



THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND



Annual Meeting
Wednesday 13 November 2024

Welcome – Councillor Simon Bond

Chair, Berkshire Pension Fund Committee

- ▶ **Introduction from Head of Fund - Jo Thistlewood, Head of Fund**
- ▶ **LGPS Regulations Update - Philip Boyton, Deputy Head of Fund**
- ▶ **Administration Review - Martin Griffiths, Pension Administration Manager**
- ▶ **Actuarial Update - Dr Barry McKay, Actuary, Barnett Waddingham LLP**
- ▶ **Q & A - All**



THE ROYAL COUNTY OF
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PENSION FUND

Introduction from Head of Fund

Jo Thistlewood CPFA, ACA
Head of Fund



Introduction from Head of Fund Jo Thistlewood CPFA, ACA

Financial position:

- ▶ Fund net assets grown by £276m to **£3.033bn** at 31 March 2024
- ▶ Contribution income **£220m**; benefits paid **£160m**

Investment performance:

- ▶ Investment returns **8.9%** in year to 31 March 2024, LGPS average **9.2%**
- ▶ Underperformance against fund's benchmark – Equities main contributor
- ▶ No changes proposed to investment allocation before valuation

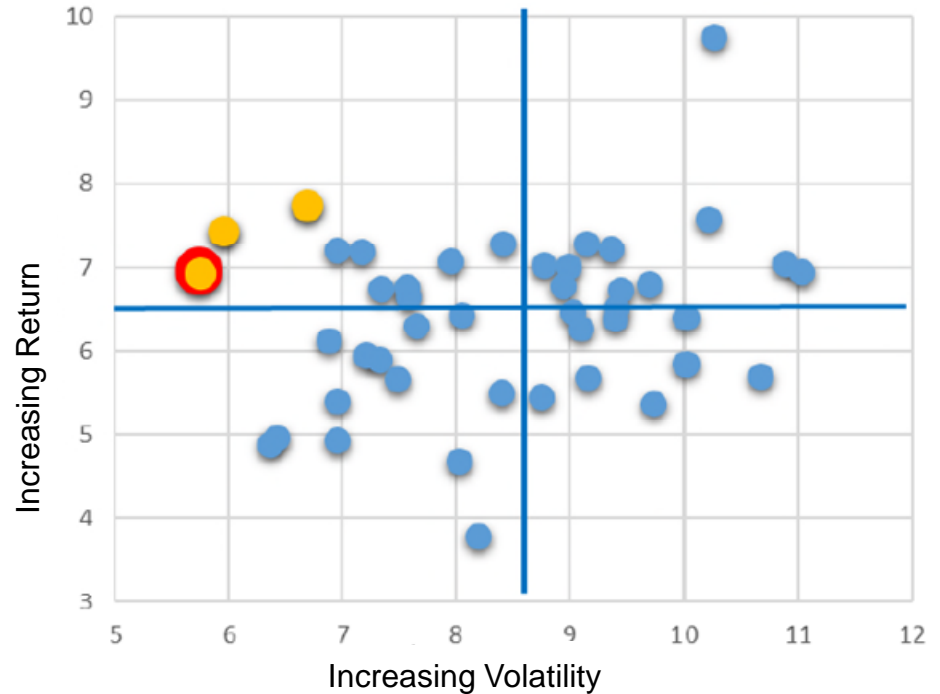
Funding update:

- ▶ 2022 valuation **86% funded** (2019: 78%)
- ▶ Today: **82% funded**: assets £3.1bn; liabilities £3.8bn

Other:

- ▶ Staffing update
- ▶ Audit backlog progress
- ▶ Valuation planning

5-year risk and return





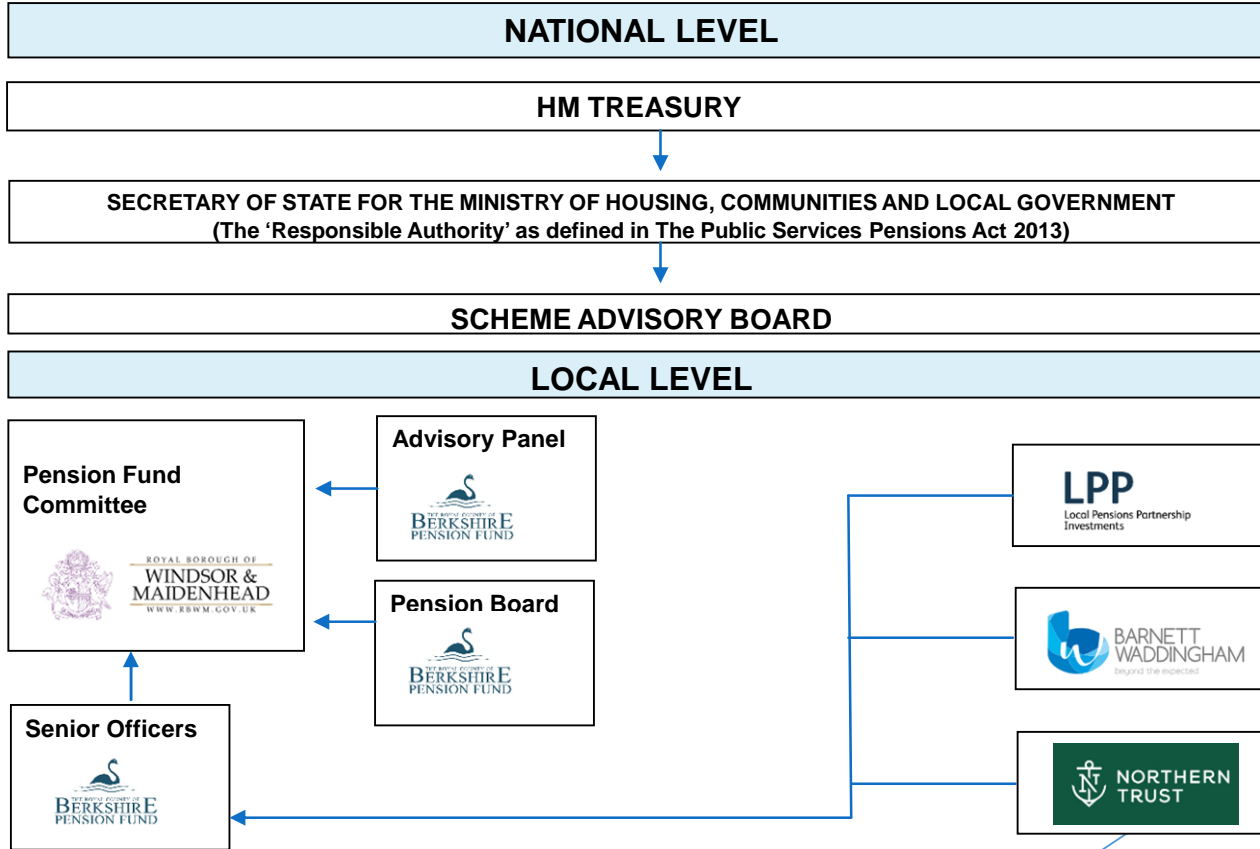
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PENSION FUND

