

# Royal County of Berkshire Pension Fund

*Annual Report and Accounts*

## 2021/2022



Local Government  
Pension Scheme

<b>1)</b>	<b><u>PENSION FUND COMMITTEE CHAIRMAN'S INTRODUCTION</u></b>	<b>3</b>
<b>2)</b>	<b><u>SCHEME MANAGEMENT</u></b>	<b>4</b>
<b>3)</b>	<b><u>ADMINISTRATION REPORT</u></b>	<b>8</b>
<b>4)</b>	<b><u>INVESTMENT REPORT</u></b>	<b>19</b>
<b>5)</b>	<b><u>FINANCIAL PERFORMANCE REPORT</u></b>	<b>23</b>
<b>6)</b>	<b><u>RISK MANAGEMENT</u></b>	<b>24</b>
<b>7)</b>	<b><u>ACTUARY'S STATEMENT AS AT 31 MARCH 2022</u></b>	<b>25</b>
<b>8)</b>	<b><u>INDEPENDENT AUDITOR'S STATEMENT</u></b>	<b>27</b>
<b>9)</b>	<b><u>STATEMENT OF RESPONSIBILITIES</u></b>	<b>28</b>
<b>10)</b>	<b><u>POST POOL REPORTING AND COST TRANSPARENCY</u></b>	<b>29</b>
<b>11)</b>	<b><u>PENSION FUND ACCOUNTS</u></b>	<b>31</b>
<b>12)</b>	<b><u>SCHEME EMPLOYERS AND CONTRIBUTIONS RECEIVED</u></b>	<b>64</b>
<b>13)</b>	<b><u>AVC ARRANGEMENTS</u></b>	<b>67</b>
<b>14)</b>	<b><u>POLICIES, STRATEGIES AND STATEMENTS</u></b>	<b>68</b>
<b>APPENDIX 1)</b>	<b>COMMUNICATIONS STRATEGY STATEMENT</b>	<b>70</b>
<b>APPENDIX 2)</b>	<b>FUNDING STRATEGY STATEMENT</b>	<b>77</b>
<b>APPENDIX 3)</b>	<b>GOVERNANCE COMPLIANCE STATEMENT</b>	<b>93</b>
<b>APPENDIX 4)</b>	<b>INVESTMENT STRATEGY STATEMENT</b>	<b>98</b>

## 1) PENSION FUND COMMITTEE CHAIRMAN'S INTRODUCTION

It gives me great pleasure as Chairman of the Pension Fund Committee to present the Annual Report and Accounts for the financial year ended 31 March 2022 for the Royal County of Berkshire Pension Fund (the "Fund").

The Royal Borough of Windsor & Maidenhead (RBWM) is the Administering Authority for the Fund and administers the Local Government Pension Scheme (LGPS) on behalf of all Scheme members employed by the six Berkshire Unitary Authorities and around 270 other public and private sector employers. The administration team have been able to provide a highly professional and efficient service to all Scheme members and employers this year. Their continued professionalism in maintaining the highest standards of service to our Scheme members has been, I am sure, very welcome to all our members, and we can all thank them for this. These high levels of service will continue this year too.

The Berkshire Pension Fund Committee comprises five RBWM Councillors. The Pension Committee also receives invaluable support from the Pension Fund Advisory Panel, which consists of representatives from the other five Berkshire Unitary Authorities. Additional assistance is provided by the Fund's independent financial advisors, who have provided us with guidance in managing the funds.

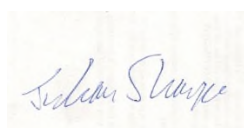
In practice decisions are taken at joint meetings of the Pension Fund Committee and Pension Fund Advisory Panel although only members of the Pension Fund Committee have voting rights.

The Royal County of Berkshire Pension Fund continues to operate under an Advisory Management Agreement with Local Pensions Partnership Investments Limited (LPPI), which continues to be a successful partnership, with them pooling an increasing range of our funds. The Pension Fund Committee remains responsible for setting the investment strategy and strategic allocation of its assets and for monitoring investment performance.

In addition to taking decisions that relate to Fund investments, the Pension Fund Committee has a statutory duty to ensure that the LGPS is governed and administered in line with the government regulations and other associated legislation. I am grateful to members of our local Pension Board for their input and assistance in ensuring that RBWM fulfils its statutory responsibilities.

This year so far we have seen some fluctuations on global markets which has made the outlook somewhat unpredictable when compared to this time last year. But we can never rest and we must always be vigilant, which is why we have this year we have been focusing on our Responsible Investment strategy to ensure that our investments are in line with a more carbon-neutral future. We have also been working to rebalance the portfolio to ensure that our returns are moving in the right direction.

I have great confidence that the Pension team will continue to provide our Scheme members and employers with a high-quality service over the next year.



**Councillor Julian Sharpe**  
**Chairman**  
**Berkshire Pension Fund Committee**  
**Berkshire Pension Fund Advisory Panel**

## 2) SCHEME MANAGEMENT

### **PENSION FUND COMMITTEE (voting) (ELECTED MEMBERS OF THE ADMINISTERING AUTHORITY)**

Chairman	Councillor Julian Sharpe
Vice Chairman	Councillor David Hilton
Other members	Councillor Simon Bond
	Councillor Wisdom Da Costa
	Councillor Shamsul Shelim

### **PENSION FUND ADVISORY PANEL (non-voting)**

In addition to the 5 Pension Fund Committee members, the Advisory Panel consists of Elected Members from the other 5 Berkshire Unitary Authorities:

Councillor Ian Leake (Bracknell Forest Borough Council)  
Councillor Jo Lovelock (Reading Borough Council) (Final meeting 14 June 2021)  
Councillor Jason Brock (Reading Borough Council) (First meeting 20 September 2021, Final meeting 7 March 2022)  
Councillor Safdar Ali (Slough Borough Council)  
Councillor Alan Law (West Berkshire Council)  
Councillor John Kaiser (Wokingham Borough Council) (Final meeting 7 March 2022)

### **Dates and attendance of Pension Committee/Advisory Panel meetings**

Meeting Dates:

14 June 2021  
20 September 2021  
15 November 2021 (Supplementary\*)  
6 December 2021  
7 March 2022

Attendance for 2021/22

<b>Name</b>	<b>Number of meetings eligible to attend</b>	<b>Attended</b>
Cllr. Julian Sharpe	5	4 (1*)
Cllr. David Hilton	5	4 (1*)
Cllr. Simon Bond	5	4 (1*)
Cllr. Wisdom Da Costa	5	3**
Cllr. Shamsul Shelim	5	4 (1*)
Cllr. Ian Leake	5	0 (1*)
Cllr. Alan Law	5	0
Cllr Jo Lovelock	1	1
Cllr. Jason Brock	4	3
Cllr. Safdar Ali	5	2
Cllr. John Kaiser	5	3 (1*)

\*\* Cllr. Wisdom Da Costa attended all meetings virtually in a non-voting capacity

### **ADVISERS**

#### **Actuary**

Barnett Waddingham LLP

#### **Additional Voluntary Contribution Provider**

Prudential Assurance Company

**Asset Pool Operator**

Local Pensions Partnership (Investments) Limited (LPPI)

**Bankers to the Fund**

Lloyds Bank PLC

**External Auditors**

Deloitte LLP

**Global Custodian**

JP Morgan Worldwide Securities Services

**Independent Advisers**

The Law Debenture Pension Trustee Corporation (Mr Andrew Harrison until meeting of 7 March 2022)

Mr Rohan Worrall (until meeting of 7 March 2022)

Ms Aoifinn Devitt

**Lawyers**

Osborne Clarke LLP

**Royal Borough of Windsor & Maidenhead Pension Fund Senior Officers**

Director of Resources and s151 Officer Adele Taylor

Head of Finance and Dep. s151 Officer Andrew Vallance

Interim Head of Pension Fund Ian Coleman (to 31 October 2021)

Head of Pension Fund Damien Pantling (from 1 September 2021)

**Scheme Administrators**

In-house pension administration team

**PENSION BOARD**

In accordance with the provisions of the Public Service Pensions Act 2013 a Pension Board was constituted on 22 July 2015.

Chairman	Mr Alan Cross
Vice-Chairman	Mr Arthur Parker
Employer Representatives	Mrs Nikki Craig (RBWM) Mr Arthur Parker (Bracknell Forest Council)
1 Vacancy	
Scheme Member Representatives	Mr Alan Cross (Deferred Scheme member) Mr Jeff Ford (Retired Scheme member) Mr Tony Pettitt (Retired Scheme member) (until 17 February 2022)
1 Vacancy	
Substitutes	Mr Kieron Finlay (University of West London) Mr Julian Curzon (Haybrook College Trust)

**Dates and attendance of Pension Board meetings 2021-22:**

Meeting Dates:

27 May 2021

2 September 2021

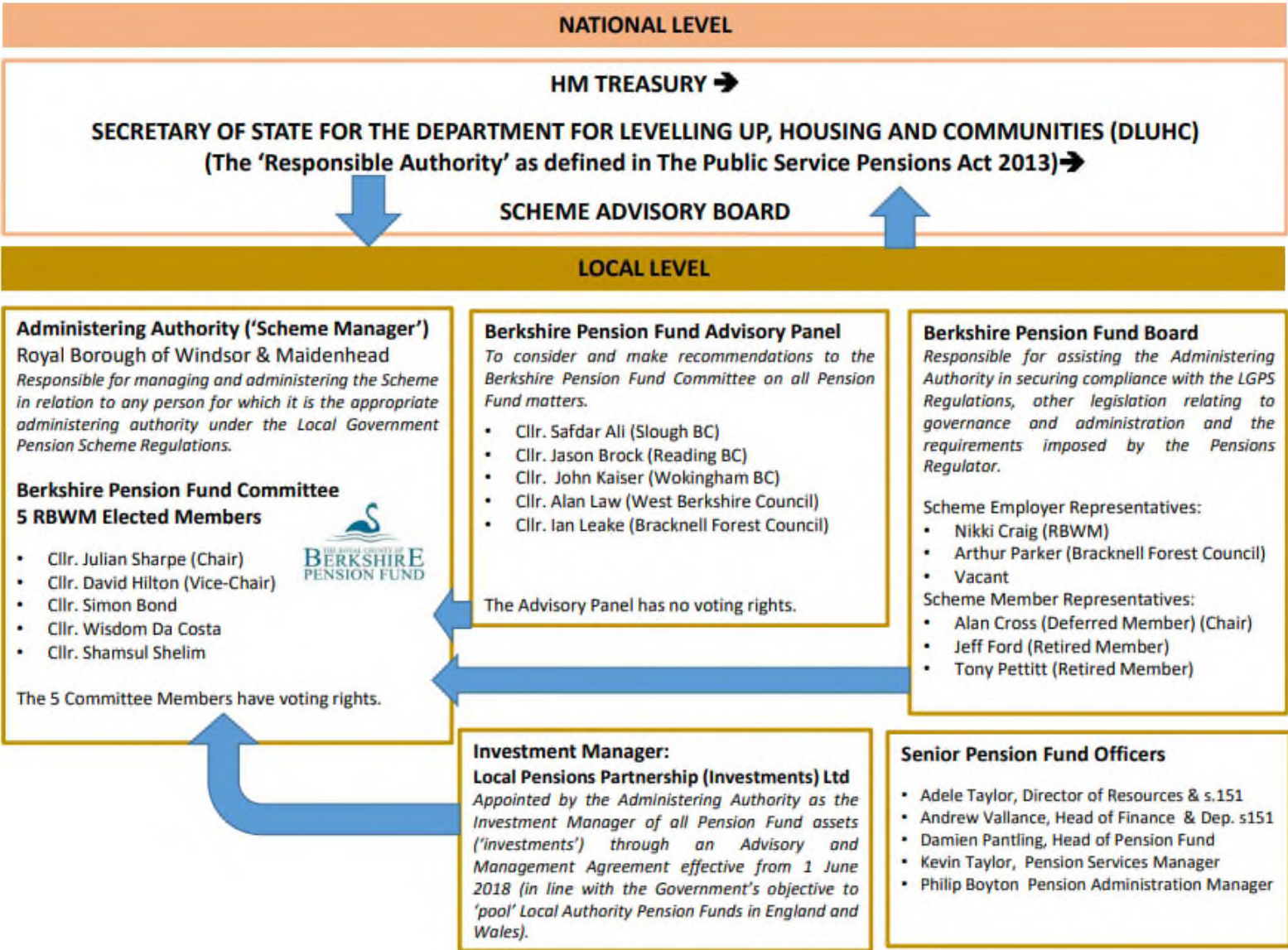
18 November 2021

17 February 2022

Attendance for 2021/22

Name	Number of meetings eligible to attend	Attended
Nikki Craig	4	3
Alan Cross	4	4
Jeff Ford	4	4
Arthur Parker	4	3
Tony Pettitt	4	0
Julian Curzon	4	2
Kieron Finlay	4	2

The following structure chart reflects the Pension Fund’s governance arrangements as at 31 March 2022:



## **PENSION BOARD STATEMENT: APRIL 2021 – MARCH 2022**

The Pension Board (“the Board”) has been established to meet the requirements defined in the Public Services Pensions Act 2013. The Board's statutory duties are to:

- Ensure the Fund's compliance with legislation, regulation and guidance, along with the Pension Regulator's (TPR) requirements;
- Ensure that the Fund's governance and Scheme administration is effective and efficient.

The Board focuses mainly on governance and administration issues through the management of a clearly defined work programme of reviews, monitored through an action tracker. In addition, the Board has sought to deliver effective advice and assurance in line with the agreed Terms of Reference and the Administering Authority's Constitution.

During 2021/22 the Board's meetings have occurred using a hybrid arrangement with some members meeting in person with Fund officers and others attending virtually using Zoom & Teams. As the Board is not formally a committee with any significant decision-making powers, it is envisaged that the Board will continue to meet that way for the foreseeable future. The Board has continued the process of developing the knowledge and skills of the Board members to enable them to undertake their duties with confidence.

Following the authority's Governance review, work has been undertaken to review the Board's operation which it is expected will be concluded in 2022/23 with the present Board vacancies being filled and clear Board membership review arrangements being put in place. Time has been given to the compliance of the Fund's administration, reviewing statutory documentation as it has been published throughout the year and building on the positive outcome of the internal audit of the Administering Authority's compliance with the TPR Code of Practice 14. Particular attention has been given to the review of the Fund's refreshed Risk Register.

The recent past has been a period of transition for all Local Government Pension Funds including the Royal County of Berkshire Pension Fund. In Berkshire, all investment assets have been transferred to LPPI's management but there remain legacy assets to transfer to the LPPI pool as investment conditions permit.

Nationally, amendments to scheme regulations and over-arching legislation, plus numerous and complex Government consultations to consider, has made it a demanding time for all connected with Local Government Pension Funds. Add to this the scrutiny of the Pensions Regulator and it is clear that Fund governance and administration of the Local Government Pension Scheme (LGPS) is more important than ever and a challenge to which the Pension team has in the past, and will in the future, continue to meet.

The Board normally meets a few weeks before the Pension Committee so as far as practical Board members can consider and provide input to (draft) Committee papers ahead of any required decision being made. The Board continues to keep under review the Pension Committee's work-plan offering whatever assistance it can give to the Administering Authority in fulfilling its statutory duties of governance and administration, with the Chair of the Board normally attending the Pension Committee meetings. There will always be room for improvement but the work of the Board helps to establish clear priorities for future activity.

### **3) ADMINISTRATION REPORT**

#### **Introduction**

The Royal Borough of Windsor and Maidenhead acts as the Administering Authority for the Royal County of Berkshire Pension Fund (“Pension Fund”) and is the Pension Fund for local government employees across the County of Berkshire who all contribute to the Local Government Pension Scheme (LGPS). The benefit entitlement for Scheme members of the LGPS is set out by the Local Government Pension Scheme Regulations 2013 (as amended) and other associated legislation.

While employee pension contributions and benefits payable are set by Regulation, employer pension contributions are actuarially assessed at each valuation of the Pension Fund and areas of discretion are subject to local policies determined by each participating Scheme employer.

#### **Value for Money Statement**

The Royal County of Berkshire Pension Fund is committed to providing and delivering the highest standards of performance and customer service to all stakeholders. To achieve this the Pension Fund in line ensures compliance with the Local Government Pension Scheme Regulations, wider pensions and other associated legislation and the requirements of the Pensions Regulator.

The Fund is responsive to change and utilises the most up-to-date technologies in order to administer the scheme in the most, efficient and cost-effective way. The long-term interests of current and former scheme members are aligned closely with the Fund’s commitment to maintaining value for money in all activities and practices.

The Berkshire Pension Fund Committee (“the Committee”), made up of 5 Elected Members of the Administering Authority (the Royal Borough of Windsor & Maidenhead (RBWM)), has overall responsibility for the Pension Fund. Each quarter, the Committee receives an operational performance report which sets out the strategic and operational administration aims to maximise efficiencies and service standards. Each year a business plan is reported to the Committee which reflects on the past years’ achievements and the Funds objectives in the short and medium-term.

As the administration of the LGPS becomes ever-more complex the administration team are required to maintain increasing membership numbers, employer admissions and workloads. Despite this, staffing numbers have remained relatively constant. The results of a recent recruitment and retention survey undertaken by the Local Government Association (LGA) showed, at the time of issue, that the Pension Fund maintains 4,069 records per administrator against an average of 2,453. This is reflected in the fact that the team is made up of 18.73 FTE staff against an average of 39.51FTE identified in the survey.

The average unit cost, or cost of running the administration function per member record is £23.45 per annum, based on total administration costs of £2.115m and 83,092 member records.

The Pension Fund consistently delivers high service levels to all stakeholders. As reported each quarter to the Committee, the key performance indicators are measured against locally agreed targets which are much more challenging than those put forward by CIPFA as the Industry Standard Performance Indicators. Even so, the Pension Fund consistently reports performance targets achieved in excess of 95%.

The Pension Fund prides itself in the quality of data that it holds achieving a common data score of 98.9% and a scheme specific data score of 95% in the 2021 data quality exercise, details that are report to the Pensions Regulator.



## **Customer Satisfaction**

The landscape of the LGPS continues to evolve greatly resulting in the need for our administration team to continue using a variety of methods to understand our Scheme members' and Scheme employers' needs. Their needs, experiences of the service we provide, and their perception of the Pension Fund help us to continually improve and become more efficient and effective.

The 1 April 2014 saw a significant change to the LGPS with the introduction of a Career Average Scheme, fundamentally different to the Final Salary Scheme previously in place. This event undoubtedly made the LGPS more complex to administer with increased scrutiny from the Pensions Regulator.

Due to the global Coronavirus pandemic the administration team was quick to identify the immediate need to adopt and accept new ways of working whilst at the same time adapting long standing processes. This all aimed at continuing to provide the high standard of service our Scheme employers and their Scheme members have come to expect during unprecedented times of upheaval for many. It is pleasing that the equipment made available to the administration team by the Administering Authority has meant the transition from office to home working has remained seamless, helping us to maintain the confidence of all our stakeholders.

Going forward the administration team will continue to be pro-active and provide timely and accurate information to all Scheme members ensuring that they are aware of all changes to the Scheme and what any changes, including retrospective changes, will make to their pension benefits. Also continuing to ensure Scheme employers are fully educated about the Scheme, they understand their responsibilities and the consequences of their failure to adhere to them.

## **Compliance with Communications Policy Statement**

Under Regulation 61 of the Local Government Pension Scheme Regulations 2013 (as amended) The Royal Borough of Windsor & Maidenhead, in its role as Administering Authority to the Pension Fund, is required to publish a statement of policy concerning communications.

This policy statement can be found at Appendix 1 and deals with the methods of communication between the Administering Authority, Scheme members and Scheme employers of the Pension Fund. The Administering Authority keeps the policy statement under review.

### **➤ Communication with Scheme Employers**

#### **Annual Scheme Employers' Meeting**

All Scheme employers were invited to attend a remote meeting on Tuesday, 15 March 2022. Attendees were provided with a review of the work undertaken by the administration team during the last scheme year, a legislative update that included information about the McCloud Judgement and Pension Dashboards Programme, and an actuarial update delivered by the Pension Fund Actuary, Barnett Waddingham.

#### **Training for Scheme Employers**

The Pension Team continues to hold ad-hoc training sessions throughout the year on request. These sessions are designed to educate both new and current Scheme employers about the important role they play in helping the team administer the Scheme and the importance of holding clean and accurate data to process benefits quickly and efficiently. These sessions were well received with the team immediately seeing a more proactive approach towards the submission and quality of data by Scheme employers.

## Regular Updates on the LGPS

"*The Inscribe*" bulletin is distributed to Scheme employers on a quarterly and, where necessary, ad-hoc basis along with other global emails distributed to Scheme employers when deemed necessary.

## Pension Fund website

The Pension Fund website continues to prove a valuable source of information for our Scheme employers and their Scheme members.

The website contains sections dedicated to the following:

- Current Scheme members
- Deferred Scheme members
- Retired Scheme members
- Councillor Scheme members
- Scheme employers

The website has been described as easily accessible and includes many links making navigation user friendly. Even so, during the coming months the administration team will review and remodel the website to ensure Scheme members continue to have a quick and easy to use point of reference and are aware of the impact any changes to the Scheme will make to their pension benefits. Also, to ensure the same experience continues to be afforded to Scheme employers to help continually educate them and understand their responsibilities.

The website address is [www.berkshirepensions.org.uk](http://www.berkshirepensions.org.uk)

## Employer Self Service (ESS)

The Pension Fund launched ESS on 19 October 2017. ESS is accessible to all registered Scheme employers and enables them to view and amend their own Scheme members' pension data remotely and securely from the comfort of their workplace.

ESS also enables Scheme employers to calculate quickly and efficiently the value of their Scheme members benefits and any respective strain cost payable thus avoiding the need to contact the administration team.

The Pension Fund is aware of the software providers plans to decommission ESS before March 2023 having undertaken a significant piece of work beforehand to evaluate which of the key areas of ESS functionality should be developed in i-connect Software. The Pension Fund looks forward to continuing to work with the software provider to ensure i-connect Software meets the needs of our Scheme employers.

## i-connect Software

The Pension Fund continues to build on the success it has experienced since February 2016 with data in respect of 91% of the total active Scheme membership now submitted to the Pension Fund monthly. This is an increase of 5% compared to the previous year. We continue to pro-actively work closely together with our Scheme employers of all sizes who are yet to on board the service to ensure they can realise the benefits of the service as quickly as possible.

Overall, this has saved the team significant administration time by removing the need for manual input, but most importantly helping maintain the accuracy of member data. No doubt Scheme employers and the team will continue to benefit from this service throughout the next 12 months.

## General Guidance and Assistance

The pension administration team can be contacted during normal office hours. There is a dedicated help-line 01628 796668 and a dedicated email help desk ([info@berkshirepensions.org.uk](mailto:info@berkshirepensions.org.uk)).

## Promotional Services

The Pension Fund continues to produce and publish scheme guides and factsheets relating to specific pension topics all of which are available for download from the Pension Fund website. These are constantly reviewed and updated to keep pace with the ever evolving Local Government Pension Scheme.

### ➤ **Communication with All Scheme Members**

#### Member Self Service - 'my pension ONLINE'

The Pension Fund's 'my pension ONLINE' service enables Scheme members to securely access and update your own pension details using a variety of different devices - desktop PC, laptop, tablet, or smartphone.

The service continues to prove popular with over 21,700 Scheme members now registered, which represents approximately 40% of the total Scheme membership the service is accessible to. Registered Scheme members' can quickly gain access to their own pension record to check their details are correct and calculate the current and future value of their own benefits and their dependants. This removes the need to contact the Pension Team and wait for an estimate to be sent to them.

