

NOTICE
OF
MEETING

BERKSHIRE PENSION BOARD

will meet on

THURSDAY, 9TH FEBRUARY, 2017

At 1.00 pm

in the

MINSTER COURT - 22-30 YORK ROAD MAIDENHEAD

TO: MEMBERS OF THE BERKSHIRE PENSION BOARD

SCHEME EMPLOYER REPRESENTATIVES: ALAN CROSS, ALAN NASH, SURJIT NAGRA, BILLY WEBSTER (CHAIRMAN) (SUBSTITUTES: TERRY BALDWIN, ANDY WALKER).

SCHEME MEMBER REPRESENTATIVES: TONY PETTITT.

Karen Shepherd - Democratic Services Manager - Issued: 01/02/2017

Members of the Press and Public are welcome to attend Part I of this meeting. The agenda is available on the Council's web site at www.rbwm.gov.uk or contact the Panel Administrator

Fire Alarm - In the event of the fire alarm sounding or other emergency, please leave the building quickly and calmly by the nearest exit. Do not stop to collect personal belongings and do not use the lifts. Congregate in the Town Hall Car Park, Park Street, Maidenhead (immediately adjacent to the Town Hall) and do not re-enter the building until told to do so by a member of staff.

Recording of Meetings – The Council allows the filming, recording and photography of public Council meetings. This may be undertaken by the Council itself, or any person attending the meeting. By entering the meeting room you are acknowledging that you may be audio or video recorded and that this recording will be available for public viewing on the RBWM website. If you have any questions regarding the council's policy, please speak to the Democratic Services or Legal representative at the meeting.

AGENDA

PART I

1. **TRAINING**

To receive a presentation from Nick Greenwood, Pension Fund Manager, regarding investments and our investment strategy. This training and learning will incorporate the processes for determining investments, the funds available for investment, and how we choose the level of investment in each portfolio.

STANDING ITEMS

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
2.	<u>INTRODUCTION AND APOLOGIES</u> To receive any apologies for absence.	
3.	<u>DECLARATIONS OF INTEREST</u> To receive any declarations of interest.	9 - 10
4.	<u>MINUTES</u> To approve the Part I minutes of the meeting held on November 24 th 2016.	11 - 16
5.	<u>SCHEME AND REGULATORY UPDATE</u> To receive a verbal update.	
6.	<u>INVESTMENT FUND POOLING UPDATE</u> To receive a verbal update.	

FOR INFORMATION

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
7.	<u>PENSION PANEL MINUTES</u> To note the Part I contents of the most recent set of minutes.	17 - 20
8.	<u>ACTION TRACKER</u> To note the progress of the actions in the tracker.	21 - 22

WORK PROGRAMME

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
9.	<u>CASH MANAGEMENT POLICY</u> To note the policy.	23 - 24
10.	<u>FUNDING STRATEGY STATEMENT</u> To note the contents of the report.	25 - 38
11.	<u>INVESTMENT PRINCIPLES</u> To note the contents of the report.	39 - 52
12.	<u>VALUATION OUTCOME</u> To receive a verbal update.	
13.	<u>BUSINESS PLAN</u> To note the contents of the report.	53 - 68
14.	<u>SERVICE LEVEL AGREEMENT</u> To note the contents of the report.	69 - 76
15.	<u>PENSION ADMINISTRATION STRATEGY</u> To note the contents of the report.	77 - 100

EMERGING ISSUES

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
16.	<u>NEW OR AMENDED RISKS</u> To receive a verbal update.	101 - 102
17.	<u>IDENTIFIED OR REGISTERED BREACHES</u> To receive a verbal update.	
18.	<u>MEMBERSHIP</u> To receive a verbal update.	
19.	<u>ANY OTHER BUSINESS</u> To note and discuss any other items of business.	
20.	<u>LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PRESS AND PUBLIC</u> To consider passing the following resolution:- "That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting whilst discussion takes place on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1- 7 of part I of Schedule 12A of the Act."	

PART II

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
	<p>i. <u>PENSION PANEL MINUTES</u></p> <p>To note the Part II contents of the most recent set of minutes.</p> <p><i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Governmet Act 1972)</i></p>	103 - 106
	<p>i. <u>INVESTMENT GROUP MINUTES</u></p> <p>To note the Part II contents of the most recent set of minutes.</p> <p><i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Governmet Act 1972)</i></p>	107 - 110

MEMBERS' GUIDANCE NOTE

DECLARING INTERESTS IN MEETINGS

DISCLOSABLE PECUNIARY INTERESTS (DPIs)

DPIs include:

- Any employment, office, trade, profession or vocation carried on for profit or gain.
- Any payment or provision of any other financial benefit made in respect of any expenses occurred in carrying out member duties or election expenses.
- Any contract under which goods and services are to be provided/works to be executed which has not been fully discharged.
- Any beneficial interest in land within the area of the relevant authority.
- Any license to occupy land in the area of the relevant authority for a month or longer.
- Any tenancy where the landlord is the relevant authority, and the tenant is a body in which the relevant person has a beneficial interest.
- Any beneficial interest in securities of a body where
 - a) that body has a piece of business or land in the area of the relevant authority, and
 - b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body **or** (ii) the total nominal value of the shares of any one class belonging to the relevant person exceeds one hundredth of the total issued share capital of that class.

PREJUDICIAL INTERESTS

This is an interest which a reasonable fair minded and informed member of the public would reasonably believe is so significant that it harms or impairs your ability to judge the public interest. That is, your decision making is influenced by your interest that you are not able to impartially consider only relevant issues.

DECLARING INTERESTS

If you have not disclosed your interest in the register, you **must make** the declaration of interest at the beginning of the meeting, or as soon as you are aware that you have a DPI or Prejudicial Interest. If you have already disclosed the interest in your Register of Interests you are still required to disclose this in the meeting if it relates to the matter being discussed. A member with a DPI or Prejudicial Interest **may make representations at the start of the item but must not take part in discussion or vote at a meeting.** The term 'discussion' has been taken to mean a discussion by the members of the committee or other body determining the issue. You should notify Democratic Services before the meeting of your intention to speak. In order to avoid any accusations of taking part in the discussion or vote, you must move to the public area, having made your representations.

If you have any queries then you should obtain advice from the Legal or Democratic Services Officer before participating in the meeting.

If the interest declared has not been entered on to your Register of Interests, you must notify the Monitoring Officer in writing within the next 28 days following the meeting.

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BERKSHIRE PENSION BOARD

THURSDAY, 24 NOVEMBER 2016

SCHEME EMPLOYER REPRESENTATIVES: ALAN CROSS, ALAN NASH, BILLY WEBSTER (CHAIRMAN) AND SURJIT NAGRA.

SCHEME MEMBER REPRESENTATIVES: TONY PETTITT.

OFFICERS: KEVIN TAYLOR AND DAVID COOK

INTRODUCTION AND APOLOGIES

There were no apologies for absence received.

DECLARATION OF INTEREST

There were no declarations of interest received.

MINUTES

The Part I minutes of the meeting held on 28 July 2016 were approved as a true and correct record subject to the following amendments:

- Page 12, change 'The Chairman was keen to maintain public meetings...' to 'The Whole Board was..'
- Page 12 add that academies 'as a collective group' were becoming the size of a small unitary authority.

It was noted that with regards to I-Connect Reading were in the process of procuring and were expected to go live in December 2016. The other unitary authorities were still looking at implementation.

SCHEME AND REGULATORY UPDATE AND INTEGRATED RISK MANAGEMENT

The Board received a verbal update on the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 that came into force on 1st November 2016. The Board were informed that there was still some debate about the regulations and there was a possibility that they would be amended or revoked.

With regards to the New Fair Deal for Staff Pensions for those who were compulsorily transferred to another company were still out for consultation. When the regulations were implemented outsourced providers would be required to become members of the LGPS.

With regards to integrated risk management the Board was informed that officers would be meeting with 2 of the unitary authorities and would be working with Lincoln to undertake a review. Officers were also looking at working with employers to improve governance within the scheme.

The Board were also informed that the Panel had held a discussion on the potential pension risks of scheme employers transferring the delivery of services to the private sector and the impact this could have on the Pension Fund. It was felt that the Panel needed to be made aware of the risks to the Pension Fund as more authorities outsourced their services and how important it was that S151 officers were aware of the risks when contracts were awarded.

The Board were informed that the main issue was the that the number of active members reduced over time when outsourced provision had closed arrangements and thus the level of

contributions to the Fund was reduced whilst the pension liability increased. Ultimately employers would have to pay more or there would need to be a change to the benefit structure of the scheme.

Officers were raising the pension risks and trying to get employers to consider the pension implications at the start of any procurement process.

With regards to Exit Cap regulations the Board were informed that the consultation had closed and that each Government department had until 26th December 2016 to review exit payments before implementation on 26th June 2017. It was noted that both redundancy payments and pension payments would be included in the regulations.

The Board noted the updates.

INVESTMENT FUND POOLING UPDATE AND NEW INVESTMENT REGULATIONS

The Board received a verbal update on the limited progress being made with regards to pooling since the last update. The Board were informed that if an agreement with the Local Pensions Partnership (LPP) was not reached there may be opportunities to work with the London CIV. The letter of intention with LPP was still in place and negotiations were ongoing.

The Board noted the update.

AUDIT RESPONSE TO CODE OF PRACTICE AND BPF ACTIONS

The Chairman informed the Board that at their last meeting the draft audit response to the audit of the governance and administration of the Berkshire Pension Scheme (code of Practice 14) had been circulated. The final report was in the agenda pack and reported 'Substantially Complete and Generally Effective (2nd highest out of 4 Audit Opinions)'.

The Board were informed that there were 20 concerns identified in the Audit Report which had been classified as moderate. A further 10 minor concerns had also been reported at the exit meeting. All the concerns were being dealt with via the action plan.