LGPS Regulations Update

Philip Boyton MCIPPdip
Deputy Head of Fund



Governance Structure



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

Pensions Dashboards



- ▶ **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**

The Pensions Regulator



Making workplace pensions work

- ▶ **New General Code** – 28 March 2024
- ▶ Comprises **5 areas** which are in turn broken down into **51 modules**

The five areas are:

- ▶ **The Governing Body**
 - ▶ **Funding and Investment**
 - ▶ **Administration**
 - ▶ **Communications and Disclosure**
 - ▶ **Reporting to TPR**
- ▶ The Berkshire Pension Fund already has an **exceptionally good level of compliance**

Considerations of the Scheme Advisory Board (SAB)



- ▶ **Data Collection** – Monthly
- ▶ **Key Performance Indicators (KPIs)**
- ▶ **Shari‘ah Law Compliance**
 - Opinion
 - Recommendation
- ▶ **Freedom of Information (FOI) Requests**

The Budget

30 October 2024



- ▶ Tax relief
- ▶ Tax-free cash lump sum
- ▶ Inheritance tax on pensions





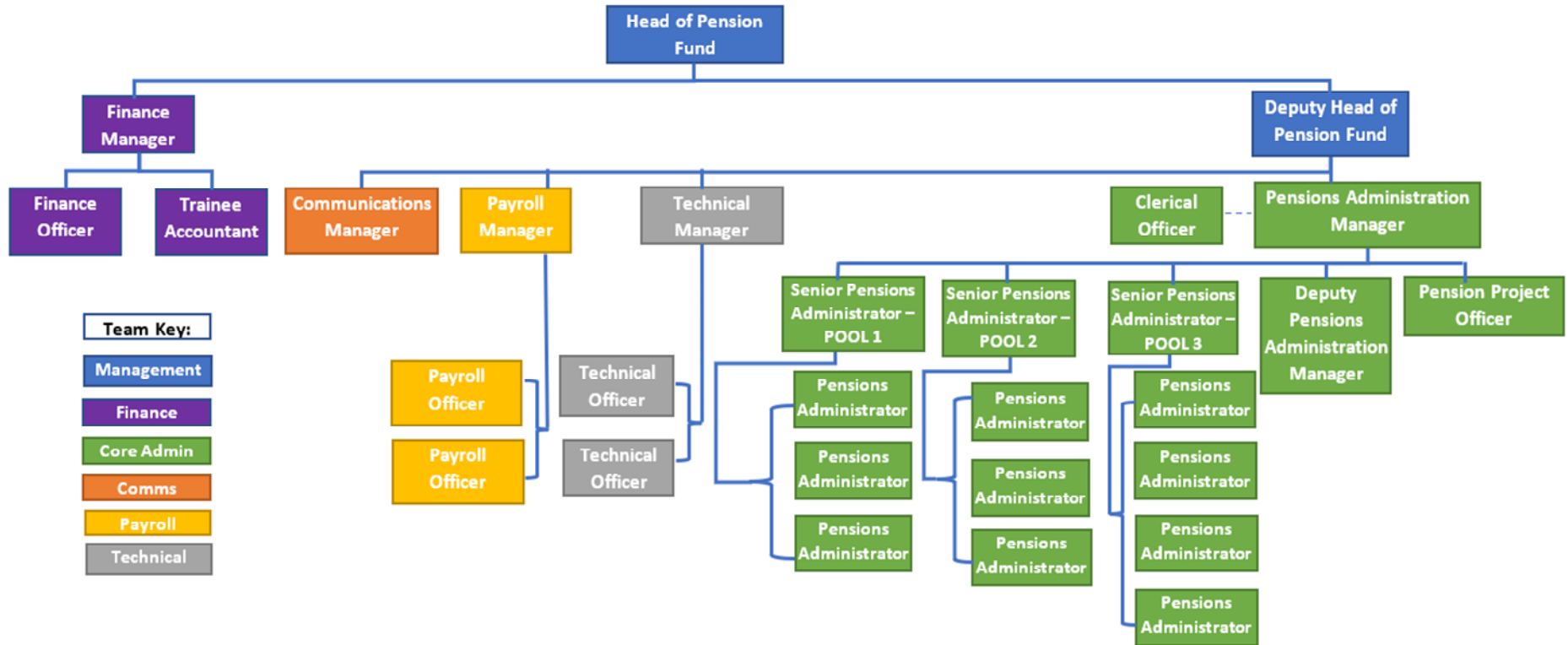
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Administration Review 2024