#### Welcome Pack

With the implementation of 'my pension ONLINE' each new member receives a letter containing an activation code and guidance as to how to access their welcome pack online. If a member chooses not to register for 'my pension ONLINE' a paper version of the welcome pack will be sent to the member's home address upon request.

#### Annual Benefit Statements

Each active and deferred member of the pension scheme receives an annual benefit statement. With the availability of 'my pension ONLINE' these statements are available for viewing, downloading, or printing on-line and means the Pension Fund only issues a paper statement to 3,403 active and deferred Scheme members combined. This number will decrease as the Scheme membership types move to receiving their benefits and individuals join the Scheme and default to the 'my pension ONLINE' service.

The Annual Benefit Statement provides details of benefits built up to 31<sup>st</sup> March the previous year, benefits projected to Normal Pension Age, death in service benefits and details of the member's nominated beneficiaries.

#### Pension Surgeries

During the year two pension surgeries were held at each of the six Unitary Authorities with additional pension surgeries being held at other employer locations upon request. These pension surgeries have all been held remotely using Microsoft Teams and very well received who made pre-arranged appointments, providing an opportunity for Scheme members to discuss any aspect of their pension benefits. The administration team met with 310 Scheme members across the pension surgeries held. To accompany these pension surgeries the

administration team provide pre-retirement courses and presentations aimed at those Scheme members considering retirement in the near future.

### Newsletters

The Pension Fund produces and distributes bi-annual newsletters. *'The Quill'* is issued to active and deferred Scheme members and *'The Scribe'* is issued to pensioner and dependant Scheme members. Both continue to be very well received by Scheme members. Since the implementation of 'my pension ONLINE' newsletters are available for viewing, downloading or printing on-line.

### Annual Meeting

All Scheme members were invited to attend a remote meeting on Thursday, 16 December 2021. Attendees were provided with a review of the work undertaken by the administration team during the last scheme year, a legislative update that included information about the McCloud Judgement and Pension Dashboards Programme, an investments update delivered by the Local Pensions Partnership Investments Limited (LPPI), and an actuarial update delivered by the Pension Fund Actuary, Barnett Waddingham.

### ➤ **Communication with Pensioner and Dependant Scheme Members**

The Pension Fund has a dedicated payroll team dealing with former Scheme members now receiving payment of their pension benefits. As well as responding to their enquiries the payroll team are responsible for ensuring we meet our regulatory requirements.

### Pension Payslips

The administration team has issued payslips in accordance with its 50 pence variance rule each month and before payment has been made. The Retired Members area of the Pension Fund website provides a detailed explanation of a payslip. Since the implementation of 'my pension ONLINE' payslips are available for viewing, downloading and printing on-line.

### P60s

The administration team issued P60s to all pensioner and dependant Scheme members in April 2021 well in advance of the HMRC deadline. The Retired Scheme Members area of the Pension Fund website provides a detailed explanation of a P60, which was also contained in our Spring edition of *'The Scribe'*. Since the implementation of 'my pension ONLINE' P60s are available for viewing, downloading and printing on-line in a format approved by HM Revenue & Customs.

### Annual Pension Increase Notice

Pensions are reviewed annually each April under the Pensions Increase Act as prescribed by Social Security legislation in line with the upgrading of various state benefits and is determined by the percentage increase in the Consumer Price Index (CPI) to the preceding September.

Pensions were increased by 0.5% from 12 April 2021 and represents the increase in the CPI index for the 12-month period to the 30 September 2020. Pensions increase is normally applied to pensioners who are age 55 or over, or have retired at any age on ill-health grounds or those in receipt of a dependant's pension.

A member who retired during the financial year will have a proportionate increase applied. The Pension Fund issued a notification to all pensioner and dependant Scheme members in April 2020 providing details of their increase awarded from 12 April 2021.

## Tell Us Once (TUO)

A service designed to provide Pension Funds with details of those members having died and their next of kin via the General Registry Office (GRO), the Pension Fund was one of the first Local Government Pension Funds to on board and upload membership data and since going LIVE in March 2016 has received 1,603 notifications with 292 of these received between 1 April 2021 and 31 March 2022.

The service continues to prove a successful addition helping the Pension Fund contact the next of kin more quickly and avoid any potential overpayment of benefits.

## National Fraud Initiative

The Cabinet Office is responsible for the National Fraud Initiative. The Pension Fund participates in the National Fraud Initiative (NFI). Since April 2015 the NFI has been conducted using data matching powers bestowed on the Minister for the Cabinet Office by Part 6 of the Local Audit and Accountability Act 2014.

The NFI is a data matching exercise to assist in the prevention and detection of fraud which is undertaken every two years. NFI is primarily used by the Pension Fund to ensure an annual pension is not continued to be paid after a member has died.

The Pension Fund has access to several methods to eliminate the risk of an annual pension continuing to be paid after the death of a member. A family bereavement is a challenging time, so in addition to notification by friends and family, the Pension Fund checks mortality of all pensioners and dependents, on a monthly basis, via an external database and also uses the services of the "Tell Us Once Service" operated by DWP which automatically notifies the Pension Fund when a death is registered. Following the NFI 2020 data matching exercise undertaken in October 2020, there were no cases where an annual pension had continued to be paid following a member's death.

## **Management Performance**

### **Key Administration Performance Indicators**

The Pension Fund monitors the time it takes to complete procedures. The key foundation to achieving the performance standards we set to complete procedures is by ensuring we maintain quality data.

Our key procedures reported to the Pension Board, Pension Fund Committee and Pension Fund Advisory Panel on a quarterly basis are:

- Inputting of new Scheme members,
- Payment of deceased benefits,
- Payment of retirement benefits, and
- Payment of Refund of Contributions

Performance for these key procedures over the year was 97.87%, which is an increase of 0.26% on the 2020/2021 year. From 1 April 2021 the Pension Fund moved away from reporting performance in respect of the processing of early leavers and instead began reporting performance in respect of the processing of deceased benefits. A summary of achievement in each area is shown in the table below:

<b>Administration Team Performance</b>		<b>2020/2021</b>			<b>2021/2022</b>		
<b>Case Type</b>	<b>Target (working days)</b>	<b>Number received</b>	<b>Number within target</b>	<b>% within target</b>	<b>Number received</b>	<b>Number within target</b>	<b>% within target</b>
Inputting of new Scheme members	20	4,608	4,577	99.33	7,043	6,983	99.15
Processing of deceased benefits	5	n/a	n/a	n/a	205	162	79.02
Payment of retirement benefits	5	1,258	1,185	94.20	1,567	1,473	94.00
Payment of Refund of Contributions	10	600	598	99.67	546	544	99.63

### Complaints

The administration team monitor the complaints received monthly and ensure we respond promptly having investigated thoroughly and learn from them to improve the service.

The complaints are monitored in two distinct ways:

- Complaints about our service and the way we apply the regulations; and
- Under the LGPS Regulations Scheme members can use a three stage Internal Dispute Resolution Procedure (IDRP) to settle any disagreement or complaint that they may have about decisions made under scheme rules.

The table below shows the number of complaints in each category. These represent a minimal percentage when compared to more than 34,800 procedures carried out in 2021/2022.

<b>Administration Team Performance</b>		<b>2020/2021</b>			<b>2021/2022</b>		
<b>Case Type</b>	<b>Target (working days)</b>	<b>Number received</b>	<b>Number within target</b>	<b>% within target</b>	<b>Number received</b>	<b>Number within target</b>	<b>% within target</b>
Service	10	2	2	100	3	3	100
IDRP	n/a	1	1	100	2	2	100

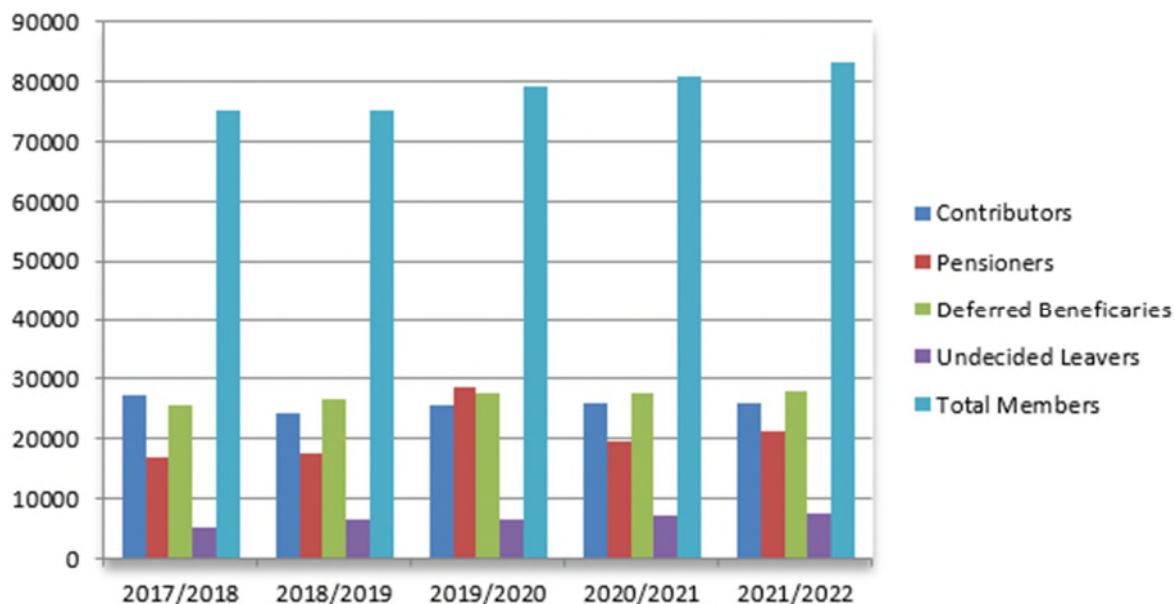
## Key Staffing and Scheme Membership Numbers

**Staffing** – The administration team is made up of the following team members:

Year	2020/2021	2021/2022
Head of Pension Fund	n/a	1.0
Pension Services Manager	1.0	0.7
Pension Administration Manager	1.0	1.0
Deputy Pension Administration Manager	1.0	0.6
Assistant Pension Manager (Communications)	1.0	1.0
Pension Fund Finance Officer	1.0	1.0
Corporate Accountant (Pensions)	1.0	1.0
Technical Analyst	0.7	0.8
Assistant Technical Analyst	1.0	1.0
Senior Pension Administrators	2.0	2.0
Pension Administrators	6.5	6.5
Trainee Pension Administrators	3.0	3.0
Payroll Supervisor	0.8	0.9
Pension & Payroll Administrator	1.0	1.0
Clerical Support	0.6	0.6
<b>Total</b>	<b>21.6</b>	<b>22.1</b>

## Scheme Membership

Scheme membership of the Pension Fund continues to grow. The chart and table overleaf show the number of contributors, pensioners (including dependants) deferred beneficiaries, and deferred refund member records (individuals may have more than one Scheme membership record) over the last five years to 31 March 2022.



	<b>31 March 2018</b>	<b>31 March 2019</b>	<b>31 March 2020</b>	<b>31 March 2021</b>	<b>31 March 2022</b>
<b>Contributors</b>	27,369	24,203	25,695	25,887	25,959
<b>Pensioners</b>	16,955	17,763	18,785	19,720	21,356
<b>Deferred Beneficiaries</b>	25,624	26,626	27,510	27,575	28,087
<b>Deferred Refunds</b>	5,127	6,650	6,408	7,170	7,690
<b>Total Scheme Members</b>	<b><u>75,075</u></b>	<b><u>75,242</u></b>	<b><u>78,398</u></b>	<b><u>80,352</u></b>	<b><u>83,092</u></b>

#### NOTES:

- Contributors are employees currently contributing to the Local Government Pension Scheme and include some employees who have more than one contract of employment, each contract being treated separately for administration purposes.
- Pensioner Scheme members are in receipt of a pension and include all dependants of former Scheme members.
- Deferred beneficiaries are former contributors who have elected to retain their rights in the Scheme until such time as they become payable.
- Deferred Refunds are former contributors who have an entitlement to receive a return of contributions paid, less mandatory deductions.

#### Pension Team Administrator and Scheme Member Ratio

The result is a large Pension Fund being administered by a small team. The administrator (from Technical Analyst to Clerical Officer) to scheme member ratio remains consistent with the previous year at 1:5258 with the administration team continuing to provide a highly regarded and professional service across the entire Scheme membership.



## Benefit Movements: 2021/2022 Admissions and Withdrawals from the Pension Fund

### Admissions to the Pension Fund

Reason	Total
Scheme members with no known previous LGPS membership outside of Pension Fund	3,786
Scheme members who transferred in their benefit entitlement from another LGPS Pension Funds	165
Scheme members who transferred in their benefit entitlement another type of pension schemes	114

### Withdrawals from the Pension Fund

Reason	Total
Scheme members entitled to deferred benefits	1,508
Scheme members entitled to deferred contribution refund	522
Scheme members awarded retirement benefits	466  Type of retirement benefits: <ul style="list-style-type: none"><li>- Early / Normal: 248</li><li>- Employer Consent: 8</li><li>- Flexible: 8</li><li>- Ill Health: 18</li><li>- Redundancy / Efficiency: 58</li><li>- Late: 126</li></ul>
Scheme members who died whilst in service	30
Scheme members who merged benefits with other entitlement within Pension Fund	1180
Scheme members who transferred out their benefit entitlement to another LGPS Pension Fund	324
Scheme members who transferred out their benefit entitlement to another type of pension scheme	54

### Scheme Employer Details

A summary of the number of scheme employers in the Pension Fund analysed by Scheduled Bodies and Admitted Bodies with actively contributing Scheme members and with no actively contributing Scheme members, but with some outstanding pension liabilities, is given in the table below:

<b>Employer Type</b>	<b>Active Contributors</b>	<b>No Active Contributors</b>	<b>Total</b>
<i>Admitted Body</i>	61	82	143
<i>Scheduled Body</i>	136	121	257
<b>Total</b>	197	203	400

### Benchmarking

The Pension Fund has not taken part in any formal benchmarking exercise since 2006 but is always prepared to take the opportunity to compare ourselves against other Pension Funds of a comparable size in terms of Scheme membership.

## Gathering Assurance and Data Quality

The Pension Fund recognises the importance of gathering assurance over the effective and efficient operation of the pension and payroll administration software used, *altair*. Provided by Heywood Pension Technologies, both our teams utilise the workflow functionality afforded to us ensuring thorough checks are performed by senior members of the team in all areas of administration.

In addition, it is fundamentally important to measure the presence and accuracy of both Common and Scheme Specific data held to administer benefits on behalf of Scheme members and their beneficiaries and to have plans in place to resolve discrepancies where they are found. In consideration of the Pension Regulators (tPR) requirements in this area the Pension Fund has an agreement with Heywood Pension Technologies to produce annually the respective data results including a breakdown of all failures. Feedback continues to be received that the results are well above average.

The exercise of monitoring the accuracy of data demonstrates how serious the Pension Fund is regarding holding accurate data on behalf of Scheme members and their beneficiaries.

Data Type	2018 Results %	2019 Results %	2020 Results %	2021 Results %
Common	91.30	92.40	98.90	98.90
Scheme Specific	86.10	91.30	94.50	95.00

The Pension Fund is also proactive in responding to enquiries received from both internal and external auditors, the Royal Borough of Windsor and Maidenhead and Deloitte UK respectively.

### The Future

The Pension Fund will continue to take the threat posed by the Coronavirus extremely seriously with the health, safety and well-being of our team members, Scheme employers, Scheme members and all other parties we are associated with being one of our main priorities.

Together with the Royal Borough of Windsor & Maidenhead, as administering authority to the Pension Fund, comprehensive Business Continuity Plans remain in place which include detailed Disaster Recovery processes. These plans include the ability for the Pension Team to work remotely allowing us to remain completely committed and to focus our efforts on communicating with both our Scheme employers and their Scheme members in the quick and efficient way they have come to expect.

Therefore, in addition to the Pension Team's day to day activities including the training and development needs of the team we will aspire to:

- Continue to increase the number of registered users of 'my pension ONLINE' by conducting further promotional events with each scheme employer authority to actively encourage scheme member take up by increasing the number of visits to the site.
- Continue to respond to consultations on scheme arrangements and implement changed structures due to amending legislation.
- Continue to liaise with all Scheme employers to ensure that clean and accurate data is consistently provided, and appropriate processes and procedures are in place to comply with scheme regulations and other associated legislation.

- Continue to undertake data validation and integrity checks for data which is issued by HMRC in respect of the GMP Reconciliation exercise in order that the correct state benefits are recorded and paid.
- Continue to undertake an annual data quality exercise in accordance with The Pensions Regulator's (tPR) Code of Practice 14 requirements and report findings to both the Pension Fund Committee and tPR. Update and endeavour to correct discrepancies identified.
- Continue to pro-actively work closely together with our Scheme employers of all sizes who are yet to on board i-connect Software to ensure they can realise the benefits of the service as quickly as possible.

Customer service will continue to be a priority as the next few years will be challenging for both Scheme members and Scheme employers. We will continue to endeavour to introduce further efficiencies and better ways of working to further improve on the systems that are currently in place. These improvements will be delivered to not only ensure the quality of our Scheme member data is maintained to the standard required by tPR but is also protected as required by Government Data Protection Regulation (GDPR).

I would like to take the opportunity to record my sincere thanks to all team members involved in the administration of the Scheme, not only for the work done over the last scheme year but also for their enthusiasm to embrace change and meet ever changing regulatory and stakeholder requirements.

#### 4) INVESTMENT REPORT

##### **Background:**

In continuing with the UK Government's initiative for Local Government Pension Scheme Funds to take advantage of pooling their investments, the management of the Royal County of Berkshire Pension Fund's ("the Fund") assets has transferred to the Local Pensions Partnership Investments ("LPPI"). The assets remain the legal property of the Fund.

LPPI has set up and oversees the investment of seven pooled fund vehicles across a number of asset classes, which the Fund invests in to varying degrees. LPPI also oversee the Fund's 'on-balance sheet' assets that remain outside of the pooled funds. A significant amount of work has been undertaken by LPPI in relation to the Fund's on-balance sheet assets since the Fund joined the pool, and opportunities continue to be sought to increase the Fund's investments into the LPPI pooled fund vehicles.

As at 31 March 2022, c.77% of the Fund's total assets have been pooled with LPPI – increasing from c.75% as at 31 March 2021 and c.40% as at 31 March 2020. Pooling brings with it benefits such as a lowering of costs.

##### **Asset allocation:**

The Fund's asset allocation can be seen in the following table:

Asset Class	31-Mar-22		31-Mar-21	
	Actual weighting	Target Weighting	Actual Weighting	Target Weighting
Credit	12.5%	12.0%	12.9%	16.0%
Diversifying Strategies	0.0%	0.0%	3.7%	4.0%
Fixed Income	2.8%	2.5%	2.8%	3.0%
Infrastructure	10.2%	12.5%	6.8%	12.5%
Private Equity	14.2%	15.0%	12.7%	10.0%

<b>Public Equities</b>	<b>45.0%</b>	<b>45.0%</b>	<b>44.2%</b>	<b>40.0%</b>
<b>Real Estate</b>	<b>12.9%</b>	<b>12.0%</b>	<b>12.7%</b>	<b>13.5%</b>
<b>Cash</b>	<b>2.3%</b>	<b>1.0%</b>	<b>4.3%</b>	<b>1.0%</b>
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**N.B.** "Target Weighting" shown above represents the agreed Strategic Asset Allocation ('SAA').

Adjustments were made to the Fund's SAA over the year, with an increase in target weightings to Public Equity and Private Equity and reductions in the target weightings to Credit, Fixed Income and Real Estate. It was also agreed during the year that the allocation to Diversifying Strategies would be fully redeemed, a process which remains ongoing.

The Fund's Cash allocation reduced over the twelve-month period, with the allocations to Infrastructure and Private Equity increasing most notably over the period.

### **Performance\*:**

The Fund returned +12.5% over the twelve-month period to the end of March 2022. This represents an outperformance of +5.7% against the Fund's Actuarial Target and a +2.8% outperformance versus the Fund's Policy Portfolio Benchmark over the period.

The +12.5% absolute return was driven by double-digit gains in all asset classes except for Credit, which returned +7.3%, and Fixed Income, which returned -2.0% over the twelve-months. Notably strong returns were seen from Private Equity, which returned +39.5%, Diversifying Strategies, which returned +17.5%, and Infrastructure, which returned +14.5% over the twelve months. However, it should be noted that Private Equity and Infrastructure, in particular, have lagged returns due to the illiquid nature of the asset classes.

Fixed income was the only asset class to generate a negative absolute return over the twelve-months, largely driven by the rise in bond yields seen over the period. However, the LPPI Fixed Income Fund's low interest rate exposure was a factor in driving its +2.2% outperformance against its benchmark.

Despite Public Equities returning +11.2% over the year, it was one of only two asset classes to underperform over the period, by -1.1% against its MSCI AC World Index benchmark. This underperformance predominantly arose in the first three-months of 2022, where the market rotation into cyclical and commodity stocks, where the LPPI Global Equities Fund is underweight, more than offset the outperformance seen in the prior nine-months.

The only other asset class to underperform its benchmark was Real Estate, which returned +11.8% over the twelve-months against a benchmark return of +15.9%. Whilst the Fund's holdings in the LPPI Real Estate Fund benefitted from a high weighting to the Industrial and Logistics sectors, the Fund's on-balance sheet holdings weighed on returns.

Over the three-years to the end of March 2022 the Fund had returned +8.0% p.a., outperforming its Actuarial Target by +1.4% p.a. but underperforming its Policy Portfolio Benchmark by -0.9% p.a. Strong absolute returns have been seen from Private Equity (+17.8% p.a.), Infrastructure (+15.0% p.a.) and Public Equities (+10.8% p.a.) over the three-year period.

*\*Fund performance over the 12 months to March 2022 disclosed in this section was calculated using valuations obtainable at March 2022. Due to the quarterly-lagged valuations of private market assets, the relevant pricing information for this tranche was not available at the time of writing this report. In the months following 31 March 2022 asset valuations have been undertaken and this accounts for any difference between the performance shown in this investment performance report and any subsequent accounting positions at that date.*

## **Economic Update:**

The latest fiscal year was a tale of two folds – a strong economic recovery in the first three quarters followed by an increasingly challenging macroeconomic backdrop in Q1 2022, with financial conditions tightening, growth expectations being revised lower and inflation readings rising to multi-decade highs. In this environment, risk assets exhibited a similar pattern of strong returns until the end of the calendar year, followed by a significant correction in Q1 2022.

On a regional basis, the UK economy expanded the most, but this followed the deepest contraction in 2020 among major developed economies. In fact, the UK GDP rose above its pre-pandemic level just in Q1 2022. Consumer spending was the key driver behind the expansion (with a shift from goods toward services spending), whilst government spending contribution to growth was much more moderate (amid much less Covid-19 related spending). US GDP, which was relatively unscathed by the pandemic (with a recovery of the previous output lost already by the end of 2020), continued to expand strongly. However, there were notable fluctuations emanating from big inventory build-ups and unwinds, highlighting the supply chain disruptions present in the global economy.

Eurozone GDP expanded strongly in Q2 and Q3 2021, however, during the last two quarters of The Fund's fiscal year saw a significant drop in the region's growth. The common currency economy has been much more impacted by Russia's invasion of Ukraine in February 2022 due to its higher dependency in oil and natural gas imports from the former, as well as its stronger overall trade ties. Many companies announced plans to withdraw and shut down their Russian operations quickly in the weeks following Russia's invasion. The latter has contributed to an even more acute increase in food prices (with Ukraine's significant wheat production and trade being impaired) as well as oil and natural gas prices.