In response to questions the Board were informed that with regards to 'minor concern ref a' (page 17) that the Board members were representatives of all admitted bodies and that it was being proposed to review the audit findings after two years as all issues raised were minor.

The Chairman mentioned that this was an audit of code of practice 14 and the Board could request other areas to be audited if required.

The Board noted the update.

RISK MANAGEMENT - REVIEW RISKS AND PROCESS

The Chairman informed the Board that the item had been added to the agenda so members could review the risks to make sure they were still relevant and that their potential impact was being addressed. With regards to the managing risks policy the Board were being asked to consider if it was still appropriate and comprehensive policy. It was noted that there was only one high risk and 4 medium risks.

It was questioned if the Board were reviewing an updated policy and were informed that the policy had not been updated but it was in the Board TOR to review the risk policy. It was requested that when updated policies were brought to the Board that a tracked changed version was circulated.

With regards to risk appetite the Board were informed that the Pension Fund had a set of core objectives to which its risk appetite was set and appropriate mechanisms were in place. The Administering Authority provided a diverse range of services where its risk appetite may vary from one service to another, for example safeguarding would have a low risk appetite and thus more resources were put into this area than an area that could tolerate higher risk levels.

It was mentioned that some of the risk register review dates had past and the Board were informed that the register was the one presented to Panel in September 2016 and thus certain actions had been completed. It was also noted that the Pension Fund manager owned all the Funds risks, but the mitigating actions were with multiple officers.

The Board noted the report.

CONFLICTS OF INTEREST - REVIEW POLICY AND PROCESS

The Chairman reported that there had been no amendments to the policy since the Board last reviewed it and that the policy was still relevant. This was an opportunity for Board members to refresh themselves with the policy; especially with regards to their role.

In response to a question the Board were informed that it was important that Board members review their DOI on an annual basis; the Deputy Pension Fund Manager would email Board members DOI.

The report was noted.

REPORTING BREACHES OF THE LAW - REVIEW POLICY, PROCESS AND BREACHES

The Chairman informed that it was a requirement to have a process in place to identify and be aware what to do if there were any breaches of the law. He informed that the document was comprehensive and that he found the traffic light system for potential breaches very useful.

The Board were informed that the policy had been slightly amended following the recent internal audit, for example a failure to report could be an offence and which officer had this accountability.

It was questioned why the cause and effect elements of the report did not always match and the Board were informed that there had been no reported breaches so examples were used. It was not a requirement to add these examples but the Deputy Fund Manager would review.

The Chairman mentioned that it needed to be clear where reporting responsibilities should be and that this should be part of a senior officer induction process so it was made clear.

The report was noted.

IDENTIFIED OR REGISTERED BREACHES

It was noted that there had been no registered breaches, however one employer has failed to complete their year end processes on time leading to annual benefit statements being issued after the statutory deadline. This was not considered to be of material significance and was being addressed.

MEMBERSHIP

The Board were informed that two member representatives were leaving the Board and there was now also a gap in the employer representatives. Replacement representatives had been

sought with a nomination coming from the academy sector; however it was felt that this nomination would be best placed on the Pension Panel's Advisory Panel.

The Chairman mentioned that there were named Board substitutes that could be approached to see if they wished to become full Board members. It was also suggested that the unions could be approached to canvass their members to seek interest.

Alan Nash agreed to stay on the Board as an interim member whilst replacements were being found.

The update was noted.

BUDGET

The Board were informed that it had been discussed having an allocated Board budget covering areas such as members training and providing capacity for seeking external support.

In response to questions the Board were informed that the funding would be for next year, that the 1k RBWM support cost were to cover expenses such as audit reviews and that the proposed amount was less than having to pay for an independent chair.

The update was noted.

TRAINING

The Chairman informed the Board that he had emailed Board members about training opportunities and if they wished to attend they should contact him. There were Cipfa events that could be shared amongst the Board with the next one in June or July 2017.

The Board were reminded that they needed to keep their training logs updated after attending any events or undertaking training. It was proposed that the Board would undertake training sessions before future meetings and when required the topic will match agenda items. It was proposed that the Pension Funds Manager would provide investment training at the next meeting.

Board members were asked to identify any knowledge gaps or topics that they felt training would be beneficial. Board Members to email the Chairman with any training ideas. It was recommended that there be a session by the actuary; this may be via the annual employers meeting.

The update was noted.

AOB

It was questioned if Board members required liability assurance for their role. It was confirmed that the RBWM Risk Manager had confirmed that this was not required as the Board had no decision making powers. It was agreed that a confirmation email would be sent.

The Chairman reported that he had completed the Governance Survey on behalf of the Board and would circulate copies.

Action Tracker. The Board were informed that this would become a standing item and would include actions identified in the minutes.

BERKSHIRE PENSION PANEL MINUTES

The Board noted the Part I Berkshire Pension Panel minutes.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED UNANIMOUSLY: That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting whilst discussion takes place on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1-7 of part I of Schedule 12A of the Act.

The meeting, which began at 1.30 pm, finished at 3.05 pm

CHAIRMAN.....

DATE.....

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Agenda Item 7

BERKSHIRE PENSION FUND PANEL

MONDAY, 16 JANUARY 2017

PRESENT: Councillors Lenton (Chairman), Hill, Collins, Rankin and Hilton.

ADVISORY MEMBERS: Cllr Law, Cllr Usmani, Cllr Stanton, Mr Ralfs and Mr Butcher.

OFFICERS: Mr Greenwood, Mr Taylor, Mr Pardo, Mr Stubbs and Mr Cook.

APOLOGIES

Apologies for absence were received from Cllr Worrall, Sue Nicholls, Mr Erilymaz and Mr Dhingra.

DECLARATIONS OF INTEREST

The Pension Fund Manager declared an interest in items 14 and 15..

There were no other declarations of interest received.

MINUTES

The Part I minutes of the meeting held on 7th November 2016 were approved as a true and correct record subject to 'if' being added before 'however these were Insufficient' on page 11.

ATTENDANCE OF PENSION BOARD CHAIR

The Panel were requested to agree to the attendance of the Berkshire Pension Board Chairman at Part II meetings of the Berkshire Pension Fund Panel.

Resolved unanimously: that the Panel notes the report and:

i) Agrees to the attendance of the Chair of the Berkshire Pension Board at Part II meetings of the Berkshire Pension Fund and Pension Fund Advisory Panels.

ADVISORY PANEL APPLICATIONS

The Panel considered the report regarding two applications received to be members on the Berkshire Pension Fund Advisory Panel.

The Panel were informed that following the transfer out of the Thames Valley Probation Trust to the Greater Manchester Pension Fund it was agreed that the composition of the Advisory Panel should be amended so that three non-unitary authority employer representatives could sit on the Advisory Panel. It had been agreed that due to the number of scheme members from academies it would be appropriate to invite a scheme member from the overall academy membership to sit on the Advisory Panel.

John Ralfs attended the meeting and informed the Panel that he currently worked for the Langley Academy Trust where he was responsible for finance, facilities, ICT and health and safety.

Mark Butcher attended the meeting and informed the Panel that he was a deferred member and that he was experienced with attending similar panel meetings as a representative of UWL during 2008-10. He had also been a member of the Investment Panel advising the

Royal Borough of Kingston Pension Fund during 2014 and 2015. Mr Butcher was a qualified accountant.

Both applicants CV's were noted under confidential meeting, Part II.

Resolved unanimously: that the Panel notes the applications and approved the appointment of Mr Ralfs and Mr Butcher to the Berkshire Pension Fund Advisory Panel.

INTERNAL AUDIT REPORT

The Panel considered the report that provided members' a with n update on the Internal Audit Report commissioned by the Berkshire Pension Board to determine whether RBWM as the Administering Authority of the Berkshire Pension Fund was compliant with The Pension Regulator's Code of Practice No.14 concerning Governance and Administration of Public Service Pension Schemes.

The Panel were informed that an audit opinion of substantially complete and generally effective (2nd highest Audit opinion) was received. The Administration of the Fund was compliant with Code of Practice 14 and most of the actions highlighted in the audit were resolved, an amended action plan had been attached to the report.

Cllr Stanton felt that page 26 paragraph 2.3 of the agenda where the audit mentioned 20 concerns gave the wrong impression of a good audit return.

It was noted that the Fund was also audited by KPMG as part of the Council's external audit of accounts.

Resolved unanimously: that the Panel note the Internal Audit Report on compliance with the Pensions Regulator Code of Practice 14.

INVESTMENT GOVERNANCE

The Panel were informed that at its meeting on 11 April 2016 the Panel approved the scheme of delegation as set out in Annex 1. The Borough's Constitution sub committee had requested that the Panel confirm the scheme of delegation due to a formatting error that had been amended to show that on agenda page 37 the top four actions had been delegated to officers.

With regards to 'Emergency action to terminate a mandate, redeem a pooled holding or reduce exposure to one or more asset classes and to take any other action necessary to secure/recover Pension Fund Assets' the Panel requested that the delegated actions be amended to say that the Berkshire Pension Panel Chairman should be the first consultee and if not available that at least one Member should be consulted.

Resolved unanimously: that the Panel confirms the scheme of delegation set out in Annex 1 and as amended above that the Scheme of Delegation Emergency power was delegated to "the Chairman or in his absence the Vice Chairman plus one of the other delegates".

STEWARDSHIP REPORT

The Panel considered the latest Stewardship Report that provided an update of stewardship of the Pension Fund for the period 1 July 2016 to 30 September 2016 (pages 7 to 9 updated to 31 October 2016).

The Panel were informed that agenda page 39 provided a list of Key Financial Indicators and that page 40 had been left blank pending the arrival of the actuary report.

Cllr Law mentioned that the West Berkshire finance team had raised concern that we were anticipating increased employer contributions but confirmation would not be in time for the budget build. The Panel were informed that the Heads of Finance had already been provided with the predicted numbers.