Martin Griffiths
Pension Administration
Manager



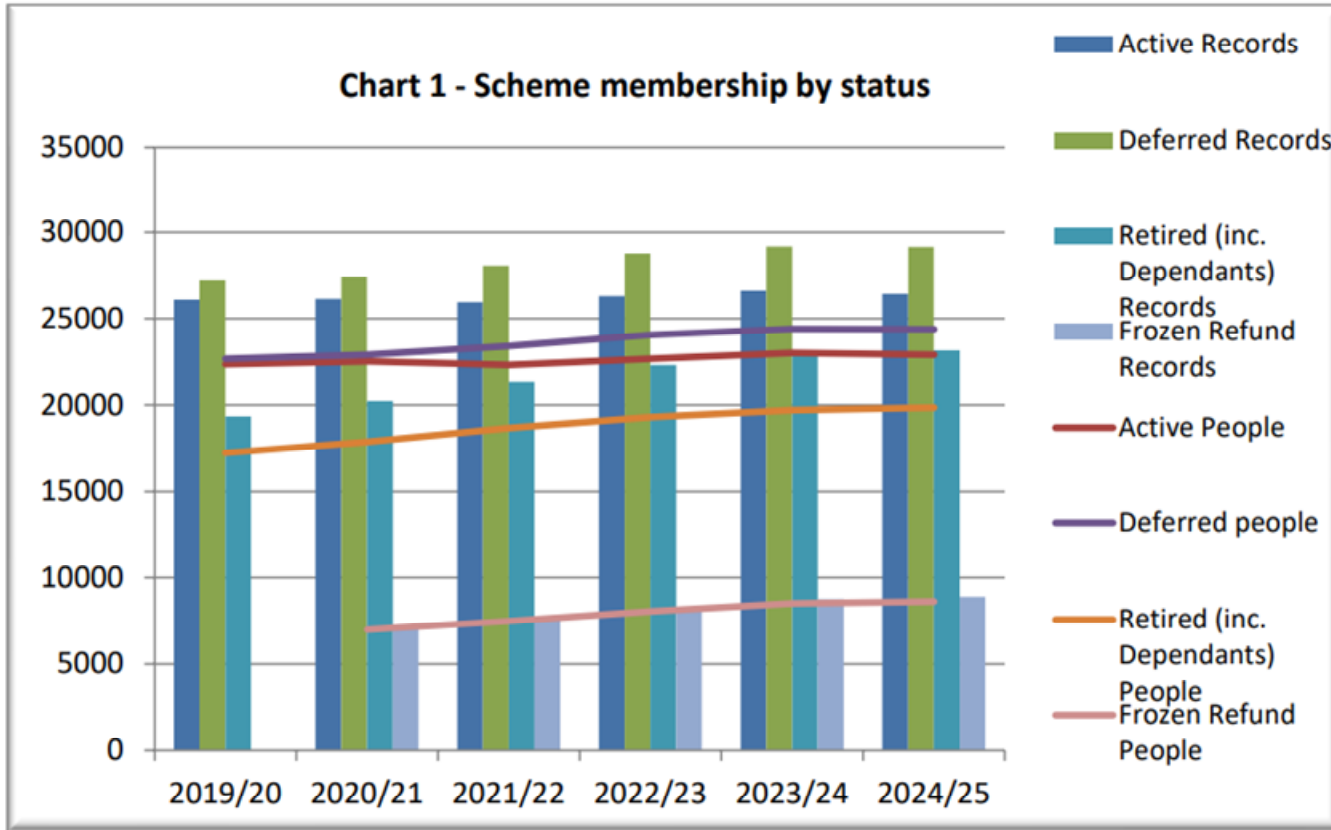
Administration Team Structure



Team Key:

- Management
- Finance
- Core Admin
- Comms
- Payroll
- Technical

Membership across the Fund



Workload and Key Performance Indicators (KPI's)

- ▶ Key Performance Indicators
- ▶ The Royal County of Berkshire like all LGPS Funds measures its rate at which it completes a number of specific tasks against some key timescales, and these are reported quarterly to Pension Committee and The Local Pension Board

They include:

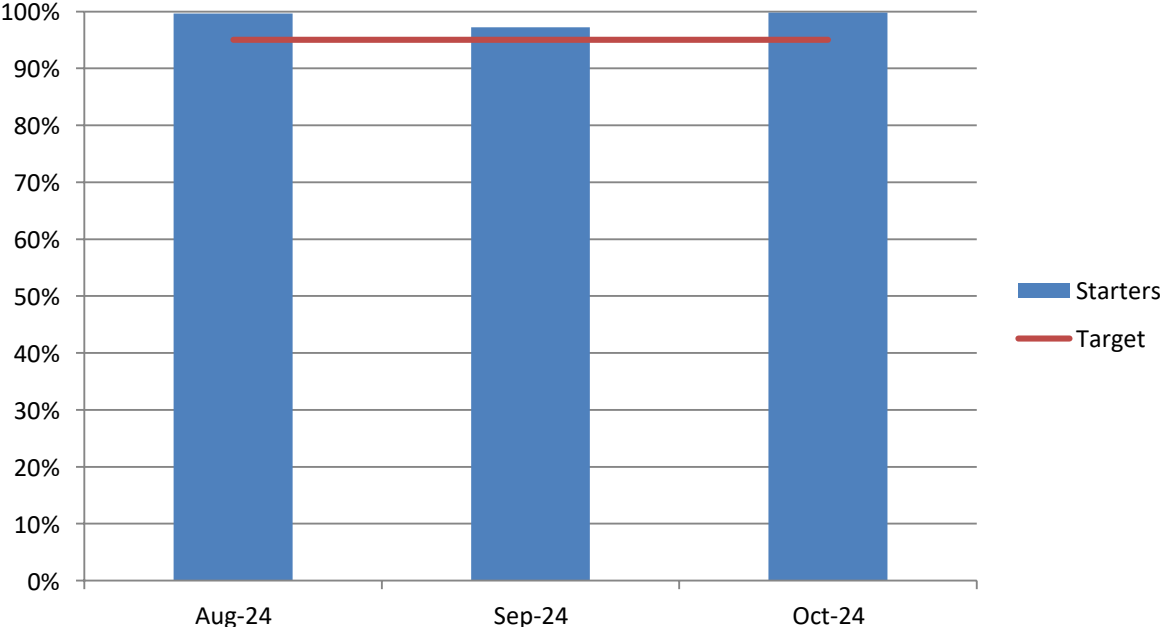
- ▶ **Starters** (which should be completed within **20 working days** of receiving all the information we require)
- ▶ **Deceased Processing** (which should be processed within **10 working days** of receiving all the information we require)

Workload and Key Performance Indicators (KPI's)

- ▶ **Refunds** (which should be processed within **10 working days** of receiving all the information we require)
- ▶ **Retirements** (which should be processed with **5 working days** of receiving all the information we require)
- ▶ In all the KPIs our aim is to process **95%** of these cases within the set target time