These have fed into the common theme of rising inflation, especially since Q4 2021. Strong demand at first for certain types of goods and services amid economies' "re-opening" post Covid-19, soon morphed to a persistent excess demand over supply, fuelling widespread price increases. Central banks, after standing behind a narrative of "temporary price increases" acknowledged that inflation peaks will be significantly higher than previously assumed and that prices decline to the central bank targets will take much longer. To facilitate this path, they pivoted quickly to a less accommodative policy stance with the Bank of England leading interest rate hikes and the Fed moving shortly thereafter.

Global Equities posted high single digit returns over the fiscal year, with developed market equities finishing with significant positive returns, despite their decrease in Q1 2022, whilst emerging market equities trailed for another year. The latter exhibited strongly negative returns due to poor performance from Chinese, Hong Kong, and South Korean shares. Markets with high energy and commodity exposure, such as the UK were top performers, whilst Eurozone, Japanese and highly valued US technology shares lagged across developed markets.

Despite a challenging start this year, equity fundamentals have not deteriorated significantly. Q1 2022 earnings results held up relatively well for S&P 500 companies in general, as well as other equity markets. Strong demand has enabled companies to pass on cost increases to consumers and maintain margins so far. Having said that, weaker guidance and corporate sentiment have started to translate to a downgrade of analysts near and medium-term earnings forecasts. Thus, although we may see a rebound after a significant equity sell-off (which has made equity valuations appear much more attractive), it would be imprudent to extrapolate this into a new multi-year rally without considering the widely changed and weakening macroeconomic environment.

Fixed Income assets had one of their most challenging 12-month periods to the end of March 2022, with yields rising from suppressed levels on a widely shifting outlook for inflation and monetary policy. In many cases, long-term sovereign bonds posted double digit declines during this time. Interest rate sensitive investment grade corporate bonds declined in the region

of 5%. High yield bond returns were much less negative, as bonds' spreads widening was not accompanied by a significantly higher level of corporate defaults or rating downgrades.

At the end of March 2022, The Fund's exposure was reasonably close to its long-term SAA. This was on the back of a number of changes to The Fund's SAA, as well as a number of portfolio rebalancing decisions from LPPI. The Fund's portfolio continues to be well diversified across different asset classes, regions, and sectors. This, together with robust investment underwriting, should assist with navigating through increased macroeconomic uncertainties. The Fund's significant allocations to Real Estate and Infrastructure assets, with their assumed implicit or explicit inflation participation, should help it attain inflation-adjusted returns in line with its long-term objectives.

Note: Relative returns are calculated geometrically

## 5) FINANCIAL PERFORMANCE REPORT

### Fund Account and Net assets of the Fund

Over the three-year period, contributions received have exceeded pensions paid year on year.

The Fund asset value increased by £265.5m to £2.665bn as at 31 March 2022 from £2.4bn as at 31 March 2021.

	2019/20	2020/21	2021/22
	£'000	£'000	£'000
<b>Fund Account</b>			
Dealings with members			
Contributions	(141,561)	(145,969)	(157,975)
Pensions	133,893	130,354	146,454
<b>Net additions from dealings with members</b>	<b>(7,668)</b>	<b>(15,615)</b>	<b>(11,521)</b>
Management expense	24,240	27,723	40,011
Investment income (incl. taxes on income)	(40,462)	(29,261)	(34,632)
Change in market value	97,886	(378,107)	(259,350)
<b>Net (increase)/decrease in the net assets available for benefits during the year</b>	<b>76,996</b>	<b>(395,260)</b>	<b>(265,492)</b>
<b>Net Asset Statement</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net investment assets	1,995,299	2,382,592	2,653,727
Net current assets	9,648	17,615	11,972
<b>Total Net Assets available to fund benefits</b>	<b>2,004,947</b>	<b>2,400,207</b>	<b>2,665,699</b>

More detailed information can be found in the Statement of Accounts.

### Timeliness of Receipt of Contributions

	2019/20	2020/21	2021/22
Percentage of contributions received on or before the due date	98.16%	95.55%	96.40%

The option to levy interest on overdue contributions has not been exercised.

### Administrative Costs Actual compared to Budget

	2021/22 Actual £000's	2021/22 Budget £000's	Variance £000's
Staff	1,214	946	268
Supplies and Services	761	267	494
Unit Recharges	21	148	127
<b>TOTAL</b>	<b>1,996</b>	<b>1,361</b>	<b>635</b>

Overspend compared to budget is predominantly due to a budget that has been carried forward from pre 2018 when the fund was roughly 50% of it's current size. Expenditure has increased proportionally and a detailed budget setting exercise shall be undertaken in 2022/23 to appropriately set future budgets.

The actuarial valuation undertaken at 31 March 2019 set the employer contribution rates over the year ended 31 March 2022. The total future contribution rate for 2021/22 was set at 21.9% of gross pensionable pay, of which 6.5% is funded by employee contributions and 15.4% by employers. In addition, 8.6% of gross pensionable pay was set to fund deficit recovery contributions. The contributions collected as a percentage of gross pensionable pay over the year ended 31 March 2022 have not materially deviated from those assumed at the 2019 valuation.

## 6) RISK MANAGEMENT

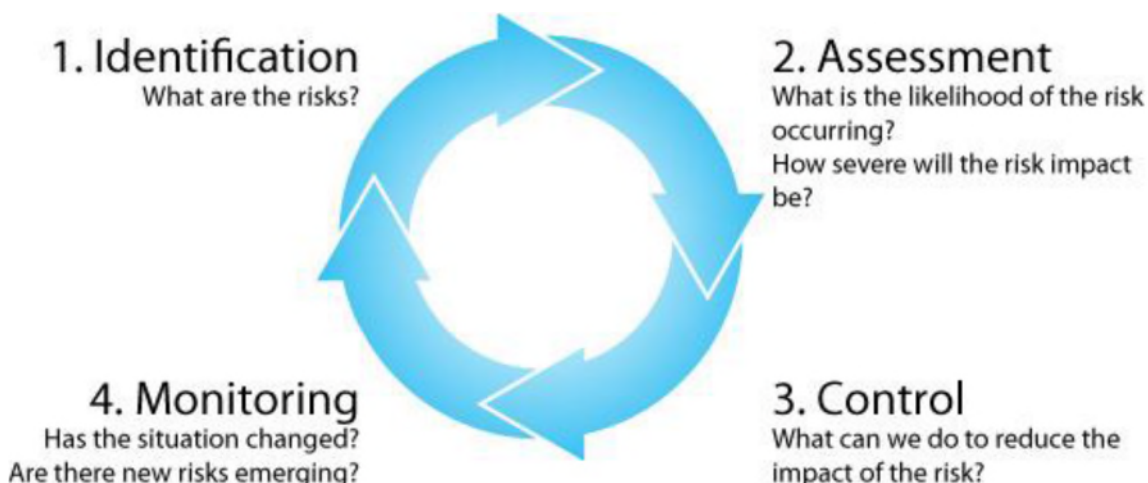
A Scheme Manager (Administering Authority) of a public service pension scheme must establish and operate internal controls which must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and with the requirements of the law. The Royal Borough of Windsor & Maidenhead (RBWM), as the Administering Authority to the Royal County of Berkshire Pension Fund (RCBPF), has a risk management policy and the Fund's operational and strategic risks are integrated into RBWM's risk management framework. Great emphasis is placed on risk management and the reason why the Pension Fund differentiates between operational and strategic risks is to secure the effective governance and administration of the Local Government Pension Scheme.

The Fund has a detailed and comprehensive Risk Management policy that is reviewed and approved annually by the Pension Fund Committee. This Policy can be found on the Pension Fund's Website (<https://berkshirepensions.org.uk/>) along with the Fund's risk register which is kept under continuous review and presented to the Committee quarterly.

The Risk Management Policy and risk-reporting processes have been designed using a recent CIPFA framework document, alongside the Administering Authority's risk management policy and several bespoke risk appetite statements relating to funding and investment risk.

The Fund's annual accounts (see note 18) also makes detailed reference to specific risks and the management of such risks relating to the Fund's assets, Liabilities and Investments.

From December 2021, the Pension Fund Committee adopted the CIPFA framework "Managing Risk in The Local Government Pension Scheme (2018 Edition)" as its revised approach to risk management. The RCBPF combines the use of this framework with RBWM's 4 step risk management process as outlined in the infographic below.





### Introduction

The last full triennial valuation of the Royal County of Berkshire Pension Fund was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2023.

Please note that the full triennial valuation report produced by the Actuary can be found on the Fund's website here: <https://berkshirerpensions.org.uk/>

### 2022 valuation results

The 2022 valuation certified an average primary contribution rate of 16.9% of pensionable pay to be paid by each employing body participating in the Royal County of Berkshire Pension Fund. In addition to this, each employing body must pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report.

### Contribution rates

The contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due; plus
- An amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

### Asset value and funding level

The smoothed market value of the Fund's assets as at 31 March 2022 for valuation purposes was £2.65bn which represented 86% of the Fund's accrued liabilities at that date, allowing for future increases in pay and pensions in payment.

## Assumptions

The key assumptions used to value the benefits at 31 March 2022 are summarised below:

Assumption	31 March 2022
Discount rate	5.1% p.a.
Pension increases (CPI)	2.9% p.a.
Salary increases	3.9% p.a.
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.
Mortality	The post-retirement mortality assumptions adopted are the S3PA tables with a multiplier of 110% for males and 105% for females, making allowance for CMI 2021 projected improvements and a longterm rate of improvement of 1.25% p.a. with an initial rate of improvement of 0% p.a. and smoothing parameter of 7.0. A 2020/21 weighting parameter of 5% was used.
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced
Commutation	Members will convert 50% of the maximum possible amount of pension into cash



**Barry McKay FFA  
Partner**

## 8) INDEPENDENT AUDITOR'S STATEMENT

### **TO THE MEMBERS OF THE ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD ON THE PENSION FUND FINANCIAL STATEMENTS**

We have examined the pension fund financial statements for the year ended 31 March 2022, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26.

#### **Respective responsibilities of the Director of Resources and the auditor**

As explained more fully in the Statement of the Director of Resource's Responsibilities, the Director of Resources is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Our responsibility is to report to you my opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of the Royal Borough of Windsor and Maidenhead, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only the information included in the pension fund's Annual Report, other than the financial statements and our auditor's report thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.

#### **Opinion**

In our opinion, the pension fund financial statements are consistent, in all material respects, with the pension fund financial statements in the full annual statement of accounts of the Royal Borough of Windsor and Maidenhead for the year ended 31 March 2022 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

#### **Use of our report**

This report is made solely to the members of the Royal Borough of Windsor and Maidenhead ('the Authority'), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, 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 members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.



Jonathan Gooding, FCA (Key Audit Partner)  
For and on behalf of Deloitte LLP  
London, UK  
13 December 2024

## 9) STATEMENT OF RESPONSIBILITIES

### **The Royal Borough of Windsor and Maidenhead's Responsibilities**

The Royal Borough is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Head of Pension Fund is the officer fulfilling that responsibility;
- To manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Fund's statement of accounts;

### **The Director of Resources' Responsibilities**

The Director of Resources is responsible for the preparation of the Fund's statement of accounts in accordance with proper practices set out in the CIPFA Code of Practice on Local Authority Accounting.

In preparing this statement of accounts, the Director of Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice on Local Authority Accounting;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.



**Julian McGowan**  
**Assistant Director of Finance**  
**(Deputy section 151 officer)**  
**12 December 2024**

## 10) POST POOL REPORTING AND COST TRANSPARENCY

The table below shows the costs to Royal County of Berkshire Pension Fund (RCBPF) of setting up the individual pooling vehicles within the pooling company, Local Pensions Partnership Investments Ltd (LPPI).

### Pool set up and investment transition costs by year

	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m
Set up costs					
Legal	–	–	–	–	–
Professional fees	–	–	–	–	–
Other support costs	–	–	–	–	–
<b>Total</b>		–	–	–	
<b>Transition costs</b>	<b>0.3</b>	–	–	<b>0.4</b>	–

### Pool set up and investment transition costs by type of expense

	Current Year		Total £'m	Since inception of the pool Cumulative £'m
	Direct £'m	Indirect £'m		
Set up costs				
Legal	–	–	–	–
Professional fees	–	–	–	–
Other support costs	–	–	–	–
<b>Total set up costs</b>	–	–	–	–
<b>Transition costs</b>	–	–	–	<b>0.7</b>

### Total expected pooling costs and savings

The table below compares the investment management fee savings realised since admission to the Pool versus the preceding year, 2017-18. The savings are based on grossed up fees in accordance with the revised CIPFA guidance issued in 2016, whereas in previous years fees may have been reported lower as they would have been netted off against the change in market value. This is consistent with current recommended practice.

### Total expected costs and savings

	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m
Set up costs	–	–	–	–	–
Transition costs	0.3	–	–	0.4	–
Investment management fee savings	–	1.0	0.6	(2.5)	(4.3)
<b>Net (savings)/costs realised</b>	<b>0.3</b>	<b>1.0</b>	<b>0.6</b>	<b>(2.1)</b>	<b>(4.3)</b>

## Ongoing investment management costs 2021/22

Investment expenses are shown broken down into their constituent categories and split between those resulting from investments held in the pooled vehicles and those held on the balance sheet of the Fund.

The table below summarises investment management costs for 2021/22. It has been compiled from cost transparency templates completed by each of the Fund's investment managers. The investment expenses are split between those held within LPPI investment pooling vehicles and those non-pooled assets held directly by the Fund.

	LPPI pooled assets			Non pooled assets			Fund Total
	Direct	Indirect	Total	Direct	Indirect	Total	
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Investment management fees	11.8	–	11.8	5.2	–	5.2	17.1
Performance	5.5	–	5.5	2.3	–	2.3	7.7
Transaction costs	1.0	0.5	1.5	0.6	–	0.6	2.1
Custody	–	–	–	0.3	–	0.3	0.3
Administration	–	1.8	1.8	–	3.2	3.2	5.0
Borrowing and arrangement fees	–	0.3	0.3	–	0.1	0.1	0.4
Distribution, comms and client service	–	0.0	0.0	–	–	–	0.0
Governance, Regulation and Compliance	–	1.3	1.3	–	1.8	1.8	3.0
Property expenses	–	1.0	1.0	–	0.4	0.4	1.4
Other fees	–	0.6	0.6	–	–	–	0.6
<b>Total**</b>	<b>18.3</b>	<b>5.4</b>	<b>23.7</b>	<b>8.4</b>	<b>5.5</b>	<b>13.9</b>	<b>37.7*</b>

*\*Totals may not add up due to rounding*

*\*\*Please note that the data was collected by ClearGlass as part of the CTI (cost transparency initiative), then amalgamated, prepared and reported by LPPI to the Fund. Whilst efforts are made to gross-up RCBPF's accounting records to reflect CTI data, discrepancies may still exist between the data provided above and the notes to the Pension Fund Accounts (note 11). These discrepancies exist where investment costs are paid directly by the fund and/or fall outside of the scope of the CTI.*

### Pooling progress

As at 31 March 2022, 81.9% of the Fund's investment assets were pooled within LPPI's investment pooling vehicles. This compares to 77.9% at 31 March 2021

## 11) PENSION FUND ACCOUNTS

### Fund Account at 31 March 2022

2020/21 £'000		Notes	2021/22 £'000
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(139,010)	Contributions	7	(148,184)
(6,959)	Transfers in from other pension funds	8	(9,791)
<b>(145,969)</b>			<b>(157,975)</b>
114,245	Benefits	9	122,560
16,109	Payments to and on account of leavers	10	23,894
<b>130,354</b>			<b>146,454</b>
<b>(15,615)</b>	<b>Net additions from dealings with members</b>		<b>(11,521)</b>
27,723	Management expenses	11	40,011
<b>12,108</b>	<b>Net withdrawals including fund management expenses</b>		<b>28,490</b>
	<b>Returns on investments</b>		
(28,977)	Investment income	12	(34,584)
(284)	Taxes on income	13	(48)
(378,107)	Profits and losses on disposal of investments and changes in the market value of investments	14	(259,350)
<b>(407,368)</b>	<b>Net return on investments</b>		<b>(293,982)</b>
<b>(395,260)</b>	<b>Net increase in the net assets available for benefits during the year</b>		<b>(265,492)</b>
(2,004,947)	<b>Opening net assets of the scheme</b>		(2,400,207)
<b>(2,400,207)</b>	<b>Closing net assets of the scheme</b>		<b>(2,665,699)</b>

### Net Assets Statement at 31 March 2022

2020/21 £'000		Notes	2021/22 £'000
2,518,894	Investment assets	14	2,792,141
(136,302)	Investment liabilities	14	(138,414)
<b>2,382,592</b>	<b>Total net investments</b>		<b>2,653,727</b>
21,395	Current assets	21	16,336
<b>21,395</b>			<b>16,336</b>
(3,780)	Current liabilities	22	(4,364)
<b>(3,780)</b>			<b>(4,364)</b>
<b>2,400,207</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>2,665,699</b>

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

## Notes to the Royal County of Berkshire Pension Fund Accounts for the year ended 31 March 2022

### Note 1) Description of Fund

The Royal County of Berkshire Pension Fund (the 'fund') is part of the Local Government Pension Scheme and is administered by the Royal Borough of Windsor and Maidenhead.

#### Note 1) a) General

The fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended);
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by the Royal Borough of Windsor and Maidenhead to provide pensions and other benefits for pensionable employees of the 6 unitary local authorities in the geographical region of Berkshire, and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The fund is overseen by the Pension Fund Committee.

#### Note 1) b) Membership

Membership of the LGPS is voluntary. Employees are automatically enrolled into the Fund and are free to choose whether to remain in the fund, opt-out of the fund, or make their own personal arrangements outside the fund.

Organisations participating in the Royal County of Berkshire Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.



Membership details are set out below:

<b>The Royal County of Berkshire Pension Fund</b>	<b>31 March 2021</b>	<b>31 March 2022</b>
Number of employers with active members	<b>189</b>	<b>189</b>
<b>Number of employees in scheme</b>		
Administering authority	1,502	1,483
Unitary authorities	14,772	14,465
Other employers	9,613	10,011
<b>Total</b>	<b>25,887</b>	<b>25,959</b>
<b>Number of pensioners</b>		
Administering authority	2,082	2,179
Unitary authorities	10,825	11,557
Other employers	6,813	7,620
<b>Total</b>	<b>19,720</b>	<b>21,356</b>
<b>Deferred pensioners</b>		
Administering authority	3,516	3,488
Unitary authorities	16,885	17,042
Other employers	7,174	7,557
<b>Total</b>	<b>27,575</b>	<b>28,087</b>
<b>Total number of members in pension scheme</b>	<b>73,182</b>	<b>75,402</b>

#### **Note 1) c) Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2022. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. During 2021/22, employer contribution rates ranged from 10.9% to 36.0% of pensionable pay.

#### **Note 1) d) Benefits**

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	<b>Service pre 1 April 2008</b>	<b>Service post 1 April 2008</b>
<b>Pension</b>	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
<b>Lump sum</b>	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the fund became a career average revalued earnings (CARE) scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the fund including early retirement, disability pensions and death benefits. For more details, please refer to the Royal County of Berkshire Pension Fund website - see [www.berkshirerpensions.org.uk](http://www.berkshirerpensions.org.uk).

## **Note 2) Basis of preparation**

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year-end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ('the code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2021/22.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

## **Note 3) Summary of significant accounting policies**

### **Note 3) a) Fund account - revenue recognition**

#### **i. Contribution income**

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Employee's contribution rates are set in accordance with LGPS regulations. Employer's contributions are set at the percentage rate recommended by the Fund actuary.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the rates and adjustments certificate set by the fund actuary.

Additional employers' contributions in respect of ill-health and early retirements are accounted for in the period in which they are due. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

#### **ii. Transfers to and from other schemes**

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see note 3 vii) to purchase fund benefits are accounted for on a receipts basis and are included in transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

#### **iii. Investment income**

##### **1. Interest income**

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition.

## 2. Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

## 3. Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

## 4. Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

### **Note 3) b) Fund Account - expense items**

#### **i. Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be payable during the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

#### **ii. Taxation**

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

#### **iii. Management expenses**

The Fund discloses its pension Fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)*. All items of expenditure are charged to the Fund on an accruals basis as follows:

##### **1. Administrative expenses**

All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

##### **2. Oversight and governance costs**

All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

##### **3. Investment management expenses**

Fees of the external investment manager and custodian are agreed in the respective mandates governing their appointments. Most are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change, but there are a number of fixed price contracts with annual inflation related increases.

## **Note 3) c) Net Assets Statement**

### **i. Financial assets**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respects of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14a. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 16). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

### **ii. Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

### **iii. Derivatives**

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Longevity swaps are valued on a fair value basis based on the expected future cash flows arising under the swap, discounted using market interest rates and taking into account the risk premium inherent in the contract.

### **iv. Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

### **v. Financial liabilities**

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year.

#### **vi. Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the fund actuary in accordance with the requirements of International Accounting Standards (IAS19) and relevant actuarial standards.

As permitted under the code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

#### **vii. Additional voluntary contributions**

The Royal County of Berkshire Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund.

AVCs are not included in the accounts in accordance with section 4(1)(b) of the LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

#### **viii. Contingent assets and contingent liabilities**

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

#### **Note 4) Critical judgements in applying accounting policies**

In applying the Fund's accounting policies, which are described in note 3, the Fund is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There were no critical judgements made, apart from those involving estimations (which are presented separately below).

#### **Note 5) Assumptions made about the future and other major sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the financial statements and notes at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised retirement benefits</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. Further information on the carrying amounts of the Fund's defined benefit obligation and the setting of the assumptions are provided in notes 19 and 20.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £110.07 million. A 0.1% increase in pension increases and deferred revaluation assumption would increase the value of liabilities by approximately £106.62 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £253.71 million.
<b>Longevity insurance policy</b>	The longevity insurance policy is valued by a firm of consulting actuaries. This valuation is the difference between the discounted cash flows relating to the amounts expected to be reimbursed to the fund and the inflation linked premiums expected to be paid by the fund. The carrying amount as at 31 March 2022 is (£138.41 million). This valuation depends on a number of complex judgements including the discount and mortality rates.	Changes in the discount rate and mortality rate assumptions would result in a material change to the carrying value in a similar way to the value of the pension fund liability disclosed above.
<b>Private equity investments</b>	Private equity investments are valued at fair value in accordance with the International Private Equity and Venture Capital Board guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The valuations of private equity investments are particularly sensitive to changes in one or more unobservable inputs which are considered reasonably possible within the next financial year. Changes to the inputs could result in a material change to the carrying value. Further information on the carrying amounts of the private equity and the estimated sensitivity are shown in note 16.

### Covid-19 impact

The impact of the Covid-19 pandemic since 2019/20 created uncertainty surrounding global financial and property markets. Since then the asset values have stabilised in order that a materially accurate value can be applied to illiquid assets.

## Note 6) Events after the reporting date

### Note 6) a) Impact of the McCloud judgement

The McCloud court case relates to possible age discrimination within the New Judicial Pension Scheme. On 16 July 2020, the government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and a ministerial statement in response to the proposed remedy was published on 31 May 2021.