Cllr Stanton asked if there was any indication of the increase and was informed that this would be around 14.5 % contribution rate but the question was how quick this should be implemented. For Local Authorities there was an expected 6 or 7 % increase to cover past deficits. The Chairman requested that a draft report be circulated to the Panel as soon as possible.

Cllr Law asked how the increases could be staggered over years and was informed that there could be a straight increase, an increase over 3 years or over 6 years. Local authorities had been consulted and two favoured 3 years whilst two favoured 6 years.

Cllr Stanton asked if the increase would apply to all admitted bodies and was informed that all except new admitted bodies.

The Panel were informed that on agenda page 45 an extra column had been added to show 12 month currency returns in US Dollars due to the drop in sterling post Brexit.

In response to further questions the Panel were informed that the value of the Fund would be slightly lower in US dollars and that academies now had the majority of employers whilst local authorities had the most scheme members.

With regards to I-Connect it was noted that Reading BC had approved implementation whilst West Berkshire had taken a step backwards. It was confirmed that I-Connect would work with academy systems and that when RBWM implemented I-Connect 12 academies installed the system.

Resolved unanimously: that the Panel notes the report and:

- **The investment performance and asset allocation of the Fund**
- **All areas of governance and administration as reported**
- **All key performance indicators**

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

RESOLVED UNANIMOUSLY: That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting whilst discussion takes place on following items on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1-7 of part I of Schedule 12A of the Act.

The meeting, which began at 4.00 pm, finished at 6.00 pm

CHAIRMAN.....

DATE.....

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Action No.	Date of meeting	Action Item Description	Comments	Assigned To	Status	Status	Date
10	26/11/2015	Review of Annual Report and Accounts 2014-15 and External Audit Report.	RBWM s.151 officer to be asked to review and explain why/why not the auditors do not check compliance with LGPS Regulations, Pension Accounts and CIPFA accountancy disclosure guidance.	Billy Webster	Open	Initially with Howard Pearce. Passed to Billy Webster.	
12	26/11/2015	b) Adoption of Training Plan.	Board members to inform the DPFM of any training completed.	Board Members	Open		
13	26/11/2015	Pension Administration Strategy.	Board members to provide DPFM with a list of key officers within their organisations to be added to Pension Fund distribution list.	Board Members	Open		
14	22/02/2016	Compliance with CIPFA audit guidelines.	Chair to write to s.151 officer regarding Administering Authority's compliance with CIPFA audit guidelines.	Billy Webster	Open	Initially with Howard Pearce. Passed to Billy Webster.	
19	28/04/2016	Review action tracker.	Chairman and Deputy Pension Fund Manager to discuss and review action tracker.	Billy Webster/Kevin Taylor	Open		
23	28/07/2016	Nomination of an Employer Representative	Bracknell Forest to nominate a successor to Alan Nash who is retiring. Kevin Taylor to obtain nomination.	Kevin Taylor	Open	No action taken.	

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ROYAL BOROUGH OF WINDSOR OF MAIDENHEAD

CASH MANAGEMENT POLICY

Cash held by the Pension Fund shall be invested according to the following guidelines:

- JP Morgan as global custodian to the fund £30 million or 2% of the Fund's value whichever is the higher.
- Lloyds TSB (current account) £15million or 1% of the Fund's value whichever is the higher.
- Other banks and UK financial institutions selected from those currently approved under the RBWM Treasury Management Policy with maximum limits as approved by RBWM Treasury Management Policy.

In addition cash may be invested in money-market funds approved by the Investment Working Group and meeting the following criteria:

- An "AAA" rating from a major rating agency.
- Investment by the Pension Fund shall be limited to 1% of the money-market fund's value or £30 million whichever is the lower

The following money-market funds have been approved by the Investment working Group:

FUND MANAGER	RATING	FUND SIZE	PROPOSED LIMIT
Aviva	Aaa-mf (Moody's) AAm (Standard & Poors)	£8 billion	£30 million
Insight Investment	AAAm (Standard & Poors) AAAmf (Fitch)	£20 billion	£30 million
J P Morgan	Aaa-mf (Moody's) AAAm (Standard & Poors)	£8.3 billion	£30 million
Legal & General	AAAm (Standard & Poors)	£2.4 billion	£30 million
Northern Trust	Aaa-mf (Moody's)	£5.38 billion	£25 million

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FUNDING STRATEGY STATEMENT

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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 of 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 Statement of Investment Principles (“SIP”).

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 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 that will be sufficient to meet all future benefit payments from the Fund;
 - Build up as required assets in such a way that produces levels of employer contributions that are as stable as possible;
 - 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



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:

- 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;
- Manage the Actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain the FSS and also the SIP (Statement of Investment Principles) after consultation with other interested parties; and
- Monitor all aspects of the Fund's performance and funding to ensure that the FSS and the SIP are updated as necessary.

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;
- 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;
- Prepare annual FRS17/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;
- 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 31st March 2013 with the assets of the Fund found to be 75% 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 Inflation Curve. The resultant figure in the 2013 valuation is 3.5% per annum.



Future Pay Inflation

- 3.12 As benefits accrued before 1st April 2014 (and in the case of some protected members after 31st March 2014) are linked to pay levels at retirement it is necessary to make an assumption as to future levels of pay inflation. Historically there has been a close link between price and pay inflation with pay increases in excess of price inflation averaging out at between 1% and 3% per annum depending on economic conditions. The assumption adopted in the 2013 triennial valuation is that pay increases will, on average over the longer term, exceed price inflation by 1.0% per annum. In the short term in anticipation of Government policy, it has been assumed that pay increases for the 3 year period to 31 March 2016 would only be 1% per annum.

Future Pension Increases

- 3.13 The 2010 Emergency Budget announced that in future, the pensions increase orders will be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). It was therefore assumed that pension increases will be 0.8% less than the price inflation assumption.



Future Investment Returns/Discount Rate

- 3.14 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.
- 3.15 The discount rate adopted depends on the funding level target adopted for each Scheme employer.
- 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. At the 2013 triennial valuation the ongoing discount rate was 6.1%.
- 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

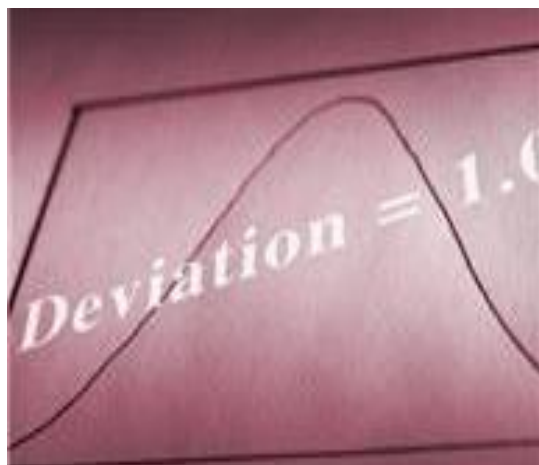
- 3.20 The asset valuation is a market value of the accumulated Fund at the triennial valuation date adjusted to reflect average market conditions during the 6 months straddling the triennial valuation date.

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.

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 (set as 30 years from 2011).

- 3.24 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.

3.25 At the 2013 triennial valuation the period adopted to recover the deficit was:

Type of Scheme Employer	Maximum Length of Recovery Period
Unitary Authorities and Associated Employers	27 years
Housing Associations	17 years
Colleges	17 years
Academies	20 years
Community Admission Bodies	17 years
Transferee Admission Bodies	Future working life of current employees or contract period whichever is the shorter period

3.26 Where a Scheme employer's contribution has to increase significantly then the increase may be phased in over a period not exceeding 6 years although this may only be allowed for some Scheme employer types.

Pooling of Individual Scheme employers

3.27 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 set for individual employers to reflect their own particular circumstances.

3.28 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. Scheme employers with weak financial covenants would be liable for enhanced contributions.

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

- Colleges
- Academies
- Community Admission Bodies
- Housing Associations



3.30 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.

Cessation Valuations

3.31 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.

- 3.32 In assessing the deficit on termination, the Actuary may adopt a discount rate based on gilt yields 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.

Early Retirement Costs

- 3.33 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.



- 3.34 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

- 3.35 The next triennial valuation is due as at 31st March 2016.

4 LINKS WITH THE STATEMENT OF INVESTMENT PRINCIPLES (SIP)

- 4.1 The main link between the FSS and the SIP 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 SIP.
- 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 0.5% per annum in the real discount rate will decrease/increase the liabilities by 8% and decrease/increase the required Scheme employer contribution by around 3.9% of payroll.

- 5.4 The Pension Fund Panel 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 2010 to 2013 such monitoring activity saw investment returns slightly lower than assumed in the 2010 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.

Governance

- 5.13 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.
- 5.14 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.
- 5.15 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.

Approved by the Berkshire Pension Fund Panel
28 April 2014



STATEMENT OF INVESTMENT PRINCIPLES



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1.0 INTRODUCTION

- 1.1 This is the Statement of Investment Principles adopted by the Royal Borough of Windsor and Maidenhead acting as the administering authority for the Royal County of Berkshire Pension Fund.
- 1.2 This document contains a compliance statement as regards the Government Code of Investment Principles and also provides information on all the Fund's service providers (investment managers, custodian and advisers) along with the nature of the services they provide.
- 1.3 The practices described within this document form the basis of the decision making for the Fund. The document is kept under continuous review.