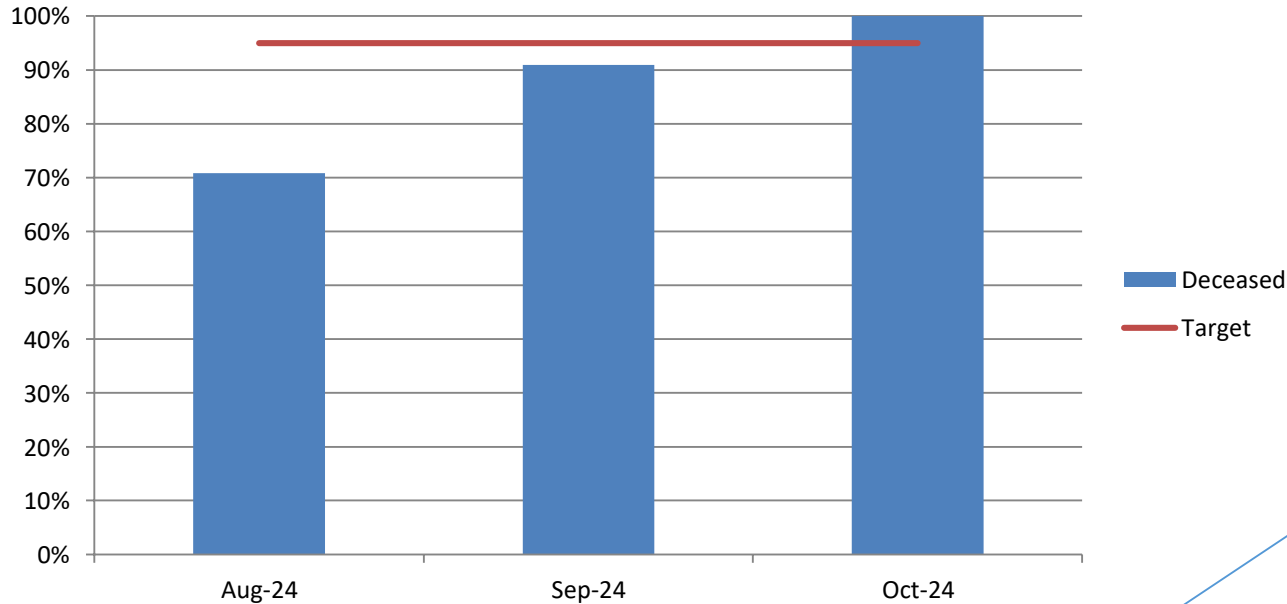
How have we been performing?

Starters processed within 20 working days



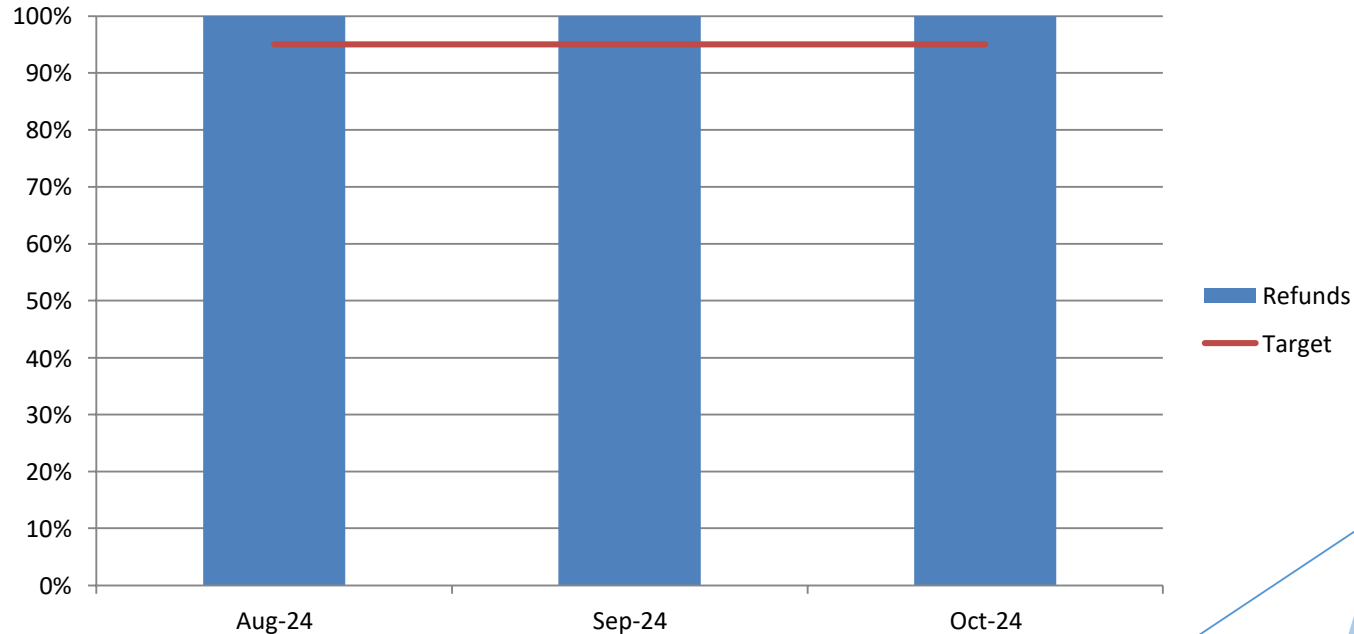
How have we been performing?

