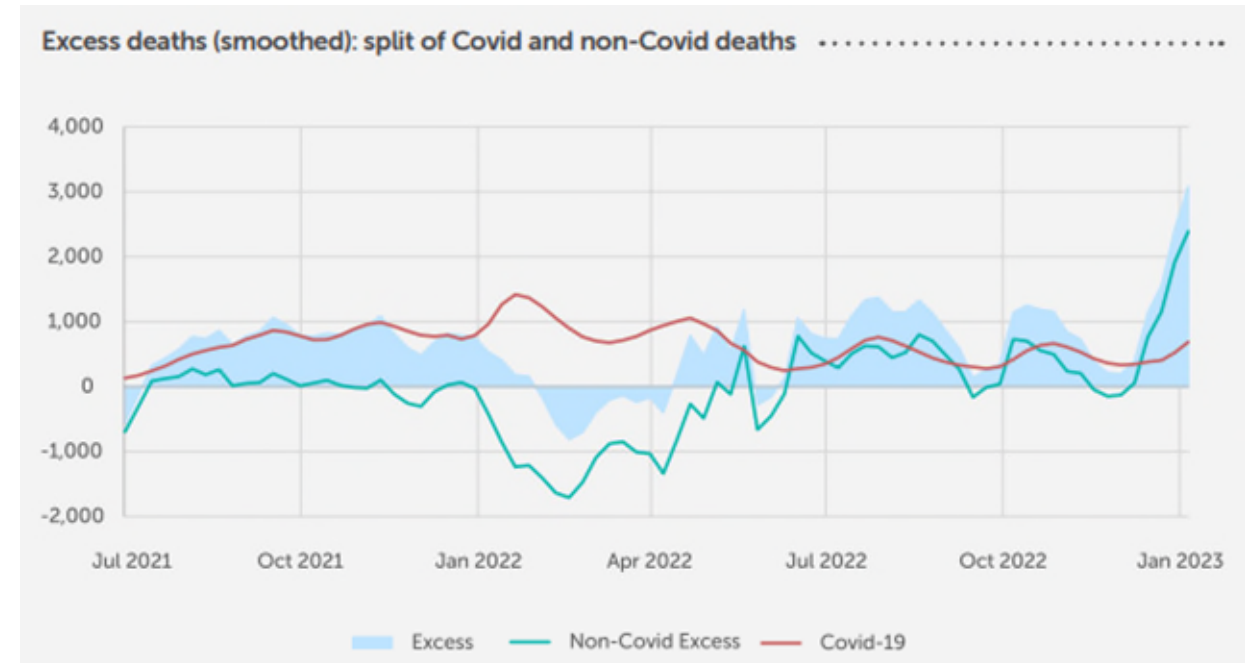
## Why has the funding level decreased since March 2022?

- > Asset returns lower than 5% assumed but better than benchmark
- > High inflation and higher for longer (circa £360m increase in liabilities)
- > Actual inflation offset by lower long-term future inflation at 2.5% (circa £240m decrease in liabilities)



# Mortality

- Continue to see excess deaths above pre-pandemic levels
- Continued uncertainty about long-term life expectancy
- Latest actuarial model projects life expectancies 2% - 3% lower than model used for 2022 valuation
- But Fund has a longevity swap in place to mitigate risk so no real impact in practice



Source: Barnett Waddingham [Covid-19 briefing](#), June 2023



Looking ahead to  
2025

4

# What does it all mean for 2025?

- Greater uncertainty for the long-term outlook in 2025, with a mixture of positive and negative factors affecting funding levels and primary rates
- Greater uncertainty leads to need for higher prudence so higher contributions to guard against adverse conditions
- 2025 valuation will be challenging against current economic backdrop
  - One of the lowest primary rates in LGPS, due to higher discount rate target, so likely increase at 2025
  - One of the lowest funding levels in LGPS, which increases secondary contributions
  - Overall, expect contribution increases from 2026



# Q and A





THE ROYAL COUNTY OF  
**BERKSHIRE**  
PENSION FUND

*Thank you for listening*