2.0 MANAGEMENT STRUCTURE

- 2.1 The Royal Borough of Windsor and Maidenhead (RBWM) is the Administering Authority for the Royal County of Berkshire Pension Fund in accordance with Part 1 of Schedule 3 of the Local Government Pension Scheme Regulations 2013 (as amended) and, therefore, has overall responsibility for any decisions taken that impact on the running of the Pension Fund. RBWM recognises, however, that in its role as custodian of the Royal County of Berkshire Pension Fund assets it is important that the views of other employers including the other five unitary councils in Berkshire, individual Scheme contributors and retired members are taken into account. For this reason two Panels are operated by the Council namely a Pension Fund Panel (consisting of five elected members of RBWM) and a Pension Fund Advisory Panel (consisting of the five members of the Pension Fund Panel, one representative from each of the other five unitary councils within the Fund, two representatives representing the other employers, two trade union representatives representing active members and two representatives drawn from the membership of the Fund (one representing active members the other deferred and pensioner members)).
- 2.2 The Pension Fund Panel and Pension Fund Advisory Panel meet together to discuss items of decision and monitoring. These meetings are held on a quarterly basis together with additional meetings as required. The Pension Fund Panel is the executive body.
- 2.3 The 'Terms of Reference' of the Pension Fund Panel and the Pension Fund Advisory Panel are contained in the Constitution of RBWM, Part 6 (D1) 'Berkshire Pension Fund Panel'.
- 2.4 Management of the Pension Fund by officers of RBWM is carried out in accordance with Part 5A 'Scheme of Delegation' in the Constitution of RBWM.



Investment Managers

- 2.5 The day to day management of the Fund's investment portfolios has been delegated to the Fund's investment managers. Their duties include:



- Purchase and sale of assets of the Fund;
- Preparation of quarterly reporting including a review of investment performance.
- Reporting personally to the Pension Fund and Pension Fund Advisory Panels as requested.
- Providing administrative and accounting data concerning the investment portfolio and transactions.

Custodian (JP Morgan Worldwide Securities Services)

- 2.6 The Fund operates with a global custodian who is responsible for the settlement of all investment transactions, collection of income, tax reclaims and corporate action administration.

Scheme Actuary (Barnett Waddingham)

- 2.7 The scheme actuary is responsible for:

- Undertaking a triennial valuation of the Fund's assets and liabilities.
- Setting the scheme employer contribution rates.
- Undertaking FRS17 valuations annually for each employing body.
- Providing advice as requested.

Independent Advisors

- 2.8 The Pension Fund Panel's independent advisor has no specific duties but attends meetings of the Panel and gives general advice on the topics under consideration. The Investment Working Group (a working group of The Pension Fund Panel) has two independent strategy advisors who give advice on the asset allocation of the Fund.

3.0 OBJECTIVES

- 3.1 The primary objective of the Fund is to provide the members pension and lump sum benefits on their retirement or for their dependants benefits on death before or after retirement, on a 'defined benefits basis'. In order that this primary objective can be achieved, the following funding and investment objectives have been agreed.



Funding Objectives

- 3.2 To fund the Pension Fund in such a manner that in normal market conditions, all accrued benefits are fully covered by the actuarial value of the Fund's assets and that an appropriate level of contributions is agreed by the administering authority and each employer body to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary increases.



The assumptions used correspond with the assumptions used in the latest actuarial valuation. The funding position will be reviewed on a regular basis but at least at each triennial actuarial valuation. The Panel will be advised on the effect of any material changes to the Fund during the inter-valuation period.

Investment Objective

- 3.3 The Pension Fund Panel has agreed a strategic asset allocation to achieve the long term investment returns to meet the Fund Objective.

Investment Philosophy

- 3.4 In January 2012 the Pension Fund Panel adopted an investment philosophy which states that the objective of the portfolio is to return the Fund to a funding ratio of 100% whilst minimising contributions. The actuarial assumption is that this will be achieved by 2040 (being the 27 year recovery period assumed for the major employers in the 2013 actuarial valuation). In doing this the aim is to minimise any risk of upward changes in employers' contribution rates.

We will seek to achieve this objective by setting the following investment aims:

- To deliver a total return of 4.0% (net income plus capital gain) over the annualised rate of UK inflation (as measured by the change in the Consumer Prices Index) on assets whilst aiming to deliver an investment income yield of 2% (being our best estimate of the level of income required to avoid eroding capital to meet the gap between contributions received and benefits payable).
- To minimise the impact of interest rate and inflation expectation changes on the funding ratio.
- To keep asset value drawdowns to a minimum.



To achieve these aims, we will invest according to the following tenets:

- We will diversify the portfolio across a range of different return seeking assets.
- We will manage the portfolio over the investment cycle with an expected normal time horizon for investments of at least 3 years.

- We will aim to minimise transaction costs and fund managers' fees.
- Low volatility is preferred to high volatility.
- We acknowledge that there will be periods when equities will produce significant capital gains or losses. Over the long term the return achieved may not adequately compensate investors for the higher volatility.
- We consider that there is little value to be gained from short-term active management in highly efficient markets but that there may exist opportunities to extract value from asset allocation and/or minor inefficiencies within markets.
- We consider that active managers can add value (net of their fees) relative to index-tracking managers by taking a long-term view and/or exploiting inefficiencies within markets.
- We will use benchmarks to monitor rather than to manage performance.
- We will manage currency exposure separately from the underlying asset exposure and in accordance with our bespoke currency benchmark.

Currency Benchmark

- 3.5 The Pension Fund Panel has agreed that the currency exposure of the portfolio should be managed against a fund specific benchmark. This benchmark was introduced in April 2012 and revised in April 2013 the current benchmark is:

Currency	Benchmark Weighting %
Sterling	59
Euro	2
US Dollar	16
Japanese Yen	2
Swiss Franc	2
Developing Market Currencies	15
Commodity Currencies	4
Total	100



4.0 ASSET ALLOCATION AND MANAGER STRUCTURE

- 4.1 The main objective of the investment of the Fund's assets is to achieve a return which is sufficient, over the long-term, to meet the funding objectives set out above.
- 4.2 To achieve these objectives the following strategies have been agreed.

Asset/Liability Study

- 4.3 The overall asset allocation strategy adopted for the Fund is regularly reviewed by way of an asset/liability study carried out by a suitably qualified adviser. The latest study

completed in 2008 was based on the results of the 2007 Actuarial Valuation and took account of the following:

- Long term funding considerations.
- The Liability profile of the Berkshire Fund.
- The solvency of the Berkshire Fund.
- Expected investment returns.
- The volatility and correlation of returns.



The recommendation of the 2009 study was that the asset allocation of the Fund be broadened to include allocations to absolute return funds (including hedge funds), active currency funds, commodities, emerging market and yield debt, global property and infrastructure funds. A formal tender process to appoint managers to manage the allocations to these asset classes commenced in June 2008 and was finished by April 2009. Following the appointment of managers for these allocations the asset allocation is regularly reviewed and adapted to take into account of market conditions at the time. New allocations may be made from time to time and Investment Managers are added to, removed or changed as necessary.

The return assumptions required to achieve and maintain the Fund objective are set out in the Actuarial Valuation. The strategic benchmark adopted by the Fund is designed to achieve that return in the long term. It is recognised, however, that there will be periods when market conditions do not permit those assumptions to be met and that the benchmark needs to be kept under periodic review in order to confirm that it is still suitable for the purpose for which it was designed.

Tactical Asset Allocation

- 4.4 The Investment Working Group reviews the Fund's asset allocation at each meeting and will recommend changes to the asset allocation in light of prevailing market conditions.

Investment Managers and Stock Selection

- 4.5 The current structure of investment management comprises of a number of specialist mandates. Each manager has a specific benchmark and target to reflect their specific mandate. Managers may either be granted a segregated account mandate or the Fund may invest in a pooled fund managed by that manager.



The external managers appointed by the Fund are authorised under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended) to manage the assets of the Fund.

A management agreement is in place for each Investment Manager that sets out the relevant

target benchmark, performance target, and any restrictions as determined. Where investment is made via a pooled fund the Fund will ensure that any subscription agreement entered into sets out the relevant target benchmark, performance target and any investment restrictions.

Each manager is given full discretion over the choice of individual securities and funds and is expected to maintain a diversified portfolio.

The Pension Fund Panel requires each external manager to report, in person, on their performance and transactions at a frequency that ensures that those managers whose performance is causing concern are seen on a regular basis.

Each manager is expected to achieve an excess return on the assets under their management greater than the relevant benchmark. In assessing performance of each manager the Pension Fund Panel takes in to account the long-term nature of the investment process and returns are judged primarily on an annualised basis over a rolling three-year period. The Pension Fund Panel formally reviews the appointment of each manager at least every three years or such shorter period as may be necessary.

The fee scale charged by each manager is considered by the Pension Fund Panel on their appointment and is compared to that of other submissions in the tender process.

Although fees are not the primary determinant in making an appointment they are related to the expectation of performance levels. The most suitable fee base is chosen and this may be on an ad-valorem or performance-related basis.

Realisation of investments

- 4.6 The majority of investments held directly or indirectly through pooled vehicles, by the Fund and its Investment Managers are quoted on the major stock markets of the world and may be realised quickly if required. The Fund does, however, invest in limited partnerships and some less liquid pooled funds but these are a small portion of the Fund's assets. Notwithstanding this, the Fund maintains sufficient investment in liquid assets to meet its liabilities in the short and medium term as they fall due.

Risk

- 4.7 The adoption of a long-term strategic benchmark and tactical asset allocation policy may limit the Fund from achieving the required long-term investment returns whilst at the same time achieving suitable investment diversification.

Particular reference to investment risk is outlined in the management agreement of the appointment of each investment manager. To the extent any unexpected deviation from the expected excess returns or the controls in place on the actions of individual investment managers occurs, the manager will be reviewed and may be removed or changed as necessary.



5.0 OTHER ISSUES

Socially Responsible Investment

- 5.1 In considering the extent to which social, ethical and environmental issues are taken into account in the investment process the members of the Pension Fund Panel consider that they should, at all times, act in the best financial interests of the Fund, within the risk parameters of a diversified portfolio.