Deceased processed within 10 working days



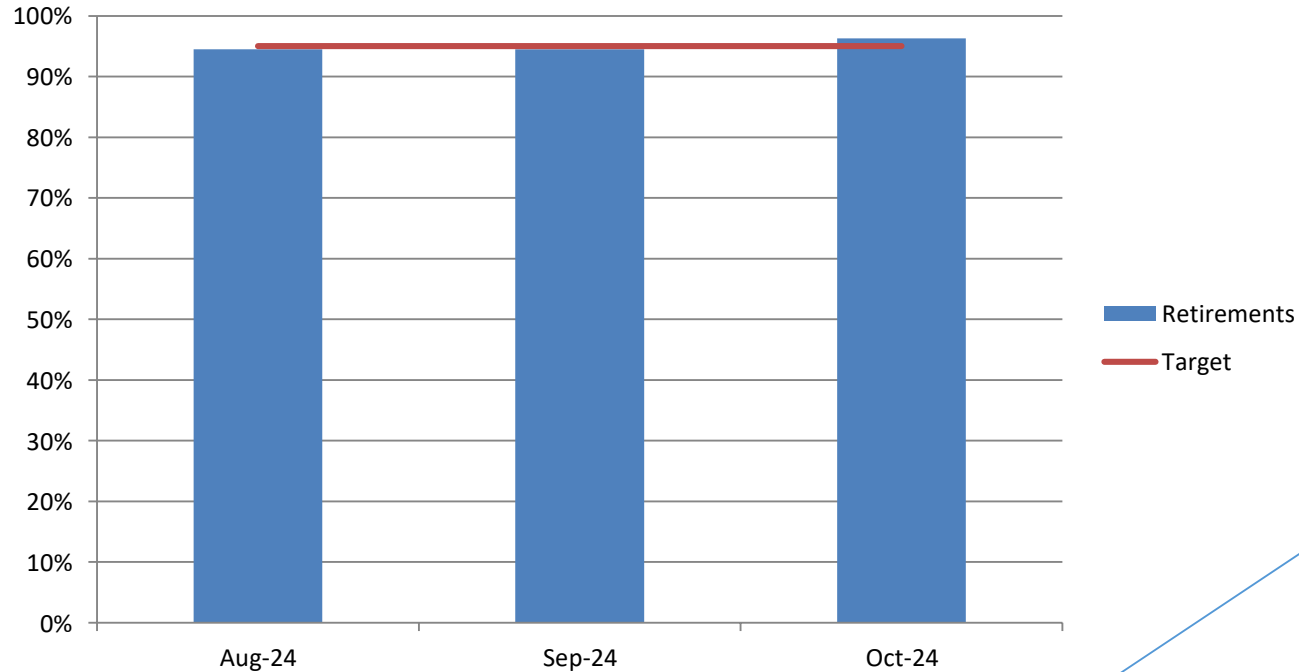
How have we been performing?

Refunds processed within 10 working days



How have we been performing?

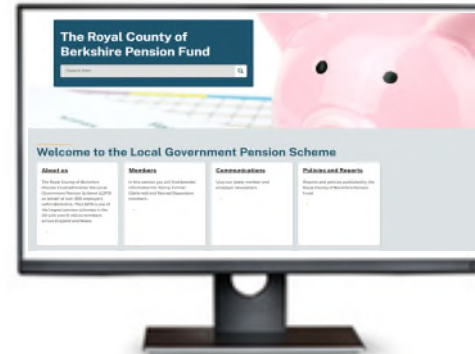
Retirements processed within 5 working days



Communication Achievements

New website launched on 31 July 2024

- The change in web provider has enabled us to have more input into the design, look and feel of the website. The new-look Berkshire Pension website has a cleaner and refreshed look and will improve our member engagement



www.berkshirerpensions.org.uk

- ▶ **During 2023/2024 32 member engagement sessions** held across Berkshire – these included **pension surgeries, member presentations, new starter inductions** and **staff benefit events**. Meeting with **over 700** members in person or over Microsoft Teams
- ▶ **New Pension Payroll helpdesk telephone number** introduced to improve our customer service for retired and dependant scheme members
- ▶ **Other regular communications – Quarterly employer newsletters, bi-annual scheme member newsletters** containing regulation updates, reminders, latest pension news

What are the major challenges and projects that the Administration Team are dealing with...

Recruitment

- ▶ Recruitment in the LGPS is a problem at national level
- ▶ Like most Funds we have found it increasingly difficult to fill vacant posts with qualified staff
- ▶ We have however, appointed several trainee Administrators, we continue to try and appoint staff with LGPS experience

What are the major challenges and projects that the Administration Team are dealing with...



McCloud Remedy

- ▶ At this stage we have contacted all our employers asking them to provide full details of each member's service and break history (such as strike and maternity).
- ▶ We have also asked non-I-Connect users to provide us with some additional pieces of data for us to update our pension database

What are the major challenges and projects that the Administration Team are dealing with...



McCloud Remedy – *Pension Team Actions*

- ▶ The Pension Team has run a Report to identify how many members may be in scope for the remedy
- ▶ First indication has shown that there could be up to 14,000, across all our statuses of membership

What are the major challenges and projects that the Administration Team are dealing with...



McCloud Remedy – *Pension Team Actions*

Once these have identified for all our **active** members in scope:

- ▶ An underpin check will need to be carried out for them on leaving or reaching final salary NPA if earlier
- ▶ They will then be automatically awarded the highest benefit (Final Salary/Care)
- ▶ We will need to include prospective value of underpin on ABS in 2025
- ▶ Members themselves **will not need to do anything**. The Fund will contact them if the McCloud Remedy applies

What are the major challenges and projects that the Administration Team are dealing with...



McCloud Remedy – *Pension Team Actions*

- ▶ For those members who have already left the pension scheme...
- ▶ Leavers identified as being in scope for the McCloud Remedy will need to have their benefits reviewed
- ▶ This could include retirements, deferreds, transfers, divorce cases, deaths and dependants' benefits
- ▶ Deferred Benefit ABS also need to include prospective value of underpin in 2025

What are the major challenges and projects that the Administration Team are dealing with...



Pension Dashboards

- ▶ An **Integrated Service Provider (ISP)** has been acquired for the Fund to allow the Berkshire Fund to connect to our information to the Pensions Dashboards Infrastructure.
- ▶ A period of testing will then need to take place to ensure everything is working
- ▶ Incorporate our dashboards data requirements into our wider data management procedures, including our approach to cleansing and matching AVC data
- ▶ Decide on what personal data we will use to form our matching criteria for both member's main scheme and AVC benefits
- ▶ When the national launch takes place, we will need to ensure that we have sufficient staff to deal with any queries that we have, within the set time scales. Currently we don't know how much demand there will be for this information