An allowance using analysis from the Government Actuary's Department as a starting point was made for the potential impact of the McCloud and Sargeant judgement in the results provided to the Fund at the last accounting date. This allowance is incorporated in the roll forward approach and is remeasured at the accounting date (31 March 2022) along with the normal LGPS liabilities. The actuary does not believe there are any material differences between the approach underlying their estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant amount of member data which is not yet available. In the light of changes to Regulations an adjustment has been included in this years IAS 26 calculations. In particular, the projected service cost from 1 April 2022 has been adjusted to ensure that no further McCloud remedy is made. The remedy is expected to apply to benefits up to 31 March 2022.

### Note 6) b) Investments

The investment figures in the accounts and notes have been adjusted in all material respects to reflect the impact of any information received after 31 March 2022 which reflect the conditions as at 31 March 2022. During the preparation of the statement of accounts, the fund manager's valuation as at 31 March 2022 were received and they showed material difference in aggregate. The accounts have been amended to reflect the difference reported in the table below.

Asset Class	Estimated value	Manager's value	Difference
	31 March 2022	31 March 2022	
	£m	£m	£m
Equities	48.43	48.39	(0.04)
Pooled investments	1,660.29	1,658.74	(1.55)
Pooled liquidity	7.83	7.83	0.00
Pooled property investments	321.10	321.10	0.00
Private equity	726.56	737.47	10.91
Other	(95.69)	(119.81)	(24.12)
<b>Total</b>	<b>2,668.52</b>	<b>2,653.72</b>	<b>(14.80)</b>

**Note 7) Contributions receivable****Note 7) a) By category**

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
30,337	Member's contributions	31,542
	<b>Employers' contributions</b>	
79,455	Normal contributions	74,040
27,588	Deficit recovery contributions	40,211
1,630	Augmentation contributions	2,391
<b>108,673</b>	<b>Total Employers' contributions</b>	<b>116,642</b>
<b>139,010</b>		<b>148,184</b>

**Note 7) b) By type of employer**

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
12,165	Administering authority	12,935
114,002	Scheduled bodies	121,974
5,377	Admitted bodies	5,820
7,466	Transferee admission body	7,455
<b>139,010</b>		<b>148,184</b>

**Note 8) Transfers in from other pension funds**

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
6,556	Individual transfers from other pension funds	9,278
403	AVC to purchase scheme benefits	513
<b>6,959</b>		<b>9,791</b>

**Note 9) Benefits payable****Note 9) a) By category**

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
94,947	Pensions	98,371
16,893	Commutation and lump sum retirement benefits	19,926
2,405	Lump sum death benefits	4,263
<b>114,245</b>		<b>122,560</b>

**Note 9) b) By type of employer**

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
12,169	Administering authority	13,095
91,516	Scheduled bodies	97,454
7,799	Admitted bodies	8,218
2,761	Transferee admission body	3,793
<b>114,245</b>		<b>122,560</b>



**Note 10) Payments to and on account of leavers**

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
503	Refunds to members leaving service	857
6,043	Group transfers to other pension funds	7,210
9,563	Individual transfers to other pension funds	15,827
<b>16,109</b>		<b>23,894</b>

**Note 11) Management expenses**

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
1,888	Administrative costs	2,115
25,783	Investment management expenses	37,810
52	Oversight and governance costs	86
<b>27,723</b>		<b>40,011</b>

**Note 11) a) Investment management expenses**

<b>2021/22</b>	<b>Management fees £'000</b>	<b>Performance fees £'000</b>	<b>Transaction costs £'000</b>	<b>Total £'000</b>
Cash and FX Contracts	30	0	0	30
Pooled investments	16,880	5,500	1,500	23,880
Private equity	10,741	2,300	600	13,641
	<b>27,651</b>	<b>7,800</b>	<b>2,100</b>	<b>37,551</b>
Custody fees				259
				<b>37,810</b>

<b>2020/21</b>	<b>Management fees £'000</b>	<b>Performance fees £'000</b>	<b>Transaction costs £'000</b>	<b>Total £'000</b>
Cash and FX Contracts	29	0	0	29
Pooled investments	12,851	6,181	1,019	20,051
Private equity	2,966	2,069	405	5,440
	<b>15,846</b>	<b>8,250</b>	<b>1,424</b>	<b>25,520</b>
Custody fees				263
<b>Total</b>				<b>25,783</b>

**Note 12) Investment income**

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
11,113	Income from equities	14,031
3,004	Income from bonds	1,552
8,196	Private equity income	10,039
6,423	Pooled property investments	8,937
125	Pooled investments - unit trusts & other managed funds	0
116	Interest on cash deposits	25
<b>28,977</b>	<b>Total before taxes</b>	<b>34,584</b>

**Note 13) Other fund account disclosures****Note 13) a) Taxes on income**

2020/21 £'000		2021/22 £'000
(394)	Withholding tax - equities	(179)
110	Withholding tax - pooled property investments	131
<b>(284)</b>		<b>(48)</b>

**Note 13) b) External audit costs**

2020/21 £'000		2021/22 £'000
11	Payable in respect of external audit	35
<b>11</b>		<b>35</b>

**Note 14) Investments****Note 14) a) Market value of investments**

Market value 31 March 2021 £'000		Market value 31 March 2022 £'000
	<b>Investment assets</b>	
42,986	Equities	48,394
1,517,667	Pooled investments	1,658,740
84,048	Pooled liquidity funds	7,831
293,617	Pooled property investments	321,096
561,980	Private equity	737,474
	Derivative contracts:	
475	• Forward currency contracts	0
17,149	Cash deposits	10,869
972	Investment income due	802
0	Amounts receivable for sales	6,935
<b>2,518,894</b>	<b>Total investment assets</b>	<b>2,792,141</b>
	<b>Investment liabilities</b>	
	Derivative contracts:	
(3,111)	• Forward currency contracts	0
(133,191)	• Longevity Insurance Policy	(138,414)
(0)	Amounts payable for purchases	0
<b>(136,302)</b>	<b>Total investment liabilities</b>	<b>(138,414)</b>
<b>2,382,592</b>	<b>Net investment assets</b>	<b>2,653,727</b>

**Note 14) b) Reconciliation of movements in investments and derivatives**

	Market value 1 April 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Equities	42,986	0	(631)	6,039	48,394
Pooled investments	1,517,667	130,283	(134,592)	145,382	1,658,740
Pooled liquidity funds	84,048	151,945	(228,160)	(2)	7,831
Pooled property investments	293,617	0	0	27,479	321,096
Private equity	561,980	156,472	(76,641)	95,663	737,474
	<b>2,500,298</b>	<b>438,700</b>	<b>(440,024)</b>	<b>274,561</b>	<b>2,773,535</b>
Derivative contracts:					
- Forward currency contracts	(2,636)	35,365	(17,385)	(15,344)	0
- Longevity insurance policy	(133,191)	8,080	0	(13,303)	(138,414)
	<b>2,364,471</b>	<b>482,145</b>	<b>(457,409)</b>	<b>245,914</b>	<b>2,635,121</b>
Other investment balances:					
- Cash deposits	17,149			13,436	10,869
- Investment income due	972				802
Amounts payable for purchases	(0)				0
Amounts receivable for sales	0				6,935
<b>Net investment assets</b>	<b>2,382,592</b>			<b>259,350</b>	<b>2,653,727</b>

a) Reconciliation of movements in investments and derivatives – prior year

	Market value 1 April 2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Bonds	2,339	0	(4,418)	2,079	0
Equities	25,217	4,376	0	13,393	42,986
Pooled investments	995,687	529,375	(364,833)	357,438	1,517,667
Pooled liquidity funds	189,099	491,419	(596,062)	(408)	84,048
Pooled property investments	292,107	200,242	(205,436)	6,704	293,617
Private equity	605,868	63,700	(75,671)	(31,917)	561,980
	<b>2,110,317</b>	<b>1,289,112</b>	<b>(1,246,420)</b>	<b>347,289</b>	<b>2,500,298</b>
Derivative contracts:					
- Forward currency contracts	(30,964)	43,514	(54,572)	39,386	(2,636)
- Longevity insurance policy	(121,829)	8,704	0	(20,066)	(133,191)
	<b>1,957,524</b>	<b>1,341,330</b>	<b>(1,300,992)</b>	<b>366,609</b>	<b>2,364,471</b>
Other investment balances:					
- Cash deposits	35,724			11,498	17,149
- Investment income due	2,051				972
Amounts payable for purchases	0				(0)
<b>Net investment assets</b>	<b>1,995,299</b>			<b>378,107</b>	<b>2,382,592</b>

Purchases and sales of derivatives are recognised in note 14b above as follows:

Forward currency contracts - forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

Longevity insurance policy - the net payments or receipts under the contract are reported in the above reconciliation table.

Note 14) c) Investments analysed by fund manager

Market value at 31 March 2021 £'000	% of Market value 31 March 2021 %		Fund Type	Market value at 31 March 2022 £'000	% of Market value 31 March 2022 %
<b>Investment managed within LPPI asset pools</b>					
259,492	10.9	LPPI Credit	Pooled Investment	300,201	11.3
185,558	7.8	LPPI Real Estates	Pooled Property	210,862	7.9
1,092,924	45.9	LPPI Global Equities	Pooled investment	1,266,375	47.7
68,410	2.9	LPPI Fixed Income	Pooled investment	79,113	3.0
91,709	3.8	LPPI Diversifying Strategy	Pooled investment	0	0.0
103,998	4.4	LPPI Infrastructure	Private Infrastructure	198,249	7.5
52,197	2.2	LPPI Private Equity	Private Equity	118,691	4.5
<b>1,854,288</b>	<b>77.9</b>			<b>2,173,491</b>	<b>81.9</b>
<b>Investments managed outside asset pool:</b>					
38,610	1.6	Gresham House Asset Management Limited	Equities	43,837	1.7
4,376	0.2	Technology Enhanced Oil Limited	Equities	4,557	0.2
3,781	0.2	Cheyne Capital Management LLP	Pooled Investment	3,570	0.1
0	0.0	BlackRock	Pooled Investment	4,957	0.2
0	0.0	Select Market	Pooled Investment	3,915	0.2
1,255	0.1	Securis Investment Partners LLP	Pooled Investment	512	0.0
96	0.0	SPL Guernsey ICC Ltd	Pooled Investment	96	0.0
17,321	0.7	Northern Trust	Pooled Liquidity	1,321	0.1
45,810	1.9	JPM Asset Management	Pooled Liquidity	0	0.0
3,409	0.1	Legal & General	Pooled Liquidity	0	0.0
17,508	0.7	Aviva	Pooled Liquidity	6,510	0.3
8,910	0.4	Jones Lang LaSalle	Pooled Property	6,237	0.2
62,311	2.6	LaSalle Investment Management (Jersey) Limited	Pooled Property	72,181	2.7
36,838	1.5	Milltrust International LLP	Pooled Property	31,816	1.2
10,481	0.4	Athyrium Capital Management LP	Private Debt	7,584	0.3
10,843	0.5	Derwent Shared Equity LLP	Private Debt	6,584	0.3
12,724	0.5	Dorchester Capital Advisors, LLC	Private Debt	11,926	0.5
3,268	0.1	Grosvenor Capital Management L.P.	Private Debt	3,101	0.1
3,965	0.2	Neuberger Berman	Private Debt	1,671	0.1
3,173	0.1	Partners Group	Private Debt	2,627	0.1
9,140	0.4	Rutland Partners LLP	Private Debt	4,241	0.2
9,677	0.4	WP Global Partners	Private Debt	11,294	0.4
45,810	1.9	Adams Street Partners	Private Equity	37,456	1.4

1,847	0.1	COREalpha Private Equity Partners Partnership Fund IV, L.P.	Private Equity	2,110	0.1
9,761	0.4	Coral Reef Capital	Private Equity	8,014	0.3
14,663	0.6	Future Planet Capital	Private Equity	22,081	0.8
9,805	0.4	Gresham House Asset Management Limited	Private Equity	11,381	0.4
591	0.0	Henderson Equity Partners	Private Equity	604	0.0
6,296	0.3	ICG PLC	Private Equity	5,829	0.2
9,104	0.4	Kuramo Capital	Private Equity	8,548	0.3
4,540	0.2	Longwall Venture Partners LLP	Private Equity	5,705	0.2
15,045	0.6	Neuberger Berman	Private Equity	16,153	0.6
26,187	1.1	Milltrust International LLP	Private Equity	28,278	1.1
609	0.0	Organox	Private Equity	701	0.0
98	0.0	Orthoson	Private Equity	100	0.0
1,964	0.1	Longwall Ventures	Private Equity	1,964	0.1
462	0.0	Oxsonics Ltd	Private Equity	900	0.0
6,347	0.3	Pantheon Ventures	Private Equity	4,323	0.2
6,481	0.3	Partners Group	Private Equity	5,526	0.2
12,981	0.5	Sarona Asset Management Inc	Private Equity	14,104	0.5
1,915	0.1	South East Growth Fund	Private Equity	3,671	0.1
1,380	0.1	Stafford CP	Private Equity	1,484	0.1
1,447	0.1	BMO Global Asset Management	Private Equity	1,242	0.1
74,262	3.1	WP Global Partners	Private Equity	52,098	2.0
2,294	0.1	African Infrastructure Investment Managers Pty Ltd	Private Infrastructure	1,636	0.1
12,948	0.5	Climate Fund Managers	Private Infrastructure	16,497	0.6
63,020	2.6	Gresham House Asset Management Limited	Private Infrastructure	110,054	4.2
3,785	0.2	Macquarie Group	Private Infrastructure	947	0.0
1,300	0.1	Macquarie Infrastructure Partners Inc.	Private Infrastructure	1,971	0.1
7,572	0.3	The Rohayton Group (TRG)	Private Infrastructure	8,130	0.3
(2,636)	-0.1	Cambridge Strategy Ltd	Forward Currency Contracts	0	0.0
<b>643,374</b>	<b>26.9</b>			<b>600,044</b>	<b>22.6</b>
		<b>Other</b>			
(133,191)	-5.6	Longevity Insurance Policy		(138,414)	-5.2
17,149	0.7	Cash with investment managers		10,869	0.4
0	0.0	Amount receivable for sales		6,935	0.3
(0)	0.0	Amount payable for purchases		0	0.0
972	0.0	Investment income due		802	0.0
<b>(115,070)</b>	<b>-4.8</b>			<b>(119,808)</b>	<b>-4.5</b>
<b>2,382,592</b>	<b>100.0</b>	<b>Total</b>		<b>2,653,727</b>	<b>100.0</b>

The following investments represent more than +/- 5% of the net assets of the fund.

<b>Investment</b>	<b>Market value 31 March 2021 £'000</b>	<b>% of total fund</b>	<b>Market value 31 March 2022 £'000</b>	<b>% of total fund</b>
Longevity Insurance Policy	(133,191)	(5.7)	(138,414)	(5.2)
LPPI Infrastructure	103,998	4.4	198,249	7.4
LPPI Global Equities Fund	1,092,924	46.4	1,266,375	47.5
LPPI Credit Investments LP	259,492	11.0	300,201	11.3
LPPI Real Estates ACS	185,558	7.9	210,862	7.9

In June 2018 the Fund transferred the management of majority of its investment assets to Local Pensions Partnership (LPP) Investments as part of the government's LGPS pooling initiative.

The above organisations are registered in the United Kingdom.

### **Note 15) Analysis of derivatives**

#### **Objectives and policies for holding derivatives**

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the fund and the various investment managers.

#### **Note 15) a) Longevity Insurance Policy**

In December 2009 the fund entered into an insurance contract with ReAssure Ltd to cover a closed group of pensioner members. The fund pays ReAssure a pre-determined fixed annual premium and ReAssure reimburses the fund for pensions paid to the insured members. The contract is valued by an external firm of actuaries by considering what adjustment to the discount rate assumption (based on the Merrill Lynch LIBOR swap curve) would be required if the contract had a zero value at the date of inception. A similar adjustment is then made to the discount rate assumption at the accounting date to calculate the updated value of the contract.

#### **Note 15) b) Forward foreign currency**

To maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the fund's portfolio is in overseas assets.

To reduce the volatility associated with fluctuating currency rates, the fund has a passive currency programme in place with an external manager.

<b>Open forward currency contracts</b>	<b>Asset value £'000</b>	<b>Liability value £'000</b>
Open forward currency contracts at 31 March 2022	0	0
<b>Net forward currency contracts at 31 March 2022</b>		<b>0</b>
Prior year comparative		
Open forward currency contracts at 31 March 2021	475	(3,111)
<b>Net forward currency contracts at 31 March 2021</b>		<b>(2,636)</b>

#### **Note 16) Fair value – Basis valuation**

The basis of the valuation of each class of investment asset is set below. There has been no change in the valuation techniques during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

<b>Description of asset</b>	<b>Valuation hierarchy</b>	<b>Basis of valuation</b>	<b>Observable and unobservable inputs</b>	<b>Key sensitivities affecting the valuations provided</b>
<b>Market quoted investments</b>	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
<b>Quoted bonds</b>	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
<b>Exchange traded pooled investments</b>	Level 1	Closing bid values on published exchanges	Not required	Not required
<b>Forward foreign exchange derivatives</b>	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
<b>Pooled investments - unit trusts</b>	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
<b>Unquoted bonds</b>	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected cashflows, and by any differences between audited and unaudited accounts
<b>Pooled investments - property funds</b>	Level 3	Closing bid price where bid and offer prices are published	NAV-based pricing set	Valuations could be affected by material



		Closing single price where single price published	on a forward pricing basis	events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected cashflows, and by any differences between audited and unaudited accounts
<b>Unquoted equity</b>	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and venture Capital Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected cashflows, and by any differences between audited and unaudited accounts

#### Note 16) a) Sensitivity of assets valued at level 3

Having analysed historical data and current market trends the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	<b>Assessed valuation range (+/-)</b>	<b>Value at 31 March 2022 £'000</b>	<b>Value on increase £'000</b>	<b>Value on decrease £'000</b>
Private equity	4.7%	737,474	772,306	702,642
Property funds	18.1%	321,096	380,467	261,725
Private equity (LPPI Credit)	7.6%	300,201	323,107	277,296
Other	28.2%	4,558	5,844	3,272
<b>Total</b>		<b>1,363,329</b>	<b>1,481,724</b>	<b>1,244,935</b>

#### Note 16) b) Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

### i. Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.

### ii. Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

### iii. Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2022	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets at fair value through profit and loss	51,668	1,358,538	1,363,329	2,773,535
Financial liabilities at fair value through profit and loss	0	0	(138,414)	(138,414)
Cash deposits	10,869	0	0	10,869
Investment due	802	0	0	802
Amounts receivable for sales for purchases	6,935	0	0	6,935
<b>Net investment assets</b>	<b>70,274</b>	<b>1,358,538</b>	<b>1,224,915</b>	<b>2,653,727</b>

Values at 31 March 2021	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets at fair value through profit and loss	122,658	1,258,650	1,119,465	2,500,773
Financial liabilities at fair value through profit and loss	0	(3,111)	(133,191)	(136,302)
Cash deposits	17,149	0	0	17,149
Investment income due	972	0	0	972
Amounts payable for purchases	(0)	0	0	(0)
<b>Net investment assets</b>	<b>140,779</b>	<b>1,255,539</b>	<b>986,274</b>	<b>2,382,592</b>

**Note 16) c) Reconciliation of fair value measurements within level 3**

	Market value 31 March 2021	Purchases during the year	Sales during the year	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Unquoted equity	4,376	0	0	181	0	4,557
Private equity	821,472	186,472	(76,641)	70,999	35,374	1,037,676
Pooled property	293,617	0	0	27,479	0	321,096
Longevity insurance policy	(133,191)	8,080	0	(13,303)	0	(138,414)
	<b>986,274</b>	<b>194,552</b>	<b>(76,641)</b>	<b>85,356</b>	<b>35,374</b>	<b>1,224,915</b>

	Market value 31 March 2020	Purchases during the year	Sales during the year	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Unquoted bond	2,339	0	(4,418)	37,126	(35,047)	0
Unquoted equity	0	4,376	0	0	0	4,376
Private equity	643,459	178,700	(75,671)	41,529	33,455	821,472
Pooled property	292,107	200,242	(205,436)	(58,719)	65,423	293,617
Longevity insurance policy	(121,829)	8,704	0	(20,066)	0	(133,191)
	<b>816,076</b>	<b>392,022</b>	<b>(285,525)</b>	<b>(130)</b>	<b>63,831</b>	<b>986,274</b>

## Note 17) Financial instruments

### Note 17) a) Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading.

Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	31 March 2021				31 March 2022	
£'000	£'000	£'000		£'000	£'000	£'000
			<b>Financial assets</b>			
42,986			Equities	48,394		
1,517,667			Pooled investments	1,658,740		
84,048			Pooled liquidity funds	7,831		
293,617			Pooled property investments	321,096		
561,980			Private equity	737,474		
475			Derivative contracts	0		
17,149	7,493		Cash	10,869	6,309	
	972		Other investment balances		7,737	
	13,902		Debtors		964	
<b>2,517,922</b>	<b>22,367</b>	<b>-</b>		<b>2,784,404</b>	<b>15,010</b>	<b>-</b>
			<b>Financial liabilities</b>			
(136,302)			Derivative contracts	(138,414)		
	(0)		Amounts payable for purchases		0	
		(3,780)	Creditors			(3,128)
<b>(136,302)</b>	<b>-</b>	<b>(3,780)</b>		<b>(138,414)</b>	<b>-</b>	<b>(3,128)</b>
<b>2,381,620</b>	<b>22,367</b>	<b>(3,780)</b>		<b>2,645,990</b>	<b>15,010</b>	<b>(3,128)</b>

### Note 17) b) Net gains and losses on financial instruments

31 March 2021		31 March 2022
£'000		£'000
	<b>Financial Assets</b>	
430,498	Fair value through profit and loss	287,999
<b>430,498</b>		<b>287,999</b>
	<b>Financial Liabilities</b>	
(52,391)	Fair value through profit and loss	(28,649)
<b>(52,391)</b>		<b>(28,649)</b>
<b>378,107</b>	<b>Total</b>	<b>259,350</b>

The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

## **Note 18) Nature and extent of risks arising from financial instruments**

### **Note 18) a) Risk and risk management**

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the pension fund panel. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

#### **i. Market risk**

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund manages these risks in two ways:

- the exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels;
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

#### **ii. Other price risk**

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund mitigates this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

### Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return by the Fund's investment advisors during the financial year the Fund has determined that the following movements in market price risk are reasonably possible for the 2022/23 reporting period:

Asset type	Potential market movements (+/-)
<b>Bonds</b>	7.6%
<b>Equities:</b>	
Listed	20.9%
Unlisted	28.2%
<b>Private Equity:</b>	
Equity	28.2%
Credit	7.6%
Infrastructure	17.5%
<b>Pooled Investments:</b>	
Equity	20.9%
Bonds	5.4%
Credit	7.6%
Diversifying strategies	10.4%
<b>Pooled Property Funds</b>	18.5%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (with prior year comparator):

Asset type	Value as at 31 March 2022 £'000	Potential market movement £'000	Value on increase £'000	Value on decrease £'000
<b>Investment portfolio assets:</b>				
<b>Equities:</b>				
Unlisted	48,394	13,657	62,051	34,737
<b>Pooled Investments:</b>				
Equity	1,266,471	264,439	1,530,910	1,002,032
Bonds	84,070	4,540	88,610	79,530
Credit	303,772	23,178	326,950	280,594
Diversifying strategies	4,427	460	4,887	3,967
<b>Pooled liquidity funds</b>	7,831	-	7,831	7,831
<b>Pooled Property Funds</b>	321,096	59,371	380,467	261,725
<b>Private Equity:</b>				
Equity	350,963	99,042	450,005	251,921
Credit	49,028	3,741	52,769	45,287
Infrastructure	337,483	58,925	396,408	278,558
<b>Net derivative liabilities</b>	(138,414)	-	(138,414)	(138,414)
<b>Cash deposits</b>	10,869	-	10,869	10,869

<b>Investment income due</b>	802	-	802	802
<b>Amount receivable for sales</b>	6,935	-	6,935	6,935
<b>Current assets:</b>				
Debtors	10,027	-	10,027	10,027
Cash balances	6,309	-	6,309	6,309
<b>Current liabilities</b>	(4,364)	-	(4,364)	(4,364)
<b>Total</b>	<b>2,665,699</b>		<b>3,193,052</b>	<b>2,138,348</b>

<b>Asset type</b>	<b>Value as at 31 March 2021 £'000</b>	<b>Potential market movement £'000</b>	<b>Value on increase £'000</b>	<b>Value on Decrease £'000</b>
<b>Investment portfolio assets:</b>				
<b>Equities:</b>				
Unlisted	42,986	13,837	56,823	29,149
<b>Pooled Investments:</b>				
Equity	1,093,019	223,850	1,316,869	869,169
Bonds	68,410	5,897	74,307	62,513
Credit	263,273	26,485	289,758	236,788
Diversifying strategies	92,965	9,585	102,550	83,380
<b>Pooled liquidity funds</b>	84,048	-	84,048	84,048
<b>Pooled Property Funds</b>	293,617	53,203	346,820	240,414
<b>Private Equity:</b>				
Equity	303,791	97,790	401,581	206,001
Credit	63,273	6,365	69,638	56,908
Infrastructure	194,916	34,500	229,416	160,416
<b>Net derivative liabilities</b>	(135,827)	-	(135,827)	(135,827)
<b>Cash deposits</b>	17,149	-	17,149	17,149
<b>Investment income due</b>	972	-	972	972
<b>Current assets:</b>				
Debtors	13,902	-	13,902	13,902
Cash balances	7,493	-	7,493	7,493
<b>Current liabilities</b>	(3,780)	-	(3,780)	(3,780)
<b>Total</b>	<b>2,400,207</b>		<b>2,871,719</b>	<b>1,928,694</b>

### iii. Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

#### Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor's has advised that long-term average rates are expected to move less than 100 basis points (1%) from one year to the next and experience suggests that such movements are likely.