By such action they seek to maximise the returns in order to minimise the effect of meeting liabilities on the individual employer contribution rates of each of the member bodies.

Subject to the above consideration, however, the Pension Fund Panel are of the opinion that non-adherence to sound practice in this area, by the companies in which the Fund is invested, could lead to a considerable financial impact on their future earnings in the event of breaches in acceptable standards. The Pension Fund Panel, as responsible shareholders, seeks to encourage best practice in the following manner:

- a) By asking their investment managers to consider social, ethical and environmental issues within their investment process where the manager considers it appropriate.



Consideration of such issues should not, however, deflect from the primary aim of the manager of meeting the performance target as specified in their management agreement.

- b) By engaging in dialogue with companies and voting on specific items in relation to social, ethical and environmental issues affecting the companies whose shares are held by the Fund. Specific attention is drawn to such issues in the voting policy of the Fund.

- c) By offering members who wish to subscribe to an AVC arrangement offered by the approved providers to the Fund an alternative of linking the investment of their AVC contributions to an investment policy that

screens investment on an ethical or environmental basis. Such investment policies are a matter of choice for the individual contributor and the investment policy of the approved AVC provider.

Corporate Governance

- 5.2 The Pension Fund Panel is committed to act as a responsible shareholder with reference to the exercising of any voting rights attaching to the assets of the Fund. To this effect all such rights are exercised in accordance with the voting policy agreed by the Pension Fund Panel at its meeting on the 16 March 2000 and any amendments approved by subsequent meetings. Relevant independent advice from appropriate bodies will be considered in the exercising of any such voting rights.



Stock Lending

- 5.3 The Fund does not lend any stock. However, it is recognised that pooled fund managers may lend stock from funds in which the Fund is invested.

AVC Arrangements

- 5.4 Members have the opportunity to, where applicable, invest in AVC Funds.

6.0 GOVERNMENT CODE OF INVESTMENT PRINCIPLES COMPLIANCE STATEMENT

Principle 1 – Effective decision making

Administering authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
- Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Response – Fully Compliant

The Berkshire Fund operates within the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 (as amended).

The decision making process, bodies and delegation of responsibilities are outlined in the 'Statement of Investment Principles' for the Fund and the Constitution of RBWM which acts as administering authority for the Fund.

Members of the Pension Fund Panel and Berkshire Pension Fund Advisory Panel receive training as appropriate. All new members receive an introduction manual and are offered individual training to meet their requirements.

Principle 2 - Clear Objectives

An overall investment objective(s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Response – Fully Compliant

The objectives and risk parameters of the Fund are contained within the Statement of Investment Principles. The Fund has specific performance targets for each area of management.

Principle 3 – Risk and Liabilities

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.

These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Response – Fully Compliant

In adopting an investment strategy for the Fund a detailed asset liability study was completed in 2008 and repeated in 2009. The Fund monitors the expected return from the assets held and the required rate of investment return needed to achieve full funding. Asset allocation is reviewed quarterly with these parameters in mind.

In December 2009 the Fund entered into a longevity insurance contract to insure the Fund against further improvements in the longevity of its pensioners (as at 31st July 2009) and continues to monitor the development of the longevity risk market to take advantage of any attractive opportunities to hedge more of its longevity risk.

Principle 4 – Performance Assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.

Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Response – Partially Compliant

The Fund measures the performance of investments, investment managers and advisors.

Principle 5 – Responsible Ownership

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents;
- Include a statement of their policy on responsible ownership in the statement of investment principles;
- Report periodically to scheme members on the discharge of such responsibilities.

Response – Fully Compliant

All equity managers are aware of their responsibilities.

Principle 6 – Transparency and Reporting

Administering authorities should:

- Act in a transparent way, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
- Provide regular communication to scheme members in the form they consider most appropriate.

Response – Fully Compliant

The Fund uses a variety of communications with stakeholder and scheme members including newsletters, the annual report and accounts, a dedicated website and meetings for both stakeholders and scheme members.



BUSINESS PLAN 2016-17

And

MEDIUM-TERM STRATEGY 2017/2020



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1.0 INTRODUCTION

This document is intended to outline the key elements of the Royal County of Berkshire Pension Fund (“the Fund”) Business Plan for 2016/17. It has been prepared in conjunction with the business plan for the Corporate and Community Services Directorate of the Royal Borough of Windsor & Maidenhead (“RBWM”). The Royal Borough of Windsor & Maidenhead is the administering authority for the Fund.

The Pension Fund has two teams – The Pension Administration Team and The Pension Finance Team. Accounting for the Fund is carried out by colleagues within the Finance Team within RBWM’s Corporate and Community Services Directorate.

The Business Plan will be used to guide and direct the Fund, provide clarity and alignment on goals and objectives and establish key initiatives for the forthcoming year. In addition, it is available to all stakeholders to better understand what the Fund is planning to do to provide an efficient service across the County whilst supporting the overall corporate aims of RBWM.

This Business Plan will be updated annually and presented to the Pension Fund Panel for adoption. The plan will also review the previous year’s plan and detail whether the objectives therein were met.

2.0 STRATEGIC INTENT

The following was the Strategic Intent that was created in 2012 by the Chief Operating Officer of RBWM following his review of the old Operations directorate. It remains valid and will act as the ‘mission statement’ for RBWM’s Corporate and Community Services Directorate although an additional line has been added to reflect the need to deliver more innovative solutions:

To deliver flexible and adaptable services to both the residents and internal customers at the lowest possible unit cost that:

- *Are high quality, innovative and fit for purpose;*
- *Help deliver the Borough’s strategic objectives;*
- *Enable other parts of the Council to deliver their strategic goals;*
- *Provide staff in Corporate and Community Services with a satisfying work environment and career development.*

To better reflect the service provided by the Pension Fund team the strategic intent for the team is:

To deliver an efficient pension service to all stakeholders in the Fund that:

- *Is cost effective, high quality, innovative and fit for purpose;*
- *Ensures that members receive the right benefits at the right time;*

- Ensures members are kept informed about their benefits and changes in regulations which will affect them;
- Manages the Fund's investments in a risk controlled manner to meet the Fund's strategic investment objectives;
- Recognises that pensions are an important part of employees' reward packages which assists employers to deliver their strategic goals;
- Provides staff in the Pension Fund team with a satisfying work environment and career development path.

3.0 BUSINESS OBJECTIVES

The business objectives for the Pension Fund team are directly aligned to the Council's corporate aims, as follows:

Corporate Aim	Corporate Services Business Objective
<i>Residents First</i>	To deliver an effective pensions service that meets the expectations of members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.
<i>Value for Money</i>	<p>To manage the assets of the Fund in such a way as to achieve the medium term investment return objective, achieve value for money in all contracts and manage all other direct costs in managing the fund and paying benefits.</p> <p>To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks and minimising any negative internal and external audit comments and feedback.</p>
<i>Equip Ourselves for the Future</i>	<p>To manage staff effectively in order to deliver high levels of morale, ensuring all staff are effectively performance managed and developed by ensuring sickness rates are reduced, aligned objectives are set for all staff, performance appraisals are undertaken and poor performers are appropriately dealt with.</p> <p>To transform, develop and improve the Pension Team through creating an evidence-based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.</p>
<i>Delivering Together</i>	To work together with Members to deliver the goals and objectives of the Pension Fund Panel, to be measured by positive feedback from Lead Members.

4.0 VALUES

The CREATE values have been cascaded throughout the team and translated into local values and behaviours. In the spirit of the behaviours adopted by the Borough the Pension Team will adopt the following values and behaviours:

- There will be no ‘ambushing’ or surprises - discuss first before raising in public;
- We will always be realistic when negotiating timescales and be considerate of other’s priorities and time;
- Everyone’s view matters and we will always give credit where it is due;
- We will share information, be inclusive and supportive and back each other up;
- We will always consider Scheme members and other stakeholders in everything we do;
- We will always look to do something rather than find ways to not do it and we will always look to support a reasonable request;
- We will accept being challenged and only challenge ideas not people;
- We will always deal with issues and not let them fester;
- We will always lead by example;
- We will use face to face communication as our preferred initial medium with telephony as our second preference;
- If we do e-mail we will always use appropriate distribution lists;
- We will always respect each other and work together to meet the Fund’s objectives;
- We will promote and celebrate success;
- We will take full responsibility for our actions.

5.0 BUSINESS TARGETS 2016/17

Pension Team Business Objective	2016/17 Target
To deliver an effective pensions service that meets the expectations of members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.	All annual benefits statements to be issued on time 95% of critical service standards achieved (stretch 100%) 90% of non-critical service standards to be achieved (stretch of 95%) Service related complaints to be less per member than 2015/16

To manage the assets of the Fund in such a way as to achieve the medium term investment return objective, achieve value for money in all contracts and manage all other direct costs in managing the Fund and paying benefits.	Achieve a 4% real investment return over an economic cycle (7 years) Tender all contracts when due with a stretch objective of reducing costs (on a like-for-like basis) in real terms
To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks and minimising any negative internal and external audit comments and feedback.	Positive feedback from internal and external auditors that controls are better than in previous years To maintain robust business continuity, disaster recovery and emergency plans for all areas Reduce risk profile of the Pension Fund
To manage staff effectively in order to deliver high levels of morale, ensuring all staff are effectively performance managed and developed by ensuring sickness rates are reduced, aligned objectives are set for all staff, performance appraisals are undertaken and poor performers are dealt with appropriately.	Overall staff satisfaction of at least 70% (stretch of 75%) Staff absence rate to be reduced by 10% from 2015/16 levels (stretch of 15%)
To transform, develop and improve the pension teams through creating an evidence-based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.	Deliver 90% of tasks within the pension teams' operational plan (stretch of 95%) Deliver all agreed programmes and projects to time and budget
To work together with Members to deliver the goals and objectives of the Pension Fund Panel, to be measured by positive feedback from Lead Members.	Positive feedback from Lead Members on performance and engagement

6.0 KEY ASSUMPTIONS AND RISKS

The following are the key business assumptions used in the compilation of the 2016/17 budget:

- Sufficient staff resources are available and committed to deliver business as usual and agreed projects, with key posts filled if they become vacant;
- The gap between benefits payable and contributions received will grow in the medium term thereby requiring the investment portfolio to generate a level of investment income sufficient to meet that gap to avoid the need to sell investments at an inopportune time;
- Staff turnover is as expected otherwise the Pension Team will struggle to meet its obligations to stakeholders;

- That performance targets remain as agreed;
- That central support resources are available to support the Pension Team;
- Changes to legislation do not adversely impact on the operation of the Pension Fund;
- Training and development resources are available;
- The new change management model is fully embedded and effective in managing and prioritising projects;
- FOI and DPA requests will not increase;
- Transfer Out requests will not increase;
- Number of schools converting to academies and the number of new employers admitted to the Fund will remain in-line with previous years' experience;
- The Pension Fund will need to adjust investment strategy as a result of the Government's investment pooling strategy.