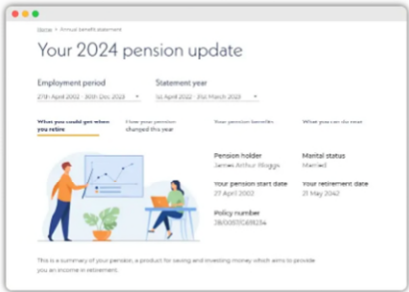
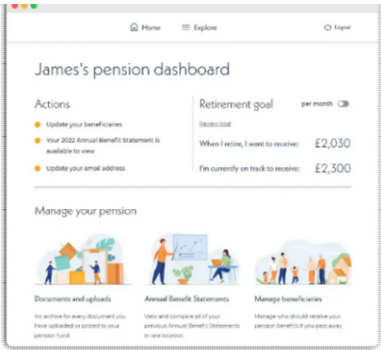
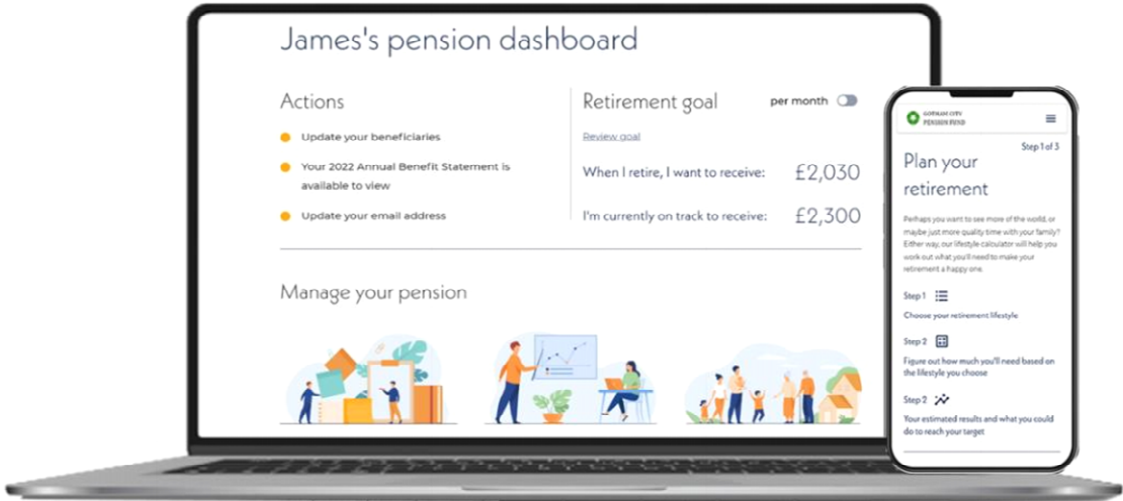
What are the major challenges and projects that the Administration Team are dealing with...



‘Engage’ – *New self service platform for members*

- ▶ Our software provider is **launching a new self-service portal**
- ▶ This will offer an improved functionality for members
- ▶ It can take **up to 3 months** to fully install and test before we turn it on for members to use. A full launch will take place in **Summer 2025**, before the 2025 Annual Benefit Statements are published

Engage Member Self Service Platform



Royal County of Berkshire Pension Fund

Annual Meeting 2024

Barry McKay, Partner

13 November 2024





What's a valuation and recap of 2022



What's happened since 2022?

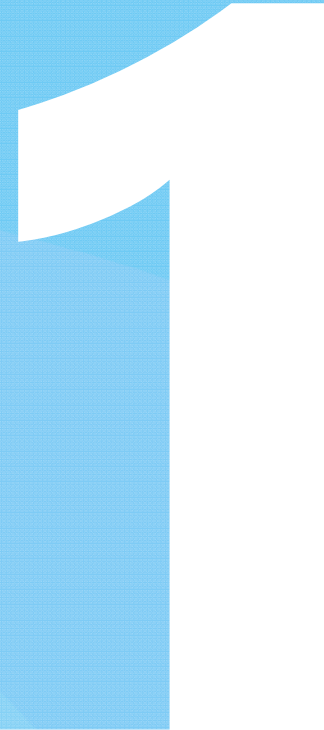


Where are we now?



Looking ahead to 2025

What is a
funding
valuation?



What is a funding valuation?



Liabilities

- How much do we need?
- Financial value of pension promises
- Today's value of future pensions from the Fund



Assets

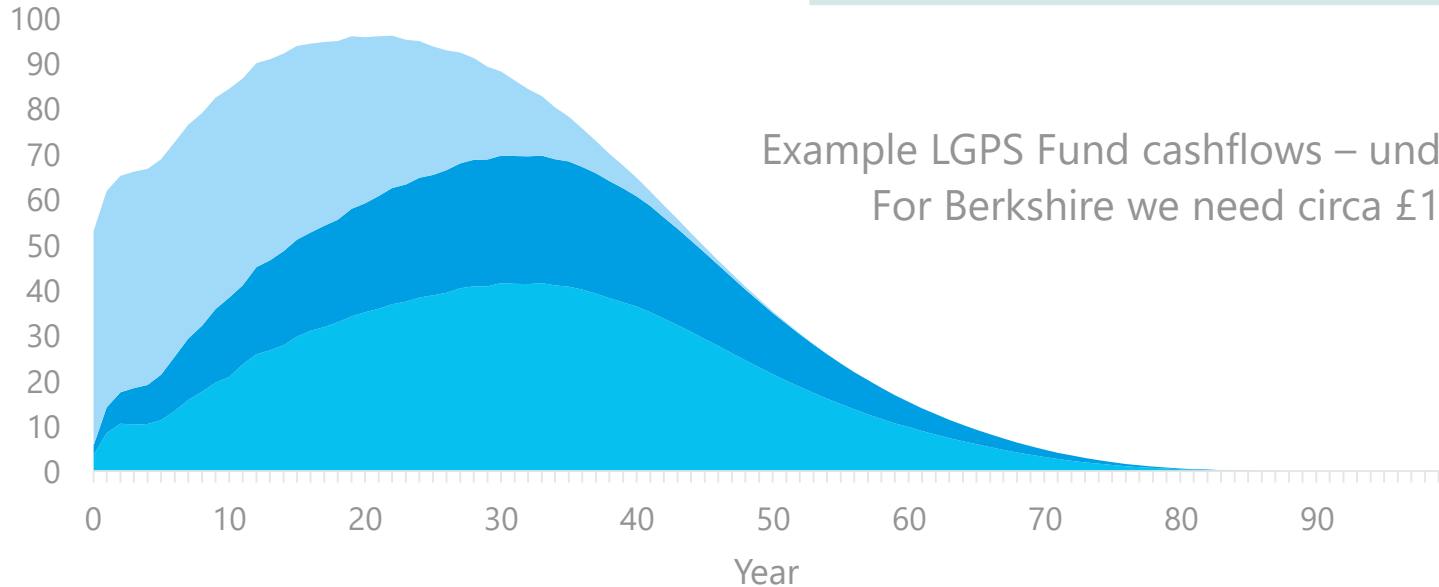
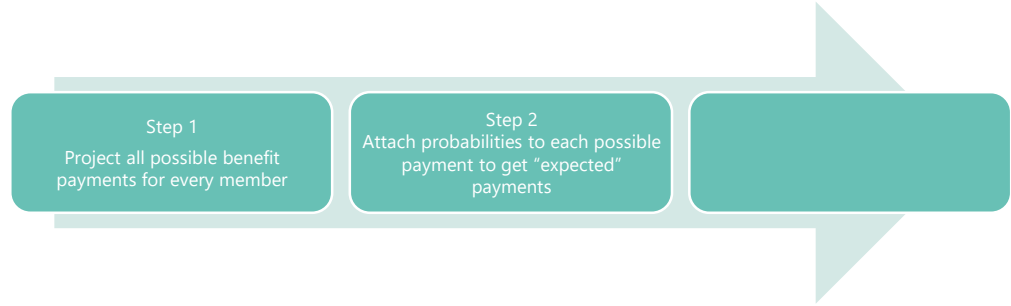
- How much have we got?
- Long-term investments
- Suitable risk
- Investment return on assets