1 BPS is the movement of 0.01% between two percentages, for example from 0.50% to 0.51%. Therefore 100 BPS is the movement of 1.00% between two percentages, for example from 0.50% to 1.50%.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a  $\pm$  100 BPS change in interest rates:

<b>Asset exposed to interest rate risk</b>	<b>Value as at 31 March 2022</b>	<b>Change in year in the net assets available to pay benefits + 100 BPS</b>	<b>Change in year in the net assets available to pay benefits - 100 BPS</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investments - Pooled liquidity funds	7,831	0	0
Investments - Cash deposits	10,869	0	0
Current assets - Cash balances	6,309	0	0
<b>Total change in assets available</b>	<b>25,009</b>	<b>0</b>	<b>0</b>

<b>Asset exposed to interest rate risk</b>	<b>Value as at 31 March 2021</b>	<b>Change in year in the net assets available to pay benefits + 100 BPS</b>	<b>Change in year in the net assets available to pay benefits - 100 BPS</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investments - Pooled liquidity funds	84,049	0	0
Investments - Cash deposits	17,149	0	0
Current assets - Cash balances	7,493	0	0
<b>Total change in assets available</b>	<b>108,691</b>	<b>0</b>	<b>0</b>

<b>Income exposed to interest rate risk</b>	<b>Amount receivable in year ending 31 March 2022</b>	<b>Effects on income values + 100 BPS</b>	<b>Effects on income values - 100 BPS</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash balances / cash and cash equivalents	25	25	25
Bonds	1,552	1,552	1,552
<b>Total change in assets available</b>	<b>1,577</b>	<b>1,577</b>	<b>1,577</b>



<b>Income exposed to interest rate risk</b>	<b>Amount receivable in year ending 31 March 2021</b>	<b>Effects on income values</b>	<b>Effects on income values</b>
		<b>+ 100 BPS</b>	<b>- 100 BPS</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash balances / cash and cash equivalents	116	117	115
Bonds	3,004	3,004	3,004
<b>Total change in assets available</b>	<b>3,120</b>	<b>3,121</b>	<b>3,119</b>

The analysis assumes that all variables, in particular exchange rates, remain constant, and shows the effect in the year on net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed bonds but will reduce their fair value and vice-versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances.

#### iv. Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund GBP. The fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

#### Currency risk - sensitivity analysis

Following analysis of historical data by the Fund's investment advisors during the financial year the fund has determined that the following likely volatility associated with foreign exchange rate movements are reasonably possible for 2022/23.

The table below shows the value of assets held by the Fund in foreign currencies and the likely volatility associated with foreign exchange rate movements (as measured by one standard deviation).

This analysis assumes that all other variables, in particular foreign exchange rates and interest rates, remain constant.

<b>Denominated currency</b>	<b>Value as at 31 March 2022</b>	<b>Potential volatility (+/-)</b>	<b>Value on increase</b>	<b>Value on decrease</b>
	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
AUD	16,862	6.8%	18,008	15,715
CAD	0	6.4%	0	0
CHF	0	6.5%	0	0
EUR	6,068	5.6%	6,408	5,728
JPY	23	7.7%	25	21
NOK	183	9.9%	201	165

NZD	14,960	6.8%	15,977	13,943
USD	307,706	6.7%	328,291	287,120
<b>Total</b>	<b>345,802</b>		<b>368,910</b>	<b>322,692</b>

Denominated currency	Value as at 31 March 2021 £'000	Potential volatility (+/-)	Value on increase £'000	Value on decrease £'000
AUD	17,461	8.5%	18,952	15,970
CAD	0	8.0%	0	0
CHF	79	8.3%	86	73
EUR	4,684	7.4%	5,033	4,336
JPY	26	9.1%	28	24
NOK	237	12.1%	266	208
NZD	19,012	8.5%	20,636	17,388
USD	270,211	9.3%	295,449	244,973
<b>Total</b>	<b>311,710</b>		<b>340,450</b>	<b>282,972</b>

#### v. Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the funds's credit criteria. The Fund has also set limits as to the maximum deposit placed with any one class of financial institution. In addition, the Fund invests an agreed amount of its funds in the money markets to provide diversification.

The Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2022 was £25.01m (31 March 2021: £108.7m). This was held with the following institutions:

	Rating	Balances as at 31 March 2021 £'000	Balances as at 31 March 2022 £'000
<b>Money Market funds</b>			
Aviva	AAA	17,508	6,510
JP Morgan	AAA	45,811	0
Legal & General	AAA	3,409	0
Northern Trust	AAA	17,321	1,321
<b>Bank deposit accounts</b>			
JP Morgan	AA-	17,149	10,869
<b>Bank current accounts</b>			
Lloyds	A+	7,493	6,309
<b>Total</b>		<b>108,691</b>	<b>25,009</b>

## **vi. Liquidity risk**

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those which will take longer than three months to convert to cash. As at 31 March 2022 the value of illiquid assets was £1,058.57m, which represented 39.7% of the total fund net assets (31 March 2021: £855.6m, which represented 36.4% of the total fund net assets).

## **vii. Refinancing risk**

The key risk is that the fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

## **viii. Longevity risk**

This is the risk of higher-than expected life expectancy trends amongst the Fund's pensioners. A longevity swap has been entered into with ReAssure to protect the Fund against costs associated with potential increases in life expectancy of the Fund's pensioners. This arrangement covers all pensions in payment as at the end of July 2009.

## **Note 19) Funding arrangements**

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. The next valuation will take place as at 31 March 2025.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the fund by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 18 years from the valuation date and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2022 actuarial valuation, the Fund was assessed as 86% funded (78% at the March 2019 valuation). This corresponded to a deficit of £446m (2019 valuation: £597m) at that time.

At the 2022 actuarial valuation the average required employer contribution to restore the funding position to 100% over the next 18 years was 23.4% of pensionable pay.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

**Note 19) a) Financial assumptions**

Discount Rate	5.1% per annum for both unitary authorities and other employers
Pension and Deferred Pension Increases	2.9% per annum
Short term pay increases	not applicable
Long term pay increases	3.9% per annum

**Note 19) b) Mortality assumptions**

Current mortality	110% (Male) / 105% (Female) of the S3PA tables
Mortality Projection	2021 CMI Model with a long-term rate of improvement of 1.25% p.a

**Note 19) c) Commutation assumption**

It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum of £1 of pension.

**Note 20) Actuarial present value of promised retirement benefits**

In addition to the triennial funding valuation, the Fund’s actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2022 was £5,219m (31 March 2021: £5,471m). The net assets available to pay benefits as at 31 March 2022 was £2,666m (31 March 2021: £2,400m). The implied Fund deficit as at March 2022 was therefore £2,553m (31 March 2021: £3,071m).

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2022 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

**Note 20) a) IAS19 assumptions used**

Inflation/pension increase rate assumption	3.20%
Salary increase rate	4.20%
Discount rate	2.60%

## Note 20) b) Guaranteed Minimum Pension (GMP) Equalisation

In valuing the present value of promised retirement benefits the Fund's actuary has assumed that for GMP the Fund will pay limited increases for members that have reached statutory pension age (SPA) by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the Fund actuary has assumed that the Fund will be required to pay the entire inflationary increase. Therefore the Fund actuary does not believe that any adjustments are needed to the value placed on the liabilities as a result of the High Court's recent ruling on the equalisation of GMP.

## Note 21) Current assets

31 March 2021		31 March 2022
£'000		£'000
2,158	Contributions due - employees	2,716
7,164	Contributions due - employers	6,347
4,580	Sundry debtors	964
<b>13,902</b>	<b>Debtors</b>	<b>10,027</b>
7,493	Cash balances	6,309
<b>21,395</b>		<b>16,336</b>

### Analysis of debtors

31 March 2021		31 March 2022
£'000		£'000
9,562	Other local authorities	6,734
4,340	Other entities & individuals	3,293
<b>13,902</b>		<b>10,027</b>

## Note 22) Current liabilities

31 March 2021		31 March 2022
£'000		£'000
(3,594)	Sundry creditors	(4,230)
(186)	Benefits payable	(134)
<b>(3,780)</b>		<b>(4,364)</b>

### Analysis of creditors

31 March 2021		31 March 2022
£'000		£'000
(2,047)	Central government bodies	(1,102)
1,530	Other local authorities	(1,516)
(3,263)	Other entities & individuals	(1,746)
<b>(3,780)</b>		<b>(4,364)</b>

## Note 23) Additional voluntary contributions

Market value 31 March 2021 £'000		Market value 31 March 2022 £'000
13,357	Prudential	16,847
6	Equitable Life	7
18	Clerical Medical	18
<b>13,381</b>	<b>Total</b>	<b>16,871</b>

AVC Contributions of £1.72m were paid directly to Prudential during the year (2020/21: £1.630m).

## Note 24) Related party transactions

### Note 24) a) The Royal Borough of Windsor and Maidenhead

The Royal County of Berkshire Pension Fund is administered by The Royal Borough of Windsor and Maidenhead. During the reporting period, The Royal Borough of Windsor and Maidenhead incurred costs of £2.115m (2020/21: £1.888m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the 6th largest employer in the pension fund (by contributions paid) and contributed £12.9m (2020/21: £12.2m).

### Note 24) b) Governance

No members of the pension fund panel are in receipt of pension benefits from The Royal County of Berkshire Pension Fund.

Each member of the pension fund panel is required to declare their interests at each meeting.

### Note 24) c) Key management personnel

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of The Royal Borough of Windsor and Maidenhead.

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Director of Resources, the Head of Finance and the interim Head of Pension Fund (up to 31 October 2021) and Head of Pension Fund (from 1 September 2021). Their remuneration is set out below.

2020/21 £'000		2021/22 £'000
87	Short-term benefits	206
12	Post-employment benefits	38
<b>99</b>		<b>244</b>

## Note 25) Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2022 totalled £278.743m (31 March 2021: £349.324m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts "called" by these funds are irregular in both size and timing.

**Note 26) Contingent assets**

Several admitted body employers in the Royal County of Berkshire Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These funds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. It is not practicable to disclose the financial effect of the contingent assets.

## 12) SCHEME EMPLOYERS AND CONTRIBUTIONS RECEIVED

<b>Employer</b>	<b>Employee £'000</b>	<b>Employer £'000</b>	<b>TOTAL £'000</b>
Absolutely Leisure Limited	25	46	71
Accent Catering Services Ltd	1	3	4
Transform Learning Trust	42	149	191
Activate Learning Education Trust	54	255	309
Age Concern Berkshire	9	10	19
ALET (B&W College)	120	670	790
Altwood School (Academy Status)	50	113	163
Ashley Hill Schools Trust	24	85	109
Thames Learning Trust	110	374	484
Bellevue Place Education Trust	173	560	733
Berks, Bucks & Oxfordshire Wildlife Trust	5	17	22
Berkshire College Of Agriculture	262	1,029	1,291
Berkshire County Blind Society	0	14	14
Berkshire Fire & Rescue Service	474	1,281	1,755
Berkshire Maestros	37	122	159
Binfield Parish Council	5	19	24
Bohunt Education Trust	49	171	220
Bohunt Wokingham	0	0	0
Bonitas Multi Academy Trust Limited	92	246	338
Bouygues E&S UK Ltd	3	16	19
Bracknell Forest BC	3,523	11,748	15,271
Bracknell Forest Homes	73	216	289
Bracknell Town Council	43	154	197
Bray Parish Council	3	16	19
Brighter Futures for Children	1,138	2,419	3,557
Bucklebury Parish Council	0	2	2
Burghfield Parish Council	6	28	34
Busy Bee Cleaning Services Ltd	1	5	6
Care UK	3	10	13
Castleview School (Academy Status)	56	200	256
Caterlink Limited (Heights)	0	2	2
Anthem Schools Trust	104	326	430
Change Grow Live	2	8	10
Charters School (Academy Status)	86	275	361
Charvil Parish Council	3	12	15
Churchend Academy	35	129	164
Churchill Contract Services Ltd	0	1	1
Compass Contract Services (UK)	4	10	13
Compass Contract Services (UK) Ltd 2	0	14	14
Compton Parish Council	1	3	4
Adviza	82	204	286
Continental Landscapes Ltd	11	32	43
Cookham Parish Council	3	13	16
Coram	18	54	72
Corn Exchange Trust	2	15	17
Cox Green Parish Council	4	19	23
Cox Green School (Academy Status)	69	222	291
Creative Support Extra Care	11	37	48
Creative Support Ltd (Altair 00211)	2	10	12
Crowthorne Parish Council	7	28	35
Denefield School (Academy Status)	70	224	294
Desborough College	42	152	194
Dimensions UK Ltd	13	108	121



Earley Town Council	28	111	139
Windsor Forest Colleges Group	255	990	1,245
Elizabeth Fry Hostel	13	44	57
Eton Town Council	1	6	7
Everbrite Cleaning Services	2	6	8
Excalibur Academies Trust	86	290	376
Finchampstead Parish Council	4	15	19
Forest Bridge School	96	330	426
Frassati Catholic Academy Trust	98	354	452
Frays Academy Trust	47	172	219
Furze Platt Senior School (Academy Status)	96	327	423
Get Active (Robert Piggott)	0	0	0
Get Active (Wildridings)	1	4	5
Glyn Learning Foundation	44	153	197
Go Beanies Limited	0	2	2
Greenham Parish Council	2	6	8
Greenshaw Learning Trust	122	434	556
Greenwich Leisure Ltd (RBC)	47	130	177
Greenwich Leisure Ltd ext 4076	3	55	58
Hampstead Norreys Parish Council	0	1	1
Haybrook College Trust	91	304	395
Hayward Services (Rdg Girls)	0	1	1
Hayward Services (SASH)	0	1	1
Hayward Services Ltd (Cox G)	1	6	7
Hayward Services Ltd (Wex)	2	7	9
Heart Facilities Limited	1	5	6
Highdown School	69	225	294
Holroyd Howe Ltd	1	5	6
Holt School (Academy Status)	48	163	211
Holy Family School	33	147	180
Holybrook Parish Council	3	10	13
Holyport College	53	176	229
Horton Parish Council	1	4	5
Housing Solutions Ltd	0	539	539
Hungerford Town Council	4	17	21
Hurley Parish Council	1	5	6
Innovate Services (Prospect)	4	12	16
Interserve (Facilities Services Slough) Ltd	0	97	97
Kendrick School (Academy Status)	36	120	155
Kennet School Academies Trust	172	576	748
Keys Multi-Academy Trust	130	459	589
KGB Cleaning Ltd – Denefield	0	0	0
Sikh Academies	31	106	137
King's Academy Group	111	368	479
Lambourn Parish Council	2	8	10
Arbib Education Trust	179	612	791
Langley Grammar School (Academy Status)	46	148	194
Langley Hall Primary Academy	54	183	237
Learning Alliance Trust	0	0	0
Leisure Focus Trust	12	41	53
Lowbrook Academy Trust	12	43	55
Maiden Erlegh Schools Trust	342	1,006	1,349
Marish Academy Trust	129	453	583
Mary Hare Grammar School	208	795	1,003
MITIE	1	19	21
Newbury Academy Trust	128	370	498
Newbury College	132	599	731
Newbury College Academy Trust Ltd	2	8	10
Newbury Town Council	24	76	100

Newlands Girls School	57	187	244
Chiltern Way Academy Trust	20	69	89
Northgate UK Ltd (Altair Code 00113)	0	0	0
Northgate UK Ltd (Altair Code 00178)	0	49	49
NSL Ltd	15	46	61
Optalis Limited	38	131	169
Optalis Limited (RBWM)	166	580	746
Orchard Hill College & Academy Trust	157	558	715
Osborne Property Services Limited	28	91	119
Oxford Diocesan Schools Trust	92	327	419
Pact	26	92	118
Pangbourne Parish Council	3	13	16
Park Federation Academy Trust	186	611	797
Priory School	102	451	553
Project Centre Ltd	7	19	26
Project Centre Ltd 2	10	19	29
Purley on Thames Parish Council	4	9	13
Rapid Clean (Westende)	0	0	0
RBWM	1,978	10,957	12,935
RBWM Property Company Ltd	50	81	131
Reach2 Thames Valley Academy Trust	58	255	313
Reading Borough Council	4,394	15,703	20,097
Reading School (Academy Status)	57	184	241
Reading Transport Ltd	34	728	762
Reading Voluntary Action	3	11	14
Berkshire Schools Trust	45	159	204
Ryvers School (Academy Status)	51	181	232
S.E.Centre for the Built Environment Ltd	10	27	37
Sandhurst Parish Council	4	12	16
SASH Education Trust	119	399	518
Schelwood Academy Trust	85	271	356
School of St Helen & St Katharine	18	71	89
Shinfield Parish Council	0	2	2
SLM Charitable Trust 2	32	87	119
SLM Community Leisure	1	3	4
SLM Fitness & Health	2	6	8
SLM Food & Beverage	3	8	11
Slough Borough Council	2,681	11,541	14,222
Slough Children's Services Trust	626	1,320	1,946
Slough Community & Leisure Ltd	0	33	33
Slough Council For Voluntary Service	5	17	22
Solutions4Health	1	8	9
South Hill Park Trust	0	60	60
Sovereign Housing Association	0	596	596
Specialist Education Trust	36	123	159
St Bartholomew's School (Academy Status)	84	291	375
St Thomas Catholic Academies Trust	127	421	548
Sunninghill & Ascot Parish Council	1	4	5
Swallowfield Parish Council	19	14	33
Thames Valley Cleaning Limited	1	2	3
Thatcham Town Council	10	39	49
The Avenue Academy	165	575	740
The Beehive (Wokingham) Limited	1	2	3
The Blessed Hugh Farringdon School	59	244	303
The Cippenham Schools' Trust	30	102	132
The Circle Trust	206	675	881
The Corvus Learning Trust	121	423	544
The Downs School	75	300	375
The Elliot Foundation	40	139	179

The Forest School Academy Trust	23	73	96
The Heights Free School	23	82	105
The National Autistic Society Academy Trust	86	287	373
The Piggott C of E Academy	70	244	314
The Slough and East Berkshire MAT	216	718	934
The Riverside Day Nursery Ltd	0	0	0
Theale Parish Council	2	8	10
Tilehurst Parish Council	3	12	15
Twyford Parish Council	3	11	14
Tyr Abad	1	3	4
Unallocated	0	0	0
University of West London	53	1,544	1,597
Pioneer Education Trust	102	342	444
Volkerhighways Ltd	24	68	92
Volkerhighways Ltd (Wok)	1	3	4
W&M Youth & Community Counselling Service	3	11	14
Waingels College	75	221	296
Warfield Parish Council	3	9	11
West Berkshire DC	4,285	15,256	19,541
West Illsley Parish Council	0	1	1
Westgate School (Academy Status)	75	258	333
Wexham Court Parish Council	1	5	6
White Waltham Parish Council	5	22	27
All Saints (CE) Aided Primary School	28	119	147
Windsor Housing	2	226	228
Windsor Learning Partnership	162	595	757
Winkfield Parish Council	15	54	69
Winnersh Parish Council	4	15	19
Wokingham Borough Council	4,090	13,811	17,901
Wokingham Town Council	30	94	124
Wokingham Without Parish Council	7	30	37
Wolseley UK Ltd	0	0	0
Woodley Town Council	42	170	212
Wraysbury Parish Council	1	6	7
Yattendon Parish Council	0	0	0
	<b>31,541</b>	<b>116,642</b>	<b>148,183</b>

### 13) AVC ARRANGEMENTS

The Royal County of Berkshire Pension Fund's chosen Additional Voluntary Contribution (AVC) provider is the Prudential Assurance Company. There are a number of investment choices available to members of the Fund who elect to pay AVCs. Members can choose to switch AVC Funds at any time subject to the terms and conditions of each vehicle. At retirement, the accumulated value of a member's AVC Fund can be used to provide a tax-free lump sum payment (subject to HMRC limits), to purchase an annuity on the open market or, in certain circumstances, buy additional membership of the Local Government Pension Scheme. The following table sets out the available Funds and the level of investment risk attached to each of those Funds:

#### **Higher Risk**

Prudential UK Equity Fund  
Prudential UK Equity Passive Fund

#### **Medium to Higher Risk**

Prudential Global Equity Fund  
Prudential International Equity Fund

## Prudential Positive Impact Fund

### Medium Risk

Prudential Discretionary Fund  
Prudential Dynamic Growth IV Fund  
Prudential Index-Linked Fund  
Prudential Long-Term Bond Fund  
Prudential Long-Term Gilt Passive Fund

### Lower to Medium Risk

Prudential Dynamic Growth I Fund  
Prudential Dynamic Growth II Fund  
Prudential Fixed Interest Fund  
Prudential With-Profits Fund

### Minimal Risk

Prudential Cash Fund

Many members choose to invest in the With Profits Fund that is designed to provide smoothed medium to long-term growth by investing in a range of assets including equities and property. The investment returns are distributed by way of reversionary and terminal bonuses.

## Lifestyling

Lifestyling is a convenient way for members of AVC schemes to stay invested in assets with the potential for long-term growth throughout their working lives whilst gaining an element of protection through automatic switching into funds with lower risk as retirement approaches.