7.0 CASH-FLOW SUMMARY

A summary of the forecast cash-flow for the Pension Fund is shown below:

	Year to 31/03/15 (actual) £'000's	Year to 31/03/16 (forecast) £'000's	Year to 31/03/17 (forecast) £'000's
Contributions	87,691	94,500	97,900
Transfers In	1,916	4,700	5,000
Employers additional contribution for early retirements	1,400	1,600	2,000
Investment Income via Custodian	23,762	23,500	20,000
Pensions Paid (Gross)	-73,625	-77,500	-77,500
Retirement Lump Sums	-18,045	-17,800	-17,500
Transfers Out	-67,201*	-6,500	-5,000
Investment Management Costs	-3,654	-6,600	-6,000
Employee Costs	-693	-700	-700
Other Costs	-1,106	-500	-700
Net Cash Flow	-49,555	14,700	17,500

*Following the reorganisation of the Probation Service the assets and liabilities in respect of past and present members employed by Thames Valley Probation Trust and other probation service predecessor bodies were transferred on 18 March 2015. This resulted in a payment of £63.76 million in respect of assets to the Greater Manchester Pension Fund which has assumed responsibility for probation service pension arrangements.

8.0 KEY INITIATIVES 2016/17

Business Objective	Key Initiatives
To deliver an effective pensions service that meets the expectations of members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.	<p>Ensure that Pension Administration Software is kept up to date</p> <p>Finalise Desktop Procedures to ensure consistency of working practices in the Pension Administration Team</p> <p>Continue to promote and encourage employers to use i-Connect as the administering authority's preferred method of data transfer</p> <p>Continual review of Service Level Agreements to ensure they remain current</p> <p>Keep members up to date via newsletters</p> <p>Run Pension Surgeries at least twice annually for each unitary authority and as requested by other employers</p> <p>Educate scheme employers by providing scheme training upon request</p> <p>Educate scheme members by providing presentations upon request from scheme employers</p> <p>Maintain web-site to highest standards ensuring that all information is current</p> <p>To increase the number of visits made to scheme employers to discuss key statutory responsibilities and improve performance</p>
To manage the assets of the Fund in such a way as to achieve the medium term investment return objective with minimal loss of capital, achieve value for money in all contracts and manage all other direct costs in managing the fund and paying benefits.	<p>Join an LGPS Investment Pool as required by the Department for Communities and Local Government</p> <p>Implement Investment Strategy as agreed by the Pension Fund Panel</p> <p>Ensure that no fire-sale of assets is required to meet benefit payments</p>
To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks and minimising any negative internal	<p>Produce Annual Financial Statements so they can be published by 1 December 2016</p> <p>Complete contributions reconciliation</p>

and external audit comments and feedback.	<p>Achieve a clean audit</p> <p>Complete Year End procedures before 31 August 2016 to enable prompt issue of annual benefit statements</p> <p>Annual Benefit Statements (Active and Deferred members) to be issued by 31 August 2016</p> <p>Apply Pensions Increase Order</p> <p>Issue P60's and payslips</p> <p>Ensure that employers complete Policy Statements as required by LGPS Regulations 2013</p> <p>Service the Berkshire Pension Board to ensure they receive the information they require to discharge their obligations</p> <p>Ensure that all Pension Fund policies are current</p> <p>Ensure compliance with the Pensions Regulator's Code of Practice number 14</p> <p>Complete triennial valuation of the Pension Fund by 31 March 2017 and publish Rates and Contributions Certificate</p>
To manage staff effectively in order to deliver high levels of morale, ensuring all staff are performance managed and developed by ensuring sickness rates are reduced, aligned objectives are set for all staff, performance appraisals are undertaken and poor performers are appropriately dealt with.	Monitor staff requirements to ensure a high quality service is provided to stakeholders
To transform, develop and improve the Pensions Team through creating an evidence based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.	<p>Ensure that staff "buy-into" RBWM's performance related pay scheme</p> <p>Ensure staff receive appropriate training internally and from external providers</p>
To work together with Members to deliver the goals and objectives of the Pension Fund Panel, to be measured by positive feedback from Lead Members.	Ensure Pension Fund Panel, Pension Fund Advisory Panel and Pension Board members receive appropriate training

	Ensure that Pension Fund Panel, Pension Fund Advisory Panel and Pension Board members understand the Fund's strategy
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9.0 REVIEW OF 2015/16 KEY INITIATIVES

In 2015/16 we said that we would:

Corporate Services Business Objective	Key initiatives	Outcome
To deliver an effective pensions service that meets the expectations of members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.	Ensure that pension administration software is kept up to date	Pension administration software has been kept up to date
	Finalise Desktop Procedures to ensure consistency of working practices in the Pension Administration Team	Technical Analyst appointed in 2015 and has commenced production of these procedures with the aim to complete by March 2017
	Encourage employers to use i-Connect to improve submission of data	The administering authority and 12 associated academies have adopted i-Connect and went 'live' in February 2016
	Continual review of Service Level Agreements to ensure they remain current	New SLA effective from 1 April 2016
	Keep members up to date via newsletters	Bi-annual newsletters (The Quill and The Scribe) issued to active, deferred and pensioner / dependant members respectively
	Run Pensions Surgeries at least twice annually for each unitary authority and as requested by other employers	Achieved. 12 pension surgeries held at Bracknell Forest Council, RBWM, Reading BC, Slough BC, West Berkshire Council and Wokingham BC.
	Educate scheme employers by providing scheme training upon request	All scheme employers invited to attend a training session entitled 'Scheme employer – statutory obligations' in March 2016.
	Educate scheme members by providing presentations upon request from scheme employers	A number of presentations have been undertaken and have been well received.
	Maintain web-site to highest standards ensuring that all information is current	During 2015-16 the administering authority changed its web provider. The Berkshire

	Visit scheme employers to discuss key statutory responsibilities and monitor performance	<p>Pension Fund website is a microsite to the administering authority's website and was updated and improved in line with this strategy</p> <p>Very few visits have taken place but employer performance is monitored closely and reported to the Pension Panels and Pension Board as part of a stewardship report</p>
To manage the assets of the Fund in such a way as to achieve the medium term investment return objective with minimal loss of capital, achieve value for money in all contracts and manage all other direct costs in managing the fund and paying benefits.	<p>Implement Investment Strategy as agreed by the Pension Fund Panel</p> <p>Identify scheme employers at risk of default and investigate whether this risk might be insured</p> <p>Ensure that no fire-sale of assets is required to meet benefit payments</p> <p>Create a Dynamic Purchasing System to facilitate the tendering of investment mandates</p>	<p>Achieved. The current investment strategy as at 29 February 2016 has since inception (1 April 2009) achieved an 7.05% p.a. real return. (3 year Real return 4.03% p.a., 12 month real return 0.67%)</p> <p>Achieved. Expansion mandates to RWC and Kames and new mandates awarded to limited partnerships (Milltrust International, Dorchester Capital Evergreen and supplemental investment opportunity in Oxford Photovoltaics co-investment).</p> <p>Probability of loss and expected annual loss calculated for admitted bodies and a reserve created.</p> <p>On-going</p> <p>Not undertaken due to requirement to pool investment assets from April 2018 negating the need for this initiative.</p>
To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks	<p>Produce Annual Financial Statements so they can be published by 1 December 2015</p> <p>Complete contributions reconciliation</p> <p>Achieve a clean audit</p>	<p>Achieved</p> <p>Achieved</p> <p>Achieved</p>

and minimising any negative internal and external audit comments and feedback.	Complete Year End procedures by 31 August 2015 to enable prompt issue of benefit statements	Partially achieved. A small number of employers failed to provide data in a timely manner to enable the pension administration team to meet their targets.
	Annual Benefit Statements (Active and Deferred members) are issued before 31 August 2015	Partially achieved. Problems with member data as submitted by a small number of scheme employers made it impossible for this deadline to be achieved
	Apply Pensions Increase Order	Achieved
	Issue P60's and payslips	Achieved
	Ensure that employers complete Policy Statements as required by LGPS Regulations 2013	Partially achieved. A small number of scheme employers continue to delay their completion of statements
	Service the Berkshire Pension Board to ensure they receive the information they require to discharge their obligations	Achieved
	Ensure that all pension fund policies are current	Achieved
	Implement all Pension Regulator Codes of Practice	On-going
To manage staff effectively in order to deliver high levels of morale, ensuring all staff are performance managed and developed by ensuring sickness rates are reduced, aligned objectives are set for all staff, performance appraisals are undertaken and poor performers are appropriately dealt with.	Monitor staff requirements to ensure a high quality service is provided to stakeholders	Achieved
	Monitor the establishment of Pension Investment Team to reflect operational efficiencies	Achieved
To transform, develop and improve the Pension Team through creating an evidence	Ensure that staff "buy-into" RBWM's performance related pay scheme	Staff understand the performance related pay scheme

based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.	Ensure Staff receive appropriate training internally and from external providers	Achieved
To work together with Members to deliver the goals and objectives of the Pension Fund Panel to be measured by positive feedback from Lead Members.	<p>Ensure Pension Fund Panel, Pension Fund Advisory Panel and Pension Board members receive appropriate training</p> <p>Ensure that Pension Fund Panel, Pension Fund Advisory Panel and Pension Board members understand the Fund's strategy</p>	<p>Members of the Panels received training on Governance and Administration in January 2016. Pension Board member receive regular and ongoing training at meetings of the Board</p> <p>Feedback from Panel members is that they do understand the Fund's strategy</p>

10.0 MEDIUM TERM PLAN 2017/20

The following table details the medium term plan for the Pension Fund for the period 2017 to 2020.