Employer results

- Employers pooled or standalone
- Tracked separately

First, project cashflows

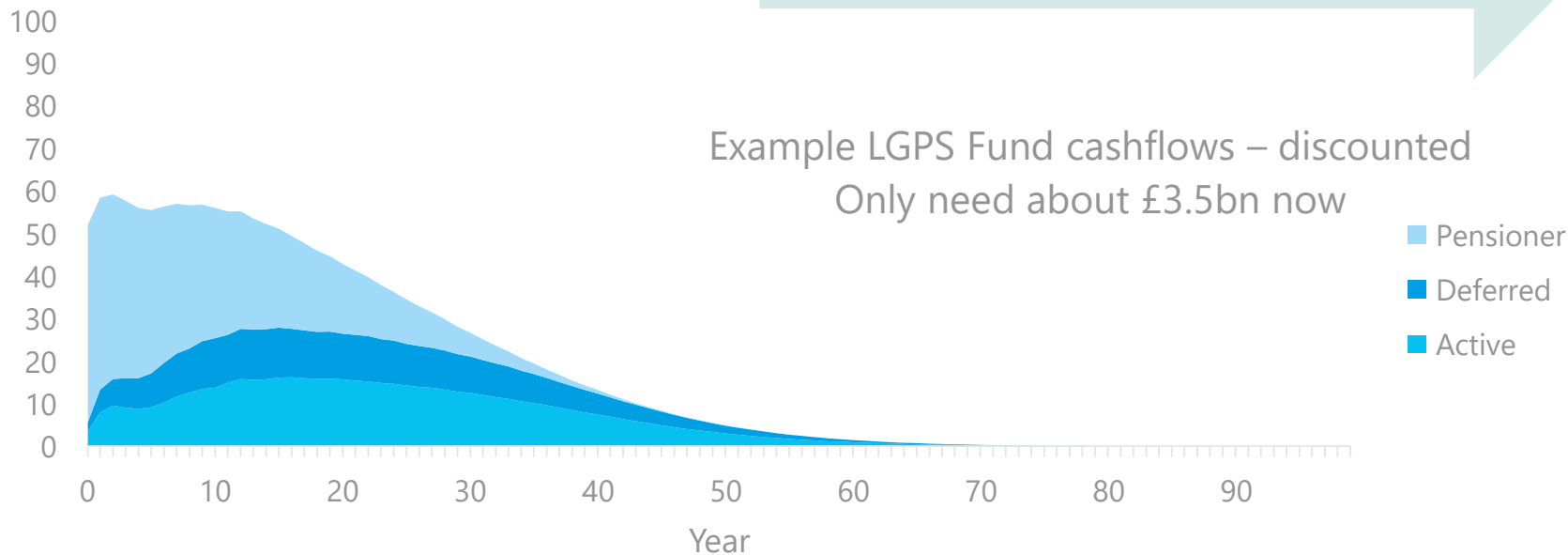
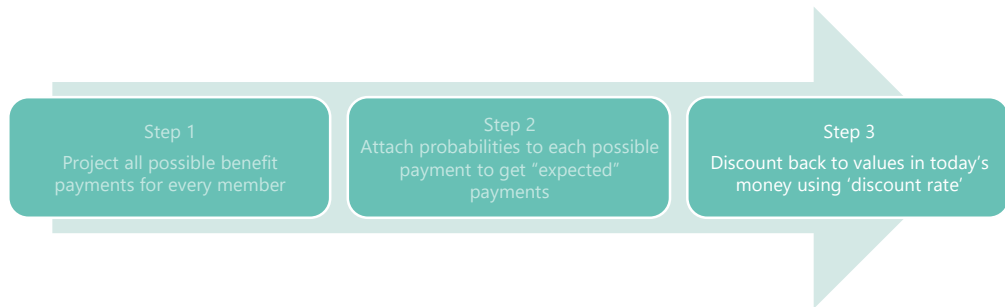


Example LGPS Fund cashflows – undiscounted
For Berkshire we need circa £12bn

- Pensioner
- Deferred
- Active

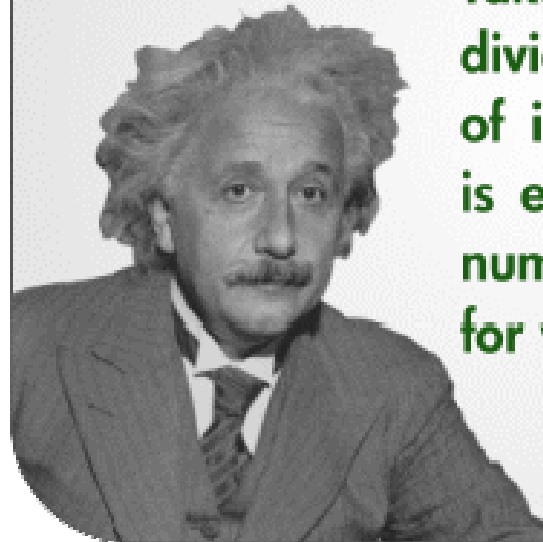


...then "discount" to get liability value



The power of compound interest

Rule of 72



Take the number 72 and divide it by the annual rate of interest that your money is earning to determine the number of years it will take for your money to double.