## 14) POLICIES, STRATEGIES AND STATEMENTS

The statutory policies, strategies and statements prepared by the Royal County of Berkshire Pension Fund as administered by the Royal Borough of Windsor and Maidenhead are summarised as follows. *The Pension Fund Website address as referred to in the table below is <https://berkshirepensions.org.uk/>*

Document	Relevant Regulation	Source	Note
Abatement Policy	Regulations 70 & 71 (LGPSAR 2008** )	<a href="#">Pension Fund Website</a>	
Full Actuarial Valuation Report	Regulation 62 (LGPSR2013*)	<a href="#">Pension Fund Website</a>	Relates to the post 2019 triennial valuation
Discretions Policy	Various	<a href="#">Pension Fund Website</a>	
Communications Strategy	Regulation 61 (LGPSR 2013*)	<a href="#">Appendix 1</a>	
Employer Flexibilities Policy	Regulation 64 (LGPSR2013*)	<a href="#">Pension Fund Website</a>	
Employer Contribution Review Policy	Regulation 64 (LGPSR2013*)	<a href="#">Pension Fund Website</a>	
Funding Strategy Statement	Regulation 58 (LGPSR 2013*)	<a href="#">Appendix 2</a>	Relates to the post 2019 triennial valuation
Governance Compliance Statement	Regulation 55 (LGPSR 2013*)	<a href="#">Appendix 3</a>	The full document available on the Fund Website includes committee training logs appended as per the recent SAB good governance report.
Investment Strategy Statement	Regulation 7 (LGPS(M&IF)R2016***	<a href="#">Appendix 4</a>	Sub-documents as referenced in the ISS (LPPI shareholder voting policy, Responsible investment policy) are also available on the Pension Fund website

**\*LGPSR2013 - Local Government Pension Scheme Regulations 2013 (SI 2013 No. 2356)**  
**\*\*LGPSAR 2008 - Local Government Pension Scheme (Administration) Regulations 2008 (extant) (SI 2008 No. 239)**  
**\*\*\*LGPS(M&IF)R2016 - Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016 No. 946)**

The aforementioned policies, strategies and statements are prepared by Fund officers then reviewed and approved by the Pension Fund Committee in consultation with the Pension Board. The timeline for review varies between the individual policy documents, from at least triennially but no more frequent than annually.

Non-statutory policies are also prepared in line with good governance and best practice, these are reviewed and approved at least annually and include those that are already referred to in this report and those outside of the scope of this report for example:

- Pension Administration Strategy;
- Managing Risks Framework;
- Reporting Breaches of the Law;
- Business Plan;
- Service Level Agreements
- Debt Spreading and Deferment Policies;
- Internal Dispute Procedures;
- Managing Employer Admissions to the Fund

All statutory and non-statutory policies are available from the Pension Fund website at <https://berkshirepensions.org.uk> along with associated guidance notes as required.

## Appendix 1) Communications Strategy Statement

*Approved by the Pension Fund Committee in October 2022, please note that title and contents pages have been removed for the purpose of presentation in this appendix. The full document is available on the pension fund website: <https://berkshirerensions.org.uk/>*

### 1. INTRODUCTION

This Communications Strategy ('the Strategy') is formulated by the Royal Borough of Windsor and Maidenhead in its role as the Administering Authority for the Royal County of Berkshire Pension Fund in accordance with Regulation 61 of the Local Government Pension Scheme Regulations 2013.



This Strategy deals with the communication of all aspects of the scheme to both Scheme employers and the individual LGPS members (or their representatives).

It should be noted for the purposes of clarification that the reference to 'scheme member' in this statement means an individual who by virtue of his/her employment is an active contributor, deferred beneficiary or retired member of the Royal County of Berkshire Pension Fund.

The aim of the Strategy is to provide clear and consistent information to all scheme members and scheme employers and to communicate this information effectively and accurately.

This Strategy will be kept under review and amended following any material change to:

- i) The provision of information and publicity about the scheme to members, representatives of members and scheme employers;
- ii) The format, frequency and method of distributing such information or publicity; and
- iii) The promotion of the Scheme to prospective members.

Following any revision to the strategy statement, the Administering Authority will publish the statement as revised, otherwise it should undergo a periodic review and refresh at least triennially.

Notwithstanding the introduction, communication strategy is sub-divided into four main areas:

1. Communication with scheme employers;
2. Communication with individual scheme members (or their representatives);
3. Communication with prospective scheme members; and
4. Communication with prospective scheme employers.

Additionally, the Fund's policy on responding to external enquiries is to adopt BRWM's FOI (freedom of Information) process/policy. All enquiries made by existing stakeholders of the Fund, outside of the FOI process, shall be addressed on a best endeavours basis in a reasonable time frame and subject to resource constraints. This includes enquiries from existing members (retired, deferred, active) and councillor enquiries from the six unitary authorities associated with the Fund. The Fund has a policy of not directly responding to enquiries from members of the public (or other external parties), outside of RBWM's FOI request process.



## **2. COMMUNICATION WITH SCHEME EMPLOYERS**

The Royal County of Berkshire Pension Fund has many Scheme employers that satisfy the relevant membership conditions set out within the LGPS Regulations. These scheme employers can be broadly split into 2 groups:

- Group 1: Scheduled Bodies (including Borough, District, Town and Parish Councils, Academies, Berkshire Fire & Rescue Service, Colleges and Housing Associations)
- Group 2: Admission Bodies (including scheme employers previously defined as Community Admission Bodies and Transferee Admission Bodies). This refers to all scheme employers admitted to the scheme other than Scheduled bodies.

### ***2.1. Decision Making Process***

The Fund's Governance Compliance Statement covers the involvement of Scheme employers within the decision-making process but should also be seen as an element in the communication process with regard to scheme employers other than the Royal Borough of Windsor & Maidenhead in its role as the Administering Authority for the Fund.

### ***2.2. Scheme Employer Meetings***

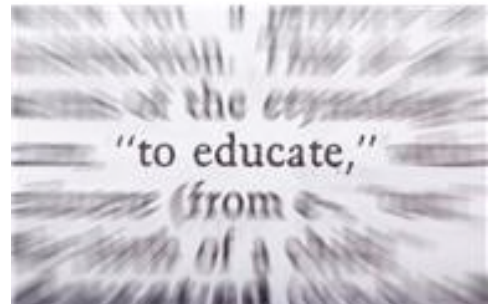
Meetings will be held in person or virtually between the Pension Liaison Officer (or relevant representative) of the six Berkshire Unitary Authorities and the Fund on an annual basis to discuss all current pension-related matters.



A separate annual meeting is held with at least one representative of each scheme employer being invited to attend. Representatives of various professional bodies employed by the Fund such as the Actuary will be present at the meeting to explain the details of any relevant topic and receive questions. The Chair of the Berkshire Pension Fund Committee is invited to attend and chair the meeting. If possible, the Chair of the Pension Board will also attend. The date for this meeting may vary so as to take into account the timing of any specific issues that may arise such as the triennial actuarial valuation results.

### 2.3. Training for Scheme Employers

Scheme administration guidance is available to all the scheme employers within the Fund via the Pension Fund website. In addition, training meetings may be arranged on an ad hoc basis with the relevant officers within the pension administration team and individual Scheme employers by way of supplementing the guidance provided via the website. These meetings are most applicable for HR and payroll staff representing the scheme employer



### 2.4. Regular LGPS updates

Regular updates are sent to each scheme employer by the Fund's communication team regarding any changes to the Local Government Pension Scheme. These are mainly in the form of employer newsletters (*'Inscribe'*) posted to the employer section of the Royal County of Berkshire Pension Fund [website](#) but updates may also be provided in the form of letters or e-mails. Bulletins will be issued three or four times a year and will include details of any legislation changes and how the changes impact on scheme employers.

The Royal County of Berkshire Pension Fund operates a [website](#) with sections specifically dedicated to active scheme members, deferred beneficiaries/members, retired members, and scheme employers.

Other details that can be found include:



**Standard Fund documentation (guides, leaflets and forms)**

**Statement of Accounts for the Pension Fund**

**Investment Strategy Statement**

**Funding Strategy Statement**

**Governance Compliance Statement**

**Copies of Scheme Member newsletters**

**Links to other web sites**



The Berkshire Pension Fund website address is [www.berkshirepensions.org.uk](http://www.berkshirepensions.org.uk).

### ***2.5. General Guidance and Assistance***

The pension administration team can be contacted during normal office hours and is always available to answer any questions raised by Scheme employers and can arrange for ad hoc meetings to be held for pension input into any specific tasks Scheme employers may have e.g., outsourcing of services. The pension administration team can be contacted by telephone on 01628 796668 or by email at [info@berkshirepensions.org.uk](mailto:info@berkshirepensions.org.uk).

### ***2.6. Promotional Services***

Promotional guides, factsheets and leaflets are produced by the pension administration team and are available from the Fund website. The pension administration team will also commit to attending any events held by the scheme employers where their input would be seen to be of value.

## 2.7. Scheme Member Data

The Administering Authority's 'Pension Administration Strategy' sets out that the Fund's approach is to accept data from scheme employers via i-Connect, a secure electronic data transfer interface between the scheme employer's payroll system and the Fund's pension administration system. The reasons for this are many but in particular because the data transfer is encrypted providing greater data security, pension information is uploaded in real time meaning that scheme members have access to the most up to date membership information via 'mypension ONLINE', keying and data errors are eliminated and scheme administration is maintained to the highest standards possible.



The Administering Authority will continue to engage and work with scheme employers in implementing i-Connect but until such time as a scheme employer contracts into using i-Connect the scheme administrator will continue to receive pension data from a scheme employer via either a pre-formatted excel spreadsheet or by the completion of standard forms as made available from the scheme employers' section of the Fund's website in both .pdf and Word formats.

With the exception of scheme employers who use i-Connect, all other Scheme employers are required to supply a 'year-end' return (31<sup>st</sup> March) to the Administering Authority by 30<sup>th</sup> April in a specified format to enable annual benefits statements to be produced and supplied to active and deferred members within the statutory deadlines set out in Scheme regulations.

## 2.8. General Data Protection Regulation (GDPR)

GDPR came into force on 25 May 2018 and requires Privacy Notices to be published showing transparency on how personal data is used. The Administering Authority has produced and published on the Berkshire Pension Fund website a Privacy Notice explaining how the Pension Fund collects personal data, what that data is used for, with whom that data is shared and the rights of individuals with regard to their data.

In addition, a Memorandum of Understanding regarding compliance with Data Protection law has been produced and published on the website and scheme employers and members have been advised through their respective newsletters.

## 2.9. Employer Factsheets

A suite of topical factsheets (known as "**Pension Pointers**") is available to assist scheme employers with the administration of the LGPS. These are available on the Pension Fund website.

### 3. COMMUNICATION WITH INDIVIDUAL SCHEME MEMBERS

Membership of the Royal County of Berkshire Pension Fund covers the active contributors, those members who have left the Fund but still have a deferred pension awaiting payment from normal retirement age and retired members including their dependants.

The preferred method of communication with scheme members is via '*mypension* ONLINE' a secure member self-service facility provided as part of the pension administration software. '*mypension* ONLINE' is available to all member types and enables the member to update certain personal details online and provides each member type with access to their annual benefit statements, membership certificates and guides/leaflets relevant to their membership type. Where a member requests that information should be supplied in a paper format the scheme administrator will make arrangements for this information to be sent to the member's home address.

Electronic communication is the Fund's preferred mode of communication with members and shall be implemented unless explicitly advised by a member not to.

#### 3.1. Welcome Pack

Upon receipt of a new starter notification from a Scheme employer, a '*mypension* ONLINE' activation key is sent, by the pension administration team, to the home address of the new active member. Access to '*mypension* ONLINE' provides a new scheme member with:

- A membership certificate of entry into the scheme
- An employee guide to the scheme
- A guide to increasing pension benefits
- A guide to making a transfer of pension rights from a previous pension scheme;
- A guide to protections for the family
- An expression of wish form for payment of a death grant
- A guide to civil partnerships
- A guide to working part-time
- A copy of the Pension Fund's Service Standards
- A guide to keeping records up to date
- A guide to making contributions following a period of absence



If a scheme member prefers not to use '*mypension* ONLINE', they can request a full welcome pack to be sent to their home address.

#### 3.2. Annual Benefit Statements

Each active contributor and deferred beneficiary has an Annual Benefit Statement made available via '*mypension* ONLINE' which includes details of:

- Benefits built up within the scheme as of 31 March
- An estimate of benefits to Normal Pension Age.
- The value of the death grant payable from the Scheme
- The member's nominated beneficiaries for receipt of any death grant

If a Scheme member prefers, a paper copy of their annual benefit statement will be sent to their home address upon request. Electronic communication is the Fund's preferred mode of communication with members and shall be implemented unless explicitly advised by a member not to.

#### 3.3. Pension Surgeries

One to one meetings are available at the Pension Fund offices for any scheme member of the Fund and formal Pension Surgeries are held twice yearly at the offices of the six Unitary Authorities or via a virtual link if preferred and on an ad hoc basis at the offices of other Scheme employers as arranged by the scheme employer.

### 3.4. Newsletters



Newsletters are produced bi-annually for active and retired Scheme members and annually for deferred Scheme members. These newsletters are available via 'mypension ONLINE' or the Pension Fund website although they can be sent out to individual addresses if explicitly requested.

The newsletters are tailored to the recipient according to their membership status and contain an update of all matters relating to the LGPS and the Berkshire Pension Fund. Retired Scheme members receive "The Scribe".

Active and deferred scheme members receive "The Quill", with separate sections tailored to each membership type.

Regular exercises are undertaken to contact members asking for their communication preferences, with the intention of moving more communications from paper to electronic at each liaison exercise. At least one outreach exercise shall be undertaken in 2022/23 with the intention to repeat this as soon as reasonably practical.



### 3.5. Pre-Retirement Courses

Where pre-retirement courses are run by scheme employers, a member of the pension administration team will be available to attend to explain the details of scheme benefits and how and when pension payments will be made.

### 3.6. Pension Fund Website

Individual scheme members of the Fund have access to the Pension Fund website which is continually reviewed and updated. Specific sections of the website have been designed for each membership type with downloadable forms, guides, online flipbooks and modellers made available. Access to 'mypension ONLINE' is gained via the Pension Fund website [www.berkshirerpensions.org.uk](http://www.berkshirerpensions.org.uk)



### 3.7. Pension Payslips

Pension payslips are available via 'mypension ONLINE'. If a scheme member requires a pay advice slip to be sent to their home address it is the practice of the administering authority to only send out pay advice slips when there is a variation of £1 or more in net pay between consecutive months. A detailed description of a payslip is available on the retired scheme members section of the Pension Fund website.

### 3.8. P60s

P60s are available via 'mypension ONLINE' but will be sent out to scheme members' home addresses as a matter of course. Every retired scheme member and/or their dependants will receive a P60 each year before the HMRC deadline of 31<sup>st</sup> May. A detailed description of a P60 is available on the retired scheme members section of the Pension Fund website.

### **3.9. Annual Pension Increase Letter**

Annual Pension Increase letters will be sent out to Scheme members' home addresses. Retired Scheme members will receive a pension increase booklet every April containing their individual increase on their pension (where an increase is to be applied). This letter will include details of the monetary value of their revised annual pension.

### **3.10. Annual General Meeting**

An Annual General Meeting of the Royal County of Berkshire Pension Fund is held with all Scheme members receiving an invite. During 2020 and 2021 these meetings were held virtually and from 2022 they shall be held as hybrid meetings if the technology is available to support this. A restricted number of scheme members will be able to attend in person on a first come first served basis. The main purpose of the meeting is to communicate details of the Fund's Annual Report & Accounts, Investment Strategy and any other specific matters relating to the LGPS Regulations. The date for this meeting may vary so as to take into account certain regulatory matters that may arise.



### **3.11. Ad Hoc Meetings**

Ad hoc meetings may be held from time to time for various groups of scheme members. These may be defined by type of scheme member (active or retired) or location (for a specific scheme employer or group of scheme employers). The timing of these meetings will be dictated either by requests from scheme employers or the need to consult and notify scheme members of any changes that might have occurred.

## **4. COMMUNICATION WITH PROSPECTIVE SCHEME MEMBERS**

A brief guide to the scheme is available to all prospective scheme members and should be provided to all new employees by their scheme employer as part of their contract of employment details. The brief guide is available from the Pension Fund website in both pdf and Word formats and is kept up to date with current regulations at all times.

The Fund website has a dedicated area for employees considering opting into the LGPS.

## **5. COMMUNICATION WITH PROSPECTIVE SCHEME EMPLOYERS**

A guide for admission bodies is available on the Pension Fund website for all prospective scheme employers considering admission to the Royal County of Berkshire Pension Fund and is available as a hard copy upon request.

A template admission agreement has been produced and is available either via the Pension Fund website or as a hard copy upon request.

The administering authority has the power to accept various types of scheme employers into the Pension Fund but will only do so subject to a full and open discussion taking place between the parties to any admission agreement and that the final admission agreement (including any covenants, guarantees etc.) has been completed in advance of the agreed admission date.

Approved by the Berkshire Pension Fund Committee: 19 September 2022

### **Appendix 2) Funding Strategy Statement**

*Approved by the Pension Fund Committee in June 2021, please note that title and contents pages have been removed for the purpose of presentation in this appendix. The full document is available on the pension fund website: <https://berkshirerepensions.org.uk/>*

# 1 INTRODUCTION

- 1.1 This is the Funding Strategy Statement (“FSS”) for the Royal County of Berkshire Pension Fund (“the Fund”) which is administered by The Royal Borough of Windsor and Maidenhead (“the Administering Authority”). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013.
- 1.2 This statement should be read in conjunction with the Fund’s Investment Strategy Statement (“ISS”) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition*) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

## *Purpose of the Funding Strategy Statement*

- 1.3 The purpose of the FSS is to explain the Fund’s approach to meeting the employer’s pension liabilities and in particular:
- To establish a clear and transparent Fund-specific strategy which will identify how employers’ pension liabilities are best met going forward;
  - To take a prudent longer-term view of funding those liabilities; and
  - To support the regulatory framework to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme, and where possible to maintain as nearly constant Scheme employer contribution rates as possible.
- 1.4 The purpose of the Fund is to:
- Collect monies in respect of employee and employer contributions, transfer values and investment income;
  - Facilitate payment of Local Government Pension Scheme (LGPS) benefits, transfer values, costs, charges and expenses; and
  - Accumulate and invest money received and facilitate the management of this.



## *Funding Objectives*

- 1.5 Contributions are paid to the Fund by Scheme members and Scheme employers to provide for the benefits which will become payable to Scheme members when they fall due.
- 1.6 The funding objectives are to
- Set levels of employer contributions that will build up a fund of assets sufficient to ensure the solvency of the Fund and the payment of all future benefit payments from the Fund;
  - Set contributions which maximise the long-term cost efficiency. Broadly, this means that paying contributions as soon as possible so that any deficit is addressed quickly is preferable;
  - Build up the required assets in such a way that produces levels of employer contributions that are as stable as possible;

- Minimise the risk of employers exiting the Fund with unpaid deficits, which then fall to the other employers;
- Ensure effective and efficient management of employer liabilities; and
- Allow the return from investments to be maximised within reasonable risk parameters.

## 2 KEY PARTIES

2.1 The parties directly concerned with the funding aspect of the Pension Fund are contained in this section of the FSS. A number of other key parties, including investment managers and external auditors also have responsibilities to the Fund but are not key parties in determining funding strategy.



### *The Administering Authority*

2.2 The Administering Authority for the Royal County Berkshire Pension Fund is the Royal Borough of Windsor & Maidenhead. The main responsibilities of the Administering Authority are as follows:

- Operate the Fund in accordance with the LGPS Regulations
- Collect and account for employee and employer contributions;
- Pay the benefits to Scheme members and their dependants as they fall due;
- Invest the Fund's assets ensuring sufficient cash is available to meet the liabilities as and when they become due;
- Take measures as set out in the regulations to safeguard the Fund against the consequences of employer default;
- Manage the Actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain the FSS and also the ISS (Investment Strategy Statement) and after consultation with other interested parties;
- Monitor all aspects of the Fund's performance and funding to ensure that the FSS and the ISS are updated as necessary; and
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer.

### *Scheme employers*

2.3 The responsibilities of each individual Scheme employer which participates in the Fund, including the Administering Authority in its capacity as a Scheme employer, are as follows:

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary within the statutory timescales;
- Promptly notify the Administering Authority of any new Scheme members and any other membership changes in accordance with the pension administration service level agreement;
- Promptly notify the Administering Authority of any Scheme member who leaves or retires from their employment in accordance with the pension administration service level agreement;
- Promptly notify the Administering Authority of all Scheme member data and information required by the Administering Authority in accordance with the pension administration service level agreement so that the Administering Authority is able to accurately calculate the value of benefits payable to each Scheme member;
- Exercise any discretions permitted under the Scheme Regulations and to produce, maintain and publish a policy statement with regard to the exercise of those discretions;
- Meet the costs of any augmentations or other additional costs such as Pension Fund strain costs resulting from decisions to release early Scheme members' retirement benefits in accordance with Scheme regulations and agreed policies and procedures;
- Pay any exit payments due on ceasing participation in the Fund;
- Provide any information as requested to facilitate the Actuarial valuation process.



### *Fund Actuary*

2.4 The Fund Actuary for the Royal County of Berkshire Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare the Actuarial Valuation having regard to the FSS and the Scheme Regulations;
- Prepare annual FRS102/IAS19 (accounting standards) reports for all Scheme employers requiring such a report for their annual report and accounts;
- Advise interested parties on funding strategy and completion of Actuarial valuations in accordance with the FSS and the Scheme Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc.;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;





- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Advise on other actuarial matters affecting the financial position of the Fund.

### 3 FUNDING STRATEGY

- 3.1 The funding strategy seeks to achieve (via employee and employer contributions and investment returns) two key objectives:
- A funding level of 100% as assessed by the Fund's appointed Actuary, triennially, in accordance with the Scheme Regulations;
  - As stable an employer contribution rate as is practical.
- 3.2 The funding strategy recognises that the funding level will fluctuate with changing levels of employment, retirements, actuarial assumptions and investment returns and that the employer contribution has to be adjusted to a level sufficient to maintain the Pension Fund's solvency and to achieve a funding level of 100% over the longer term.
- 3.3 The Actuarial valuation process is essentially a projection of future cash-flows to and from the Fund. The main purpose of the triennial valuation is to determine the level of employers' contributions that should be paid over an agreed period to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.
- 3.4 The last Actuarial valuation was carried out as at 31<sup>st</sup> March 2019 with the assets of the Fund found to be 78% of the accrued liabilities for the Fund.

#### *Funding Method*

- 3.5 The funding target is to have sufficient assets to meet the accrued liabilities for each Scheme employer in the Fund. The funding target may, however, also depend on certain Scheme employer circumstances and will, in particular, have regard to whether a Scheme employer is an "open" employer (which allows new recruits access to the Fund) or a "closed" employer (which no longer permits new employees access to the Fund). The expected period of participation by a Scheme employer in the Fund may also affect the chosen funding target.
- 3.6 For all Scheme employers the Actuarial funding method adopted considers separately the benefits in respect of service completed before the Valuation date ("past service") and benefits in respect of service expected to be completed after the Valuation date ("future service"). This approach focuses on:
- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service after making allowance for future increases to members' pay and pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities whereas a funding level of less than 100% indicates a deficit.
  - The future funding rate i.e. the level of contributions required from the individual Scheme employers which together with employee contributions are expected to support the cost of benefits accruing in the future.
- 3.7 For "open" Scheme employers, the Projected Unit method is used which, for the future service rate, assesses the cost of one year's benefit accrual.

- 3.8 For “closed” Scheme employers the funding method adopted is known as the Attained Age Method. This gives the same results for the past service funding level as the Projected Unit Method but for the future cost it assesses the average cost of the benefits that will accrue over the remaining working lifetime of the active Scheme members.