Objective	Rationale	Timescale
Investment Pooling	Required by the Department for Communities and Local Government per their announcement 25 November 2015.	Detailed response due by 15 July 2016. Initial pooling of assets by April 2018.
Attain accreditation to the Pensions Administration Standards Association (PASA).	Accreditation will confirm that the Pension Administration Team are adhering to industry best practice	Desktop Procedures to be completed by March 2017. Accreditation to be achieved by June 2017.
Credit insure the Fund against loss incurred by the insolvency of admission bodies.	Protects the Fund against losses incurred when admission bodies become insolvent and they are unable to meet their cessation liabilities	Initial work completed in 2015. Further work regarding feasibility of an insured solution to be undertaken in 2016/17.
Reconciliation of Guaranteed Minimum Pension (GMP) obligations.	Reconcile GMP values held with those calculated by HMRC or Fund faces making overpayments to existing scheme members and even	By December 2018

	to individuals for whom it is believed there is no liability	
Improve website (including the development of Member Self Service (MSS) and introduction of Employer Self Service (ESS)).	Increase ability of stakeholders to interact with the Fund via self-service facilities (operational efficiency) Add investment information to increase transparency	By March 2017
i-Connect	Will lead to improved quality of data held by Fund and increased efficiency of the service	Unitary Authorities to be on-board by 31 March 2017. Other employers by 31 March 2019
Maintain sufficient cash-flow to avoid fire-sale of assets to meet benefits payable	Avoid sale of assets at low process negatively impacting long-term sustainability of the fund	On-going
Investigate additional longevity insurance	Protect fund against unforeseen improvements in life expectancy	On-going
Continuous review of investment strategy	Ensure that investment strategy is "fit for purpose"	On-going
Review inflation hedging possibilities	Protect fund against large rises in inflation	On-going

Approved by Berkshire Pension Fund Panel: 11 April 2016



**SERVICE LEVEL AGREEMENT BETWEEN THE
ROYAL BOROUGH OF WINDSOR & MAIDENHEAD
AS ADMINISTERING AUTHORITY AND THE
THE PENSION ADMINISTRATION TEAM**



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INTRODUCTION

The Royal Borough of Windsor & Maidenhead (RBWM) is the administering authority for the Royal County of Berkshire Pension Fund. As such, RBWM has certain statutory responsibilities for the administration of the Local Government Pension Scheme (LGPS) in Berkshire. This includes the six Unitary Authorities (of which RBWM is one) and around 200 other associated employers who make up the membership of the Pension Fund.

The administering authority has ultimate responsibility for interpreting and implementing statutory LGPS regulations, which includes taking decisions about fund investments, for receiving monies due to and paying monies owing from the Fund and for making sure that it has robust systems and processes in place to ensure that the scheme is administered in line with scheme regulations and within prescribed levels of performance.

STATUTORY INSTRUMENTS	
2013 No. 2356	
PUBLIC SERVICE PENSIONS, ENGLAND AND WALES	
The Local Government Pension Scheme Regulations 2013	
Made: 13th September 2013	
Laid before Parliament: 19th September 2013	
Coming into force in accordance with regulation 1	
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This document has been prepared as a service level agreement between the administering authority and the pension administration team and sets out service standards or 'promises' of the level of service that the team will provide to ensure that the administering authority achieves its statutory responsibilities.

1.0 ADMINISTRATION OF THE LGPS

The pension administration team will:

1.1 Maintain a member database of all current, deferred and retired members (including their dependants) of the scheme along with historical data relating to former scheme members who have a right to claim a refund of contributions but have not elected to do so (frozen refunds), former members who no longer have a liability within the Fund (benefits transferred out of the scheme) and employees who have opted out of the Scheme for whom an opting out form must be retained.

1.2 Provide an efficient, effective and courteous administration service.



1.3 Calculate member benefits in accordance with Scheme regulations.

1.4 Provide a pension payroll service to all retired Scheme members and their dependants.

1.5 Ensure that pension payments are made on the correct date and that all lump sum payments are made as soon as possible following the retirement of the Scheme member.

- 1.6 Provide current and deferred members with an annual benefit statement.
- 1.7 Ensure that all new Scheme members receive an access key to 'my pension ONLINE' with details of how to access a formal notification of membership and other relevant Scheme information.
- 1.8 Notify all retired scheme members of the annual increase to their pension.
- 1.9 Provide a payslip to retired members of the Scheme in April every year and any subsequent month where there is 50 pence variance in net pay.
- 1.10 Provide a P60 to every retired Scheme member within HMRC deadlines.
- 1.11 Perform other administrative tasks in line with the service standards laid down in a service level agreement with Scheme employers.



2.0 SCHEME COMMUNICATIONS

The pension administration team will:

The Royal County of Berkshire Pension Fund

The pages of this website contain information about the Local Government Pension Scheme and how it is administered in Berkshire. It sets out details about your membership of the benefits of contributing to a highly regarded, final-salary occupational pension scheme



- 2.1 Maintain and update a website for all members of the LGPS and provide a dedicated area for Scheme employers to assist them in administering the scheme on behalf of their employees.
- 2.2 Inform all scheme members of significant changes to the LGPS by way of a bi-annual newsletter.
- 2.3 Produce, publish and maintain a suite of scheme guides and fact-sheets to assist scheme members in understanding their pension rights and options.
- 2.4 Offer pension surgeries, presentations and open days to be held across the County of Berkshire.
- 2.5 Respond to letters and emails within 10 working days.

3.0 COMPLAINTS PROCEDURE

- 3.1 The pension administration team has a commitment to put things right if they go wrong and will investigate any complaint received within 10 working days.

- 3.2 If the team are unable to resolve a complaint the member has a right to appeal under the Internal Disputes Resolution Procedure (IDRP) which is a 3-stage appeal process set out in the regulations.

4.0 GENERAL

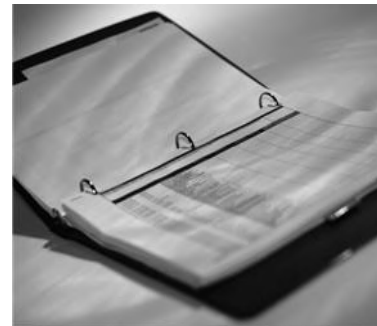
The pension administration team will:

- 4.1 Deal with member enquiries in a professional, polite and friendly way and offer guidance to scheme members as appropriate without giving financial advice.
- 4.2 Make available confidential interview facilities as required.
- 4.3 Maintain and report on performance statistics.
- 4.4 Provide information for completion of a stewardship report to be presented to members of the Pension Fund Panel, Pension Fund Advisory Panel and Pension Board each time they meet.
- 4.5 Provide information for the annual report and accounts of the Pension Fund.

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PENSION ADMINISTRATION STRATEGY



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1.0 INTRODUCTION

This is the Pension Administration Strategy for the Royal County of Berkshire Pension Fund having been developed in consultation with Scheme employers within the Fund and is effective from 1 April 2016.

The 1st April 2015 was a key milestone in the governance arrangements of the Local Government Pension Scheme (LGPS) as from that date the Pensions Regulator (tPR) took responsibility for setting standards of administration and governance on all administrative aspects of the Scheme. In addition a newly established local Pension Board now has an independent scrutiny role in assisting the Royal Borough of Windsor and Maidenhead ('RBWM') as the Administering Authority to the Royal County of Berkshire Pension Fund ('the Fund'), with its regulatory compliance, effective and efficient administration and governance of the Pension Fund.

The LGPS Regulations 2013 allow the Pension Fund Administering Authority (sometimes referred to as the Scheme Manager) to prepare a Pension Administration Strategy ('the Strategy') for the sole purpose of improving the administrative processes within their LGPS Fund. This Strategy replaces any earlier versions and ensures the governance and administration requirements of tPR are properly addressed as they fall to the Fund and its Scheme employers.

1.1 Strategic Aims

The aim of this Strategy is to continue progress towards a seamless, automated pension service, employing appropriate technologies and best practice which both significantly improve the quality of information overall and the speed with which it is processed to provide better information for Scheme employers and stakeholders and a more efficient service to Scheme members. It outlines, in conjunction with the Pension Administration Service Level Agreement, the quality and performance standards expected of all Scheme employers and Admission Bodies within the Fund.

The Strategy is designed to be a road map as to how the highest standards of administration can be achieved by adopting the most efficient and cost effective practices thereby ensuring a consistent approach to pension administration across all Scheme employers in partnership with the Fund so that all Scheme members ultimately receive the highest standard of service in the most efficient and effective manner possible.

1.2 Legislative Framework

The Fund and its Scheme employers must have regard to this Strategy when carrying out their Scheme functions. This Strategy has been made in accordance with Regulation 59 of the LGPS Regulations 2013 which allows the Administering Authority to prepare a Pension Administration Strategy following consultation with its Scheme employers to facilitate best practices and efficient customer service.