2022 whole Fund 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

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%
Fund primary rate	16.9%	15.4%



What's happened
since 2022?



High interest rates

The inside story of the mini-budget disaster

© 25 September



Geo-political conflicts

War in Ukraine

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The latest news, analysis and opinion on the War in Ukraine.

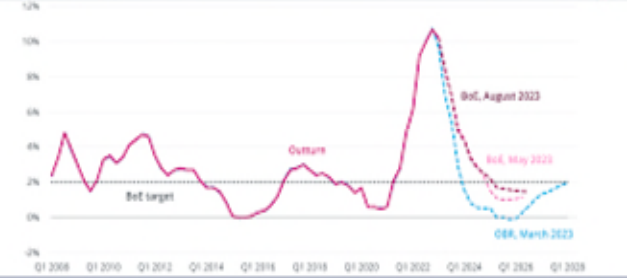
War in Ukraine

Tracking Ukraine's counteroffensive against Russia in maps

A visual guide to the war

High inflation

CPI inflation Q1 2008 to Q1 2025, including successive Bank of England and Office for Budget Responsibility forecasts



Source: Institute for Government analysis of Bank of England, Monetary Policy Report, May and August 2023; Office for Budget Responsibility, Economic and Fiscal Outlook, March 2023.

Lots of elections



A lot!

What's the impact – assets?

- Markets have been variable since 31 March 2022
- Flat in the first year (circa 1.8%), strong in the second year (circa 9%) and flat YTD
- So actual asset returns slightly behind expectations
- Note this is compounded because more liabilities than assets

What's the impact – liabilities?

- High inflation – good for members, increased cost for employers
- Inflation has added around **18% to liabilities** since March 2022
- This **actually increases** liabilities and reduces funding level
- But offset by lower inflation expected vs assumed inflation

Where are we now?

3

Funding level at 7 November 2024

Assets increased from £2.7bn to over £3.1bn

Liabilities increased from £3.1bn to £3.8bn

Funding level decreased to approx. 82%

Royal County of Berkshire Pension Fund (FUND)

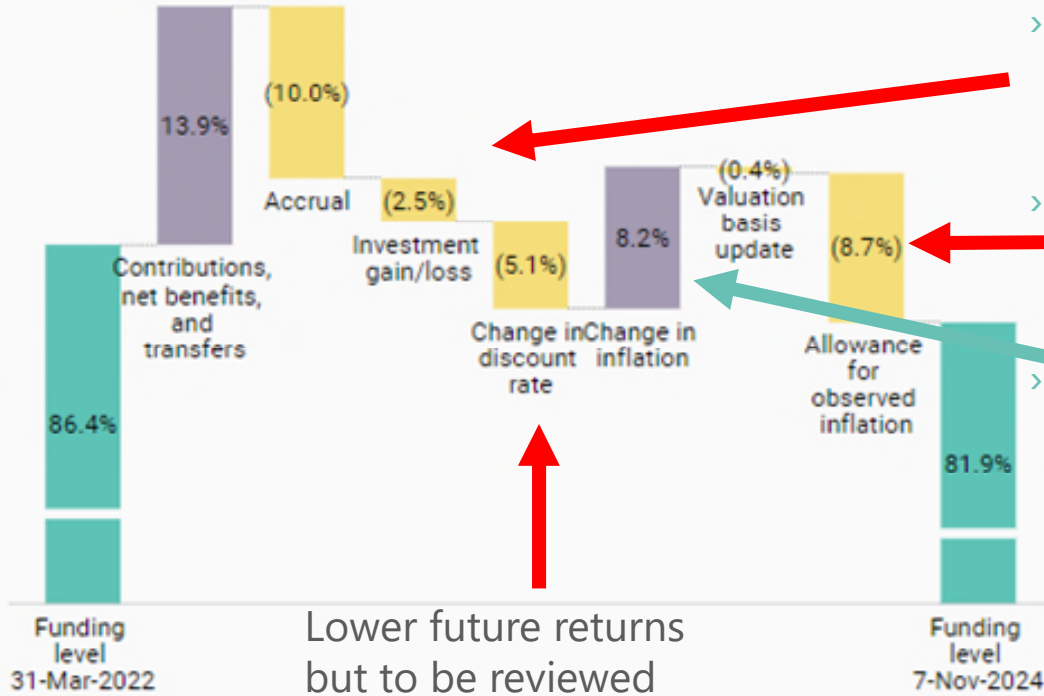
ASSETS

LIABILITIES

FUNDING LEVELS



Why has the funding level decreased since March 2022?



- > Asset returns lower than 5.1% assumed
- > High CPI inflation and pensions increases
- > Actual inflation offset by lower long-term future inflation of 2.5%

Looking ahead to
2025

4

What are we doing now?



Meetings and liaison with
Fund officers



Receiving member data
for review



Receiving member data
for longevity analysis



Updating employer
database with employer
information

Other relevant issues

- BW may carry out analysis to help the Fund identify any employers that may pose a risk to the Fund
- Employers where ability to continue to pay contributions may be hindered
- Fund will engage with these employers to help reduce risk

Covenant analysis



- The Funding Strategy Statement guidance is currently being reviewed
- Aim is for a more consistent presentation across LGPS funds
- Making good progress and on track to be published by year end

FSS Guidance update



- McCloud is an age discriminatory case affecting all public service schemes
- In the LGPS, affected members may be entitled to revised (increased) benefits
- Lots of administration work but low impact on valuation results (*0.5% increase in liabilities at the 2022 valuation*)

McCloud



- Consideration of the impact of climate risk on the liabilities
- Climate principles agreed between the four actuarial firms and the Government Actuary
- Wider impact of climate change considered such as impact on longevity and employer covenant

Climate change



What does it all mean for you and the 2025 valuation results?



Expect funding position to be close to 2022



Objective is to keep contributions stable



Short term focus for employers is clean data



However, still four months to go until 31 March 2025....

Q & A





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Thank you for listening