#### *Valuation Assumptions and Funding Model*

- 3.9 In completing the Actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund’s future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.
- 3.10 The assumptions adopted at the valuation can therefore be considered as:
- The statistical assumptions which generally speaking are estimates of the likelihood of benefits and contributions being paid; and
  - The financial assumptions which generally speaking will determine the estimates of the amount of benefits and contributions payable and their current or present value.

#### *Future Price Inflation*

- 3.11 The base assumption in any triennial valuation is the future level of price inflation. This is derived by considering the average difference in yields from conventional and index linked gilts during the 6 months straddling the valuation date using a point from the Bank of England RPI Inflation Curve. This gives an assumption for Retail Prices Index (RPI) inflation, which is then adjusted to get an assumption for Consumer Prices Index (CPI) inflation. At the 2019 valuation, CPI was assumed to be 1.0% per annum lower than RPI, giving a CPI inflation assumption of 2.6% per annum.
- 3.12 This assumption was reviewed following the Chancellor’s November 2020 announcement on the reform of RPI and is now assumed to be 0.4% p.a. lower than the 20 year point on the inflation curve. This change will be fully reflected in the ongoing funding assumptions from 31 December 2020. This adjustment accounts for both the shape of the curve in comparison to the Fund’s liability profile and the view that investors are willing to accept a lower return on investments to ensure inflation linked returns. This assumption will be reviewed at future valuations and the difference between RPI and CPI is expected to move towards 0.0% p.a. as we get closer to 2030.



#### *Future Pay Inflation*

3.13As benefits accrued before 1<sup>st</sup> April 2014 (and in the case of some protected members after 31<sup>st</sup> March 2014) are linked to pay levels at retirement it is necessary to make an assumption as to future levels of pay inflation. The assumption adopted in the 2019 valuation is that pay increases will, on average over the longer term, exceed CPI by 1.0% per annum.

#### *Future Pension Increases*

- 3.14 Pension increases are assumed to be linked to CPI. Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A

deduction of 1.0% p.a. is therefore made to the RPI assumption to derive the CPI assumption.

This assumption was also reviewed in light of the Chancellor's announcement on the reform of RPI mentioned above. From 31 December 2020 CPI inflation is assumed to be 0.4% p.a. lower than the RPI assumption (i.e. a total of 0.8% p.a. below the 20 year point on the Bank of England implied RPI inflation curve). This reflects the anticipated reform of RPI inflation from 2030 following the UK Statistics Authority's proposal to change how RPI is calculated to bring it in line with the Consumer Prices Index including Housing costs (CPIH). This assumption will be reviewed at future valuations and the difference between RPI and CPI is expected to move towards 0.0% p.a. as we get closer to 2030.

### *Future Investment Returns/Discount Rate*

3.15 To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

3.16 For "open" Scheme employers the discount rate applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields and indicators in the 6 months straddling the valuation date. This discount rate so determined may be referred to as the "ongoing" discount rate.



The level of prudence at the 2019 valuation was set to be 0.7% p.a. This gave a discount rate of 5.3% per annum for all employers.

3.17 For "closed" employers an adjustment may be made to the discount rate in relation to the remaining liabilities once all active members are assumed to have retired if at that time (the projected "termination date") the Scheme employer either wishes to leave the Fund or the terms of their admission requires it.

3.18 The Fund Actuary will incorporate such an adjustment after consultation with the Administering Authority.

3.19 The adjustment to the discount rate is essentially to set a higher funding target at the projected termination date so that there are sufficient assets to fund the remaining liabilities on a "minimum risk" rather than on an ongoing basis to minimise the risk of deficits arising after the termination.

### *Asset Valuation*

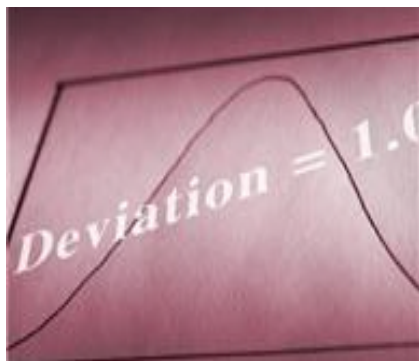
3.20 The asset valuation is a market value of the accumulated Fund at the triennial valuation date adjusted to reflect average market conditions during the 6 months straddling the triennial valuation date.

### *Statistical Assumptions*

3.21 The statistical assumptions incorporated into the triennial valuation such as future rates of mortality etc are based on national statistics but then adjusted where deemed appropriate to reflect the individual circumstances of the Fund and/or individual Scheme employers. For the 2019 valuation, the Fund received a bespoke analysis of the pensioner mortality and the results of this analysis were used to aid in setting a suitable assumption for the Fund.

### Deficit Recovery/Surplus Amortisation Periods

3.22 Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.



3.23 Where the Actuarial valuation discloses a significant surplus or deficit then the levels of required Scheme employers' contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years. At the 2019 valuation, a deficit was revealed and contributions were set to recover this deficit over a period no longer than 21 years.

The period that is adopted for any particular Scheme employer will depend upon:

- The significance of the surplus or deficit relative to that Scheme employer's liabilities;
- The covenant of the individual Scheme employer and any limited period of participation in the Fund; and
- The implications in terms of stability of future levels of Scheme employers' contributions.

3.24 At the 2019 triennial valuation the period adopted to recover the deficit was:

Type of Scheme Employer	Maximum Length of Recovery Period
Unitary Authorities and Associated Employers	21 years
Housing Associations	11 years
Colleges (excluding the University of West London)*	8 years
Academies	12 years
Community Admission Bodies	11 years (for the majority of employers, but this may differ for some depending on individual circumstances)
Transferee Admission Bodies	Future working life of current employees or contract period whichever is the shorter period

3.25 Where a Scheme employer's contribution has to increase significantly then the increase may be phased in over a period not exceeding 3 years although this may only be allowed for some Scheme employer types or if the increase in contributions would increase the risk of an employer insolvency, leaving an unpaid deficit and adversely affecting other employers' contributions and the solvency of the Fund as a whole.

### Pooling of Individual Scheme employers

- 3.26 The policy of the Fund is that each individual Scheme employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly contribution rates are generally set for individual employers to reflect their own particular circumstances.
- 3.27 However, certain groups of individual Scheme employers may be pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

3.28 Currently, other than Scheme employers that are already legally connected, there are the following pools:

- Colleges (with the exception of the University of West London)\*
- Academies
- 'Community' Admission Bodies



- 3.29 The main purpose of pooling is to produce more stable Scheme employer contribution levels in the longer term whilst recognising that ultimately there will be some level of cross subsidy of pension cost amongst pooled Scheme employers.
- 3.30 Prior to the 2016 valuation the Fund had a pool for the Housing Associations which has been disbanded due to only two employers remaining in the pool following one employer exiting the Fund and another employer leaving the pool.

\*The University of West London is a closed employer whose membership and liability profile no longer makes it a viable employer for inclusion within the college pool.

#### *New employers joining the Fund*

3.31 Admission bodies - Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

### *New Academies*

- 3.32 When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right. On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities. The new academy will join the existing academy pool.

The contribution rate for a new academy will be in line with the rate paid by the other academies in the academy pool, as calculated at the most recent actuarial valuation.

### *Contribution reviews between actuarial valuations*

- 3.33 It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

- 3.34 A contribution review may be requested by an employer or be required by the administering authority. The review may only take place if one of the following conditions are met:

(i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

- 3.35 Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out in the Fund's separate contribution review policy which can be found from the Policy section of the Fund's website. This includes details of the process that should be followed where an employer would like to request a review.

- 3.36 Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

- 3.37 Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under

Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

- 3.38 With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next rates and adjustments certificate.

### *Cessation Valuations*

- 3.39 On the cessation of a Scheme employer's participation in the Fund, the Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the Scheme employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the Scheme employer will transfer within the Fund to another participating Scheme employer.
- 3.40 In assessing the deficit on termination, the Actuary may adopt a discount rate based on gilt yields or other lower risk assets and adopt different assumptions to those used at the previous triennial valuation to protect the other Scheme employers in the Fund from having to fund any future deficits from the liabilities that will remain in the Fund.

### *Exit Credit Policy*

- 3.41 Following the recent Regulations coming into force on 20 March 2020 which are effective from May 2018, the Fund has set out their exit credit policy as follows:

Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This will include the majority of "pass-through" arrangements and any employer that is participating in the Fund where the ceding employer is the deemed employer. This is on the basis that these employers would not have been asked to pay an exit payment had a deficit existed at the time of exit. Any exit credit payment will be at the Fund's discretion and will take into account relevant factors as set out in Regulation 64 (2ZC).

Exit credits will only be paid if the ceasing employer has a surplus on the minimum risk basis at the cessation date. Allowance will be made for additional liabilities incurred as a result of redundancies.

Any exit credit payable will be the lower of the surplus on the minimum risk basis above and the actual employer contributions paid into the Fund. Where risk sharing arrangements are in place, any contributions made or required to be made to meet additional liabilities incurred as a result of redundancies, ill health retirement strains, excessive salary increases or anything else covered in the risk sharing agreement will not be included in the calculation of any exit credit payable.

The administering authority does not need to enquire into the precise risk sharing arrangement adopted by an employer but it must be satisfied that the risk sharing arrangement has been in place before it will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.

The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example if the

employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.

Under the Regulations, the administering authority has absolute discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

### *Managing exit payments*

- 3.42 Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.
- 3.43 Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.
- 3.44 Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.
- 3.45 Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.
- 3.46 Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies document which can be found on the Policies section of the Fund's website. This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

### *Bulk transfers*

- 3.47 Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.
- 3.48 The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).
- 3.49 A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

### *Consolidation of Multi Academy Trusts (MATs)*



- 3.50 Where an academy is transferring into or out of the Fund as part of a MAT consolidation exercise, the Fund generally expects that this will proceed through a Direction Order from the Secretary of State. In these situations and subject to the terms agreed between the Fund Actuary to both LGPS Funds, typically all the assets attributable to the academy in the ceding Fund are transferred to the receiving Fund.
- 3.51 The Fund's preference would be for any transfer to include all members, including deferred and pensioner members. Should a situation arise where an academy is transferring out of the Fund and only active members are transferring, the Fund would seek to retain a level of assets to be at least sufficient to fully fund any deferred and pensioner members left behind, as measured by the Fund's ongoing funding basis at the transfer date.
- 3.52 Where the academy is transferring into the Fund, where appropriate, the academy will become part of the Fund's Academy pool. However, the Fund would not accept a transfer in which would lead to a deterioration in its overall funding level, and in particular as a minimum receive a transfer amount that was no less than the equivalent individual CETVs for the transferring members, based on Government Actuary factors in force at the transfer date. The agreed basis of transfer could take into account the funding basis of the Fund and a top up payment could be made to ensure the Fund would not be significantly worse off or be subject to an unacceptable level of risk.

### *Early Retirement Costs*

- 3.53 The Actuary's funding basis makes no allowance for premature retirement except on grounds of permanent ill health. Scheme employers are required to pay additional contributions whenever an employee retires before attaining the age at which the triennial valuation assumes that benefits are payable. The calculation of these costs is carried out with reference to a calculation approved by the Actuary to the Fund.



- 3.54 The Fund monitors each Scheme employer's ill health experience on an ongoing basis. If the cumulative number of ill health retirements in any financial year exceeds the allowance at the previous triennial valuation by a statistically significant amount, the Scheme employer may be charged additional contributions on the same basis as apply for non-ill health cases.

### *Triennial Valuation*

- 3.55 The next triennial valuation is due as at 31<sup>st</sup> March 2022.

## **4 LINKS WITH THE INVESTMENT STRATEGY STATEMENT (ISS)**

- 4.1 The main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS and the expected rate of investment return which is expected to be achieved by the underlying investment strategy as set out in the ISS.
- 4.2 As explained above the ongoing discount rate adopted in the Actuarial valuation is derived by considering the expected return from the underlying investment strategy and so there is consistency between the funding strategy and the investment strategy.

## 5 RISKS AND COUNTER MEASURES

- 5.1 Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of Scheme employer contributions, it is recognised that there are a number of risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.
- 5.2 The major risks for the funding strategy are financial risks although there are external factors including demographic risks, regulatory risks and governance risks.

### *Financial Risks*

- 5.3 The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors including market returns being less than expected and/or chosen fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets. The triennial valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.1% per annum in the real discount rate will decrease/increase the liabilities by 2% and decrease/increase the required Scheme employer contribution by around 0.5% of payroll.
- 5.4 The Pension Fund Committee regularly monitor the investment returns achieved by the fund managers and seek advice from Officers and independent advisors on investment strategy. In the inter-valuation period 2016 to 2019 such monitoring activity saw investment returns higher than assumed in the 2016 valuation.
- 5.5 In addition the Fund Actuary provides monthly funding updates between triennial valuations to check whether the funding strategy continues to meet the funding objectives.



### *Demographic Risks*

- 5.6 Allowance is made in the funding strategy via the actuarial assumptions of continuing improvement in life expectancy. However, the main risk to the funding strategy is that it might underestimate the continuing improvement in mortality. For example an increase in 1 year to life expectancy of all members in the Fund will reduce the funding level by around 2%.
- 5.7 The actual mortality of retired members in the Fund is, however, monitored by the Fund Actuary at each Actuarial valuation and assumptions kept under review.
- 5.8 The liabilities of the Fund can also increase by more than has been planned as a result of early retirements (including redundancies).
- 5.9 However, the Administering Authority monitors the incidence of early retirements and procedures are in place that require individual Scheme employers to pay additional amounts to the Fund to meet any additional costs arising from early retirements thereby avoiding unnecessary strain on the Fund.

### *Regulatory Risks*

- 5.10 The benefits provided by the Scheme and employee contribution levels are set out in Statutory Regulations as determined by central Government. The tax status of the invested assets is also determined by central Government.
- 5.11 The funding strategy is therefore exposed to the risks of changes in the Statutory Regulations governing the Scheme and changes to the tax regime which increase the cost to individual Scheme employers of participating in the Scheme.
- 5.12 The Administering Authority actively participates in any consultation process of any change in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes
- 5.13 The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. The consultation closed on 8 October 2020 and the final remedy

will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary has reduced the discount rate assumption by 0.1% to allow for the possible impact.

- 5.14 As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found [here](#).

On 23 March 2021, the government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching SPA beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found at: <https://www.gov.uk/government/consultations/public-service-pensions-guaranteed-minimum-pension-indexation-consultation>.

The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

### *Governance*

- 5.15 Several different Scheme employers participate in the Fund. Accordingly it is recognised that a number of Scheme employer specific events could impact on the funding strategy including:
- Structural changes in an individual Scheme employer's membership;
  - An individual Scheme employer deciding to close the Scheme to new employees;
  - A Scheme employer ceasing to exist without having fully funded their pension liabilities; and
  - New Scheme employers being created out of existing Scheme employers.
- 5.16 The Administering Authority monitors the position of Scheme employers participating in the Fund particularly those that may be susceptible to the aforementioned events and takes advice from the Fund Actuary when required.
- 5.17 In addition the Administering Authority keeps in close touch with all individual Scheme employers participating in the Fund and regularly holds meetings with Scheme employers to ensure that, as Administering Authority, it has the most up to date information available on individual Scheme employer situations and also to keep individual Scheme employers fully briefed on funding and related issues.

## **6 MONITORING AND REVIEW**

- 6.1 This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial valuation process.
- 6.2 The Administering Authority also monitors the financial position of the Fund between triennial valuations and may review this FSS more frequently if deemed necessary.

## Appendix 3) Governance Compliance Statement

*Approved by the Pension Fund Committee in March 2022, please note that title and contents pages have been removed for the purpose of presentation in this appendix. The full document is available on the pension fund website: <https://berkshirerensions.org.uk/>*

### INTRODUCTION

This document details the compliance of the Royal Borough of Windsor and Maidenhead, as the administering authority of the Royal County of Berkshire Pension Fund, with the guidance issued for governance of the Local Government Pension Scheme by the Secretary of State for Levelling Up, Housing and Communities. It has been prepared as required by Regulation 55 of the Local Government Pension Scheme Regulations 2013.

The Regulations require the administering authority to prepare this written statement setting out whether or not it delegates its functions or part of its functions to a committee, a sub-committee or an officer of the authority.

Where the administering authority does delegate all or part of its functions the statement must include the terms, structure and operational procedures of the delegation, the frequency of any committee or sub-committee meetings and whether such a committee or sub-committee includes representatives of Scheme employers and members, and if so, whether those representatives have voting rights.

In addition, the administering authority must state the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not comply, the reasons for not complying.

The administering authority must also set out details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended) as inserted by the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.

This governance compliance statement must be published by the administering authority, kept under review and amended following any material change to any matters included within, once any consultation has been concluded.

### STRUCTURE

The Royal Borough of Windsor & Maidenhead (RBWM) has been designated as the administering authority to the Royal County of Berkshire Pension Fund in accordance with Part 1 of Schedule 3 of the Local Government Pension Scheme Regulations 2013.

For the purposes of managing the Pension Fund, RBWM delegates its powers under the Constitution of the Council where it sets out the functions of the Royal County of Berkshire Pension Fund Committee (hereinafter referred to as 'the Committee'), the Royal County of Berkshire Pension Fund Advisory Panel (hereinafter referred to as 'the Advisory Panel') and the Berkshire Pension Board (hereinafter referred to as 'the Pension Board'). As such several principles have been set out to ensure compliance with the scheme regulations.

i) The management of the administration of benefits and strategic allocation of fund assets.

**Compliant** – The Constitution of the Council defines the responsibilities of ‘the Committee’ to manage the Pension Fund.

ii) Representatives of Scheme employers should sit on ‘the Advisory Panel’ to underpin the work of ‘the Committee’.

**Compliant** – Membership of ‘the Advisory Panel’ includes one Elected Member from each of the other five Berkshire Unitary Authorities.

iii) The structure of ‘the Committee’ and ‘the Advisory Panel’ should ensure effective communication across both levels.

**Compliant** – ‘The Advisory Panel’ meets concurrently with ‘the Committee’ with both receiving the same information.

iv) At least one seat on ‘the Committee’ should be allocated for a member of ‘the Advisory Panel’.

**Compliant** – All five seats on ‘the Committee’ are allocated to the five RBWM members of ‘the Advisory Panel’.

v) The structure of ‘the Pension Board’ must consist of an equal number of Scheme member and Scheme employer representatives all of whom have voting rights.

**Compliant** – Membership of ‘the Pension Board’ consists of three Scheme member representatives and three Scheme employer representatives.

## REPRESENTATION

All key stakeholders should be afforded the opportunity to be represented by ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’. To ensure compliance a number of principles have been identified.

The key stakeholders are:

i) Scheme employers.

**Compliant** – The six Berkshire Unitary Authorities are represented through membership of ‘the Committee’ and ‘Advisory Panel’ which meet concurrently. In addition, three Scheme employer representatives make up membership of ‘the Pension Board’

ii) Scheme members (including deferred and retired members).

**Compliant** – ‘The Advisory Panel’ has representatives from the major trade unions and in addition 3 Scheme member representatives sit on ‘the Pension Board’

iii) Independent Professional Observers.

**Compliant** – From March 2022, two Independent Advisers attend each meeting of ‘the Committee’ and ‘the Advisory Panel’ (formerly three independent advisors). Independent Advisers are also required to attend meetings of ‘the Pension Board’ as may be requested.

iv) Expert advisers (on an ad-hoc basis)

**Compliant** – Expert advisers are invited to meetings of ‘the Committee’ and ‘the Advisory Panel’ as required. In addition, expert advisers are required to attend meetings of ‘the Pension Board’ as may be requested.

v) Where lay members sit on either ‘the Committee’, ‘the Advisory Panel’ or ‘the Pension Board’ they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision-making process with or without voting rights.

**Compliant** – Members of ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’ are treated equally in respect of access to papers, meetings and training. All members are given full opportunity to contribute to the decision-making process although only members of ‘the Committee’ have voting rights.

## SELECTION AND ROLE OF LAY MEMBERS

Members of ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’ need to be fully aware of the status, role and function that they are required to perform.

**Compliant** – Bodies nominating individuals for membership of ‘the Committee’, ‘the Advisory Panel’ or ‘the Pension Board’ are periodically reminded that it is their responsibility to ensure that all members are aware of their responsibilities. The Chair of ‘the Committee’ will remind members of both ‘the Committee’ and ‘the Advisory Panel’ of their responsibilities as required. The Chair of ‘the Pension Board’ will remind members of ‘the Pension Board’ of their responsibilities as required. Each set of papers for every Committee/Board meeting contains a reminder to members of their duty in respect to potential conflicts of interest. Members are expected to declare conflicts of interest and abide by RBWM’s rules on conflicts of interest.

## VOTING

The policy of the administering authority on voting rights must be clear and transparent and include justification for not extending voting rights to each body or group represented on ‘the Advisory Panel’ or ‘the Pension Board’.

**Compliant** – The Constitution of RBWM sets out the terms of reference and voting rights of ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’.

## TRAINING / FACILITY TIME / EXPENSES

i) In relation to the way in which statutory and related decisions are taken by RBWM, a clear policy on training, facility time and reimbursement of expenses in respect of members involved in that decision making process must be made.

**Compliant** – All members of ‘the Committee’ and ‘the Advisory Panel’ are entitled to attend or request training. Members of ‘the Pension Board’ are required to have a working knowledge of the LGPS regulations and other associated legislation as it relates to the governance and administration of the Scheme and so must commit to undertaking the relevant training in order to achieve this requirement. All members of ‘the Committee’, ‘the Advisory Panel’ and ‘the Board’ are entitled to request the use of facilities belonging to RBWM in respect of their respective duties and reasonable expenses incurred will be reimbursed upon request. Furthermore, a training framework/plan is approved by ‘the Committee’ and training records are held by the Fund.

ii) Any policy must apply equally to all members of the Committee/Advisory Panel/Board.

**Compliant** – No distinction is made between members of ‘the Committee’, ‘the Advisory Panel’ or ‘the Board’.

## MEETINGS (frequency/Quorum)

i) RBWM will hold meetings of ‘the Committee’ at least quarterly.

**Compliant** – Meetings are held quarterly. To be quorate two members are required to attend.

ii) RBWM will hold meetings with ‘the Advisory Panel’ at least twice a year synchronised with the dates for meetings of ‘the Committee’.

**Compliant** – Both ‘the Committee’ and ‘the Advisory Panel’ meet concurrently

iii) RBWM will hold meetings of ‘the Pension Board’ ahead of each meeting of ‘the Committee’ and ‘the Advisory Panel’.

**Compliant** – ‘The Pension Board’ meets quarterly at a satisfactorily and mutually agreed date ahead of each meeting of ‘the Committee’ and ‘the Advisory Panel’. To be quorate at least 50% of the Scheme Member representatives and Scheme Employer Representatives must attend with at least one member being present from each group.

iv) Where lay members are included in the formal governance arrangements, RBWM will provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

**Compliant** – ‘The Pension Board’ has three lay member (scheme member) representatives. An annual general meeting for scheme members is held in November/December along with a scheme employer meeting being held in March/April. In addition, pension surgeries and employer training events are held throughout the year.

## ACCESS

Subject to any rules in RBWM’s Constitution, all members of ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’ will have equal access to committee papers, documents and advice that falls to be considered at meetings of ‘the Committee’, ‘the Advisory Panel’ and ‘the Board’.

**Compliant** – All members of ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’ have equal access to Committee/Advisory Panel/Board papers, documents and advice that falls to be considered at ‘Committee’, ‘Advisory Panel’ and ‘Board’ meetings.

## SCOPE

RBWM will take steps to bring wider Scheme issues within the scope of their governance arrangements.

**Compliant** – Wider Scheme issues are considered by ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’ on a regular basis.

## PUBLICITY

RBWM will publish details of their governance arrangements in such a way that interested stakeholders can express their interest in wanting to be part of those arrangements.

**Compliant** – The Governance Policy Statement and governance structure is published on the Royal County of Berkshire Pension Fund website ([www.berkshirerpensions.org.uk](http://www.berkshirerpensions.org.uk)) and is available on request from the Pension Fund. The Royal Borough of Windsor and Maidenhead’s Royal County of Berkshire Pension Fund – Annual Report 2021/22  
Governance Compliance Statement



constitution including terms of reference for the relevant decision-making bodies are available on the council' website.

## Appendix 4) Investment Strategy Statement

*Approved by the Pension Fund Committee in March 2022, please note that title and contents pages have been removed for the purpose of presentation in this appendix. The full document is available on the pension fund website: <https://berkshirerensions.org.uk/>*

### 1. Introduction

- 1.1.** This is the Investment Strategy Statement (“ISS”) adopted by the Royal County of Berkshire Pension Fund (“the Fund”), which is administered by the Royal Borough of Windsor and Maidenhead (“the Administering Authority”).

Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (section 7) the Fund is required to publish this ISS at least every 3 years, it was last approved in March 2019. The Regulations require administering authorities to outline how they meet each of 6 objectives aimed at improving the investment and governance of the Fund.

- 1.2.** This Statement addresses each of the statutory objectives included in Section 3 the 2016 Regulations:

- Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments;
- Objective 7.2 (b): The authority’s assessment of the suitability of particular investments and types of investment;
- Objective 7.2 (c): The authority’s approach to risk, including the ways in which risks are to be measured and managed.
- Objective 7.2 (d): The authority’s approach to pooling investments, including the use of collective investment vehicles;
- Objective 7.2 (e) The authority’s policy on how social, environmental, or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- Objective 7.2 (f): The authority’s policy on the exercise of rights (including voting rights) attaching to investments.

*Each of the above are dealt with in turn in [Section 3](#) of the ISS*

- 1.3.** The Pension Fund Committee (the “Committee”) oversees the management of the Fund’s assets. Although not trustees, the Members of the Committee owe a fiduciary duty similar to that of trustees to the council-tax payers and guarantors of other scheme employers, who would ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.
- 1.4.** The relevant terms of reference for the Committee within the Council’s Constitution are as follows:

To exercise the general powers and duties of an Administering Authority in the maintenance of the Royal County of Berkshire Pension Fund as may be required in accordance with the Superannuation Fund Act 1972, The Public Service Pensions Act 2013 and Local Government Pension Scheme Regulations existing under those Acts including, but not restricted to the following;

- (i) Setting of the Investment Strategy and Funding Strategy Statements and determination of the Strategic Asset Allocation of the Pension Fund's assets in the light of professional advice and other suitably qualified independent advice, legislative constraints and Codes of Practice.
- (ii) Responsibility for the statutory policies and administration of the Royal County of Berkshire Pension Fund maintained by the Administering Authority in accordance with the Local Government Pension Scheme Regulations, The Local Government Pension Scheme (Management of Investment of Funds) Regulations, all other associated legislation and Pension Regulator Codes of Practice.
- (iii) Determination of the arrangements for obtaining appropriate investment advice including the appointment of a suitably qualified independent person or persons to give expert advice on Pension Fund investment and management arrangements.
- (iv) The periodic review and monitoring of the Pension Fund's investment performance in line with the Advisory and Management Agreement entered into with the Local Pensions Partnership (Investments) Limited (LPPI).
- (v) To consider the Annual Report and Accounts of the Fund.
- (vi) The reporting of any breaches of the law to the Pensions Regulator.

The Director of Resources (S.151 officer) , the Head of Finance (Deputy S.151 officer), the Head of Pension Fund, the appointed independent advisors and actuaries support the Committee. The day-to-day management of the Fund's assets in accordance with this strategy is delegated to LPPI ("the Investment Manager").

- 1.5.** This ISS will be reviewed at least once every three years as per the statutory guidance, or more frequently as required - in particular following valuations, future asset/liability studies, performance reviews, or legislation changes (i.e. TCFD) which may indicate a need to change investment policy, or significant changes to the Funding Strategy Statement ("FSS").
- 1.6.** The Administering Authority confirms (as per section 7 (4)) that the Royal County of Berkshire Pension Fund has no investments in entities that are connected with the authority but if in future it does these will be limited to no more than 5% of the Fund's assets.
- 1.7.** The Administering Authority confirms (as per Section 7 (8)) that the Royal County of Berkshire Pension Fund will invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund. [Section 4](#) of the ISS sets the strategic allocation target and maximum percentage of total Fund value for fund Cash holdings.

## 2. Investment Principles

**2.1.** Governing all investment decisions are the Committee's core investment principles, beliefs and philosophy. They have been established based on the views of the members, capitalising on the expert advice of the Investment Manager, and are listed below:

### **2.1.1. Investment Governance**

- a) The Fund has access to the necessary skills, expertise, and resources to manage the whole Fund, as well as managing the Fund's cash needs internally.
- b) The Investment Manager, independent advisors, officers and the local pension board are a source of expertise and research to inform and assist the Committee's decisions.
- c) The ultimate aim of the Fund's investment activities is to pay pension liabilities when they become due. The Committee will therefore work with the Investment Manager to ensure that the liquidity profile of the Fund is appropriate to ensure the long-term ability of the Fund to meet these obligations.
- d) The Fund is continuously improving its governance structure through bespoke training to make well informed strategic allocation decision but acknowledges that it is not possible to achieve optimum market timing.
- e) All meetings and investment decisions relating to the setting of Investment Strategy and Strategic Asset Allocation will be minuted.

### **2.1.2. Long Term Approach**

- a) The strength of the majority of employers' covenant allows the Fund to take a long-term approach to its investment strategy, approve that the Investment Manager employ less liquid assets and assess performance of the Investment Manager over a long-term time frame.
- b) The most important aspect of risk is not the volatility of returns, but the risk of absolute loss of capital over the medium and long term. An important focus for the Fund is to ensure stability of employer contributions over the long-run.
- c) Illiquidity is a risk which offers a potential source of additional compensation to the long-term investor. As a long term investor, the Fund should look to be a liquidity provider which presents opportunities in times of market stress.
- d) Over the long term, equities are generally expected to outperform other liquid assets, particularly government bonds and cash.

### **2.1.3. Environmental, Social and Governance ("ESG") factors**

- a) Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved.
- b) All things being equal, well governed companies that manage their business in a responsible manner are generally less vulnerable to downside risk and may therefore produce higher returns over the long term.

- c) In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they significantly invest in.
- d) The Fund's Responsible Investment Policy reflects the urgency of the threat that ESG risks present to the fund and includes the expectation that the Investment Manager will pursue a policy of active, effective engagement with companies in which ownership stakes are held.
- e) The Committee recognises the Administering Authority's net-zero commitment along with that of many of the other scheme employers. The Committee also recognises that a growing number of scheme members want to see significant weight given to these issues. Due consideration to these issues shall be made throughout the investment process.

#### **2.1.4. Asset allocation**

- a) Allocations to asset classes other than equities, cash and government bonds (e.g., corporate bonds, private markets, property, infrastructure and diversifying strategies) offer the Fund other forms of risk premia (e.g., additional solvency risk/illiquidity risk).
- b) Diversification across asset classes and asset types that have low correlation with each other will tend to reduce the volatility of the overall Fund return.
- c) As the funding level improves, the Committee may look to certain lower risk strategies to reduce the volatility of the Fund's actuarial funding level.
- d) To reduce longevity risk, a longevity insurance contract has been entered into covering all pensioner members of the Fund who had started receiving their pension by the end of July 2009 including their dependants.

#### **2.1.5. Management Strategies**

- a) Active management will typically incur higher investment management fees but can provide additional return. Fees should be carefully considered and aligned to the interests of the Fund.
- b) Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.
- c) Employing a range of management styles can reduce the volatility of overall Fund returns.

**2.2.** The fund has a total return target of 6.5% annually (paragraph 3.2.5), and will aim for an appropriate level of risk within its asset allocation, so as to achieve a long-term funding aim (paragraph 3.2.6) while aiming to deliver an appropriate investment income yield to maintain a positive Fund cash-flow position (paragraph 2.4).

**2.3.** The Fund aims to, where possible, ensure that the portfolio is inflation resilient.

**2.4.** The Fund aims to keep asset value drawdowns to a minimum, recognising the positive non-investment cashflows through contributions employer deficit recovery payments, plus an appropriate minimum investment income yield of at least 1%. Based upon the 2019 Triennial Valuation the Fund is expected to remain net cash-flow positive in the near term, although

progressively, and likely following the 2025 Triennial Valuation, this position is expected to change.

### 3. ISS Objectives

#### 3.1. Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments

- 3.1.1.** Funding and investment risk is discussed in more detail later in this ISS. However, at this stage it is important to state that the Committee is aware of the risks it runs within the Fund and the consequences of these risks.
- 3.1.2.** To control risk, the Committee recognises that the Fund should have an investment strategy that has:
- a) Exposure to a diverse range of sources of return, such as market return, manager skill and using fewer illiquid holdings.
  - b) Exposure to a range of instruments for specific risk hedging purposes to be used where appropriate (longevity, currency etc.).
  - c) Diversity in the asset classes used.
  - d) Diversity in the approaches to the management of the underlying assets.
  - e) Adaptability to be able to maintain liquidity for the Fund.
- 3.1.3.** This approach to diversification has seen the fund dividing its assets into seven distinct categories; public equities, fixed income, credit, infrastructure, private equity, real estate and cash as well as entering into a longevity insurance contract. These may be broadly grouped by 4 categories: equities, bonds, real assets and cash. The size of the assets invested in each category will vary, the strategic asset allocation can be found in [Section 4](#) of the ISS. It is important to note that each category is itself diversified. As a result, the Fund's assets are invested in a wide range of instruments.
- 3.1.4.** The main risk the Committee are concerned with is to ensure the long-term ability of the fund to meet pension and other benefit obligations as they fall due. As a result, the Committee place a high degree of importance on ensuring the expected return on the assets is sufficient to do so and does not have to rely on a level of risk which the Committee considers excessive.
- 3.1.5.** The Fund currently has a positive cash flow position, however, the gap between contributions received and benefits paid is narrowing and consequently the fund will progressively evolve to being cash-flow negative. The Fund may at times have a negative cash flow position, consequently the Fund liquidity must be closely monitored by the Investment Manager. In addition, a portion of the Fund's assets are invested to generate an appropriate income yield of at least 1%.
- 3.1.6.** At all times the Committee seeks to ensure that their investment decisions, including those involving diversification, are in the best long-term interest of Fund beneficiaries and seeks appropriate advice from the Investment Manager and independent investment advisors as appropriate.
- 3.1.7.** To mitigate these risks the Committee regularly (at least on a quarterly basis) reviews both the performance and expected returns from the Fund's investments to measure whether it has met and is likely to meet in future its return objective. The Committee will keep this ISS under review to ensure that it reflects the approaches being taken by the Investment Manager.

**3.1.8.** The Fund aims to allocate up to 5% of its Assets for investment in local projects which support local areas, subject to all suitability criteria in Objective 7.2(b) being met and the Fund having no conflict in undertaking its fiduciary duty to scheme members and employers.

**3.2. Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment**

**3.2.1.** Suitability is a critical test for whether a particular investment should be made. When assessing the suitability of investments, the Investment Manager (as delegated by the Committee) considers the following from its due diligence:

- a) Prospective return
- b) Risk
- c) Concentration
- d) Risk management qualities the asset has when the portfolio as a whole is considered
- e) Geographic and currency exposures
- f) Possible correlation and interactions with other assets in the portfolio
- g) Whether the management of the asset meets the Fund's ESG criteria.

**3.2.2.** Each of the Fund's investments has an individual performance benchmark which their reported performance is measured against.

**3.2.3.** The Committee monitors the suitability of the Fund's assets on a quarterly basis. The committee do not have access to data on individual investments and therefore monitor performance holistically at the asset class level unless LPPI report exceptions. To that end LPPI monitor the investment returns and the volatility of the individual investments together with the Fund level returns and risk whilst the committee consider this holistically asset-class and whole-fund level. This latter point being to ensure the risks caused by interactions between investments within the portfolio is properly understood.

**3.2.4.** Where comparative statistics are available for presentation by the Investment Manager or other external body, the Committee will also compare the Fund's asset performance with those of similar funds. The Committee relies on external advice in relation to the collation of the statistics for review.

**3.2.5.** The Fund targets a long-term absolute return of 6.5% per-annum, a rate advised by the actuary at the last triennial valuation (equivalent to CPI + 3.75% at 31 March 2019). This is referred to by the fund as the 'Actuarial Benchmark', or the required rate of annual return to achieve a 100% funding level at the end of the deficit recovery period without additional deficit recovery (secondary) contributions from employers. This rate is subject to further change and shall be revised at the next triennial valuation. For the avoidance of doubt – this is not the actuarial discount rate.

**3.2.6.** The Fund will aim for an appropriate level of risk within its asset allocation, so as to achieve a long-term funding aim. No explicit volatility target is set in this statement.

**3.2.7.** Investments are assessed by the Investment Manager to determine suitability considering all factors but not limited to; consideration of the long-term absolute return target, portfolio volatility and the suitability indicators as listed in paragraph 3.2.1.

**3.3. Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed**

**3.3.1.** The fund has adopted the CIPFA (2018) framework for managing risks in the LGPS, to assist it in risk identification, assessment, and mitigation. In line with best practice, the Fund maintains a risk register with all known material risks, each with several mitigation measure and several carefully calculated risk scores. The main risks to the Fund, however, are highlighted within the Funding Strategy Statement (FSS).

**3.3.2.** The Committee recognises that there are several risks involved in the investment of the assets of the Fund amongst which are the following:

**Investment Manager risk:**

- a) Selection of investment strategies is delegated to LPPI. LPPI select and monitor investment managers on behalf of The Fund. This oversight includes manager performance and associated risks. LPPI regularly reviews the risk and return objectives of these investment managers, evaluates their performance and appraises management processes.

**Geopolitical and political risks:**

- a) Geopolitical risks are considered, where appropriate, by the Investment Manager. They are expected to be managed by the avoidance of high levels of concentration risk.
- b) Political risks are considered, where appropriate, by the Investment Manager. They are expected to be managed by pursuing investments in countries that the “rule of law” prevails and the institutional set up is strong. Avoiding high levels of concentration risk is also a route to managing these risks.

**Currency risks:**

- a) Currency risks are tolerated and managed within the parameters set in the Fund’s Risk Appetite Statement. Currency risk is incorporated in any analysis that guides the Fund’s strategic asset allocation and thus ultimately is considered as part of pursuing the Fund’s long term funding objectives.

**Solvency and mismatching risk:**

- a) Is monitored and managed, taking into account the Fund’s risk appetite statement, through an assessment of the expected development of the liabilities relative to the expected development of the current and alternative investment policies; and
- b) Is monitored by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

**Liquidity risk:**

- a) Is a function of liquid asset holdings and expected portfolio income relative to the level of cash flow required over a specified period; and
- b) Managed by assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment cash policy.

**Custodial risk:**



- a) Is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

**3.3.3.** The risks to the Fund concerned with the investment of Fund assets are controlled in the following ways:

- a) The adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the Investment Manager from deviating significantly from the intended approach while permitting the flexibility to enhance returns.
- b) The appointment of more than one manager by the Investment Manager with different mandates and approaches provides for the diversification of manager risk.

**3.3.4.** The Advisory Management Agreement (AMA) agreement constrain the Investment Manager's actions in areas of particular risk and sets out the respective responsibilities of both the Investment Manager and the Fund.

**3.3.5.** The Committee are aware investment risk is only one aspect of the risks facing the Fund.

**3.3.6.** The Committee are of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is low and will continue to be low. When putting in place the investment strategy the Committee carefully consider both the individual asset-class risk characteristics and those of the combined portfolio to ensure the risks are appropriate. Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and the correlation between them.

**3.3.7.** To help manage risk, the Committee (formerly the Investment Working Group) agreed a risk appetite statement on 11 March 2019 which is still fit for purpose at the date of this review, this is subject to further review alongside the triennial valuation and publication of the funding strategy statement. Within this, the Investment Manager is engaged to monitor and manage the risk focusing on four key parameters; funding level, contributions, liquidity and asset allocation. In addition, when carrying out their investment strategy review the Committee had several different investment advisers' assess the level of risk involved.

**3.3.8.** When reviewing the investment strategy on a quarterly basis the Committee considers advice from their Independent Advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable. In addition to this the risk register is updated on a quarterly basis.

**3.3.9.** At each review of the Investment Strategy Statement the assumptions on risk and return and their impact on asset allocation will be reviewed.

#### **3.4. Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles**

**3.4.1.** The Government requires LGPS funds to pool their investments as a solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost. The

Funds approach to pooling arrangements meet the criteria set out in the Local Government Pension Scheme: investment reform criteria and guidance.

- 3.4.2.** The Fund became an investment client of LPPI as part of the Government’s pooling agenda on 1 June 2018, outsourcing all active day-to-day asset management activities along with pooling funds into LPPI’s investment buckets as appropriate. LPPI was launched in December 2015 by two pension funds; LCPF and LPFA with the RCBPF later joining in 2018. LPPI now has circa £20bn under direct management, with 8 funds launched as at February 2022.
- 3.4.3.** The Fund has transitioned c.80% of assets to the LPPI pooled investment vehicles as of 7 March 2022. Going forward the Fund will look to transition further assets as and when there are suitable investment opportunities available that meet the needs of the Fund and where there are no excessive cost, legal or other restraints such as those caused by the legacy investments in illiquid private market investments. As such, the remaining c20% is currently held outside of the remit of LPPI pooled funds but are also externally managed by LPPI as the Investment Manager under the AMA. The Committee is aware that certain assets held within the Fund have limited liquidity and disposing/transferring them would come at a significant cost. The position is periodically reviewed by the Investment Manager
- 3.4.4.** LPPI’s Investment Committee is responsible for scrutinising the actions of its investment team, reporting and transparency, consultation on the strategy and business plan, matters reserved to shareholders, responsible investment and emerging issues. The LPPI Investment Committee meets on a quarterly basis. LPPI regularly hosts investment/client conferences, to which all members and clients are invited. External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the Department for Levelling Up, Housing and Communities (DLUHC).

**3.5. Objective 7.2(e): How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments**

- 3.5.1.** The Fund released an ESG statement in December 2020 followed by publishing a revised Responsible Investment policy in March 2021 which clearly sets out its purpose to detail the approach that RCBPF aims to follow in integrating Environmental, Social and Governance (ESG) issues into its investments. The Responsible Investment Policy is broadly aligned to that of LPPI’s so there are no conflicts between the Fund and its Investment Manager.
- 3.5.2.** A working group (task and finish group) for responsible investment (RI) was approved by the Committee in December 2021; The working group is to be established for members (committee/board/advisory-panel), officers and advisors to have a forum to ensure that RI policy remains up to date, fit for purpose and reflects any relevant external developments. A revised RI policy is expected to be brought to the Committee for approval in December 2022.
- 3.5.3.** The guiding Responsible Investment values contained within the Fund’s current RI policy are as follows;
- a) Consultative
  - b) Being Proactive
  - c) Engagement
  - d) Collaborative
  - e) Flexible
- 3.5.4.** The key principles contained within the Fund’s current RI policy are as follows;

- a) Effectively manage financially material ESG risks to support the requirement to protect returns over the long term;
- b) Apply a robust approach to effective stewardship;
- c) Seek sustainable returns from well governed and sustainable assets;
- d) Responsible investment is core to our skills, knowledge and advice;
- e) Seek to innovate, demonstrate and promote RI leadership and ESG best practice;
- f) Achieve improvements in ESG through effective partnerships that have robust oversight;
- g) Share ideas and best practice to achieve wider and more valuable RI and ESG outcomes.

**3.5.5.** The guiding priorities of the Fund’s current Responsible Investment policy are as follows;

- a) Climate Change
- b) Corporate Governance

**3.5.6.** Several factors are to be considered in terms of implementation of the Fund’s Responsible Investment policy, these are listed as follows, but the Committee advise that the RI policy is read in full to understand how each area of activity is applied as appropriate;

- a) Voting globally
- b) Engagement through partnership
- c) Shareholder litigation
- d) Active investing
- e) Divestment

**3.5.7.** Taskforce for Climate Related Financial Disclosures (TCFD) guidance is expected imminently from DLUHC regarding statutory disclosures by the fund, its officers and its committee members. The fund’s ISS and RI policies shall be revised as appropriate once due guidance is received.

### **3.6. Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments**

**3.6.1.** The Committee has delegated the Fund’s voting rights to the Investment Manager, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the Investment Manager to vote in the best interests of the Fund. In addition, the Fund expects its Investment Manager to work collaboratively with others, particularly other LGPS Investment Managers, if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

**3.6.2.** As the role of voting and engagement is outsourced to LPPI, the Fund has included the Investment Manager’s shareholder voting policy on the Fund’s website, which was last approved in March 2021 and shall be kept under review.

**3.6.3.** The Fund through its participation with LPPI and through other means will work closely with other LGPS Funds to enhance the level of engagement both with external managers and the underlying companies in which invests.

**3.6.4.** In addition, the Fund:

- a) Is a member of the Pension and Lifetime Savings Association (PLSA) and the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners; and

b) Joins wider lobbying activities where appropriate opportunities arise.

**3.6.5.** Ongoing voting and engagement is covered within the Fund’s Responsible Investment Policy

**3.6.6.** The Committee expects LPPI and any other directly appointed asset managers to comply with the Stewardship Code (2020) and this is monitored on a regular basis.

## 4. Strategic Asset Allocation

**4.1.** Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (section 7) (3), “The authority’s investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.”

**4.2.** The table below sets out the strategic asset allocation weightings (or target weightings) for each asset class, along with the minimum and maximum tolerance ranges, the investment return benchmark and the target rate of return (or investment objective) for each asset class

**4.3. Table 1: RCBPF Strategic Asset Allocation**

Asset Class	Asset Allocation	Tolerance Range	Benchmark	Investment Objective
Global Equity	45%	40%-55%	MSCI All Country World (net dividends reinvested) Index (GBP)	Benchmark plus 2%
Private Equity	15%	10% - 20%	MSCI World SMID (net dividends reinvested) Index (GBP)	Benchmark plus 2% -4%
Fixed Income	2.5%	0% - 7.5%	Bloomberg Barclays Global Aggregate Bond Index (GBP Hedged)	Benchmark plus 0.25%
Credit	12%	7% - 17%	50% S&P/LSTA Leveraged Loans Index (GBP Hedged), 50% Bloomberg Barclays Multiverse Corporate Index (GBP Hedged)	Benchmark plus 1% - 3%
Real Estate	12%	7% - 17%	MSCI UK Quarterly Property Index (GBP)	UK CPI + 3%-5%
Infrastructure	12.5%	7.5% - 17.5%	UK CPI + 4% Per Annum.	UK CPI + 4%-6%
Cash	1%	0% - 5%		

**4.4.** The fund entered a Longevity insurance contract in 2009 to effectively hedge longevity increases for all retired members and their dependants as at the time of entering into the contract. Changes in longevity and mortality assumptions present liquidity strain. This has been considered in setting the funds Strategic Asset Allocation (SAA).