As part of Regulation 59 all of the following matters are to be considered to ensure that the aims of this Strategy are achieved:



Procedures for liaison and communication...

...between the Administering Authority and its Scheme employers with the aim of clarifying the roles and responsibilities of both the Administering Authority and the Scheme employers in administering the LGPS.

Compliance with statutory requirements...

...setting out clear procedures which aim to secure that the Administering Authority and its Scheme employers comply with those statutory requirements and with any agreement about levels of performance.

Procedures for improving the flow of communication...

...between the Administering Authority and its Scheme employers to enable the Scheme functions to be carried out effectively and efficiently.

Establishment of levels of performance...

...that both the Administering Authority and its Scheme employers are expected to achieve including the setting of performance targets, the making of agreements about levels of performance and associated matters and such other matters as the Administering Authority considers appropriate.

Procedures for producing performance statistics...

...and the publication of an annual report dealing with the extent to which the Administering Authority and its Scheme employers have achieved the levels of performance established.

Production of a Pension Administration Service Level Agreement (SLA)

...setting out the various responsibilities of the Administering Authority and the Scheme employer with workflows being monitored and findings reported to the Berkshire Pension Fund Panel, Pension Fund Advisory Panel and Pension Board as part of a Stewardship report.

Circumstances for issuing notices of underperformance...

...under Regulation 70 of the Local Government Pension Scheme Regulations 2013 (*Additional costs arising from Scheme employer's level of performance*) on account of the Administering Authority considering that a Scheme employer's performance in carrying out its Scheme functions has been unsatisfactory and associated matters as considered appropriate.

In addition to the above the Administering Authority has power to consider any other matters that it believes to be appropriate for inclusion in this strategy and will consult with its Scheme employers and such other persons as required.

2.0 KEY OBJECTIVES

The key objectives of this Strategy are to ensure that:



- The Fund and Scheme employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions (largely defined in the Pension Administration Service Level Agreement);
- The Fund operates in accordance with LGPS Regulations and is aligned with tPR in demonstrating compliance and scheme governance;
- Communication processes are in place to enable both the Fund and Scheme employers to proactively and responsively engage with each other and other partners;
- Accurate records are maintained for the purpose of calculating pension entitlements and Scheme employer liabilities, ensuring all information and data is communicated accurately, on a timely basis and in a secure and compliant manner;
- The Fund and Scheme employers have appropriate skills and that training is in place to deliver a high quality service and effectively contribute to the changing pensions agenda;
- Standards are set and monitored for the delivery of specified activities in accordance with LGPS Regulations and minimum standards set out throughout the Pension Administration Service Level Agreement.

The key objectives for the Fund have been identified as:

OBJECTIVE	DETAIL	TARGET DATE
Implement i-Connect	i-Connect is a secure electronic data transfer system which sits between a Scheme employer's payroll system and the pension administration software. See section 3.3.	Depending on size of employer: 31/03/17 31/03/18 31/03/19
Implement Employer Self-Service (ESS) facility	ESS enables a Scheme employer access to the pension records of their own scheme members. See section 3.3.	31/03/19
Scheme employer meetings	Quarterly meetings to be held with the 6 Berkshire Unitary Authorities. See section 3.3.	30/06/16
Scheme surveys	Introduction of an annual Scheme employer survey and member surveys.	31/07/16
Scheme employer performance reports	Introduction of quarterly Scheme employer performance reports.	30/06/16
PASA accreditation	The Fund is committed to obtaining accreditation with the Pensions Administration Standards Association. See section 3.0.	31/03/17

3.0 ACHIEVING THE OBJECTIVES

There are currently in excess of 200 Scheme employers in the Fund differing in size, structure and capability which represents a significant logistical challenge to the management of information, processes and services within the Fund. As the number of Scheme employers within the Fund grows as does the demand for more accurate and timely information especially with the introduction of the Career Average Revalued Earnings (CARE) Scheme from 1 April 2014. This information is also vital to ensure that Scheme employer liabilities are accurate and that funding targets and employer contribution rates reflect the correct position. Furthermore, tPR has introduced higher levels of compliance and the Fund will be required to report breaches of the Regulations in future.

This strategy applies not only to existing Scheme employers but will also apply to all new future employers of the Fund. Schools (other than Academies, Free Schools and University Technical Colleges (UTCs)) are included under the LEA of the relevant Council even if they have their own payroll or have outsourced it to a third party.

To assist with compliance in all areas of administration and governance the Fund is committed to obtaining accreditation with the Pensions Administration Standards Association (PASA). PASA has been created from within the pensions industry to become the body to set meaningful pension administration standards, assess compliance with those standards and act as a focal point for Government and the pensions industry on matters relating to pension administration. PASA is focused on three core activities:

- defining good standards of pension administration relevant to all providers, whether in-house, third party;
- publishing guidance to support those standards; and
- being an independent accreditation body, assessing the achievement of good standards for scheme members and sponsors.

In order to achieve accreditation the Fund is committed to producing clear, understandable and achievable desk top procedures for all areas of administration that will form the basis for ensuring full compliance with statutory obligations and tPR requirements.

3.1 Liaison and communication

The Fund aims to provide clear, relevant, accurate, accessible and timely information to all of its stakeholders. The Fund's communication strategy is already well developed providing a wide range of solutions for all types of communication. However, with the ever increasing number of Scheme members and Scheme employers there is an ever increasing need for information and so the Fund is aiming to further develop its communications strategy by embracing technology in a number of key areas. The Fund's overall strategy is to provide communications digitally to its stakeholders wherever possible and for scheme data to be transferred electronically between the Fund and its Scheme employers.

The Pension Fund website is continually under review and provides all stakeholders with a single access point to relevant services and information.

A dedicated Scheme employer area is maintained which includes (but is not limited to):

- General guidance and information on procedures for administering the Local Government Pension Scheme;
- Employer bulletins (*'Inscribe'*) used to communicate current issues pertaining to the Scheme;
- Copies of all standard forms (on-line where possible) to be used by Scheme employers when providing information to the pension administration team;
- Copies of all publications issued by the Administering Authority including member newsletters, scheme guides and factsheets;
- A link to the LGPS Regulations, LGA Circulars, DCLG Guidance and consultation documents.



Pension administration relies largely on information supplied to the Administering Authority by its Scheme employers. It is therefore key that member records are maintained to a high standard so that information provided by the Fund to its Scheme members is accurate and up to date at all times.

The pension administration team is contactable during normal office hours on 0845 602 7237 although direct dial numbers are provided to all Scheme employers. An office helpdesk is also available at:

info@berkshirepensions.org.uk.

Each Scheme employer must nominate a Pension Liaison Officer (PLO) to deal with initial enquiries received from the Administering Authority. If preferred a number of officers can be nominated (up to a maximum of 4) by the Scheme employer in Appendix A to the Pension Administration Service Level Agreement, provided that their specific responsibilities are identified (e.g. HR or payroll; formulating policy statements; ensuring payment of monthly contributions and submitting returns). The Scheme employer will inform the Administering Authority immediately if these details are amended in anyway. Furthermore, the PLO(s) will be responsible for ensuring that Pension Fund communications are disseminated to all relevant officers in their organisations who have responsibility for any part of the process in administering the LGPS e.g. payroll officers, HR advisors, Heads of Department and other Senior officers.

The Scheme employer will provide the following details in respect of their PLO(s)

Name;
Position;
Direct Telephone Number (if direct dial is available);
Email contact details;
Business address;
Specific responsibilities of each officer (if more than one has been nominated).

The Administering Authority will maintain a schedule of PLOs and ensure that all staff concerned with pension administration use the contact details provided by the Scheme employer.

The Administering Authority will hold quarterly meetings with the PLOs of the six Unitary Authorities to discuss current pension issues and administration procedures. An annual meeting will be held to which all Scheme employers will be invited in accordance with the Administering Authority's 'Communications Strategy' (which can be found on the Pension Fund's website).

3.2 Compliance with statutory requirements

In carrying out their roles and responsibilities in relation to the administration of the LGPS, the Administering Authority and Scheme employers will, as a minimum, comply with the statutory Scheme regulations and associated legislation. These include (but are not limited to) the following regulations and any amendments thereto:

- The LGPS Regulations 2013
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014
- The Public Service Pensions (Record Keeping and Miscellaneous) Regulations 2014
- The Public Service Pensions Act 2013
- The Automatic Enrolment (Miscellaneous Amendment) Regulations 2013
- The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013

- The Pensions Regulator Code of Practice number 14 (Governance and administration of public service pension schemes)
- Earlier versions of the LGPS Regulations as they remain in force and relate to current and former scheme members
- The Pensions Acts 1995, 2004, 2008
- The Finance Act 2004
- Various related statutory instruments (Data Protection, Freedom of Information, Age Discrimination etc.)

The legislative framework under which this Strategy has been developed can be found at Annex 1. However, it is vital that every Scheme employer understands the statutory obligations under which they must fulfil their duties in administering the LGPS. This Strategy and associated SLA sets out agreed quality standards and the methods by which levels of performance will be monitored, reviewed and reported to ensure that those statutory obligations are maintained in line with the requirements of tPR.

The Fund is committed to providing the necessary tools to enable Scheme employers to meet their statutory obligations thereby continually improving the service that Scheme members receive at the same time as reducing, and ultimately eradicating, the risk of intervention from, and possible sanction by, tPR.

Prior to the effective date of this Strategy the Fund has provided training for all Scheme employers with regard to the statutory obligations that they are required to fulfil along with the implications of failing to do so (unless a Scheme employer has for whatever reason chosen not to attend the training in which case they have been advised of the risks involved in not doing so).

The Fund is also subject to a statutory annual audit of its processes and internal controls. The Fund and its Scheme employers will be expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by the Fund and, where appropriate, duly implemented, following discussions with Scheme employers where necessary.

3.3 Improving the flow of communication

As mentioned previously the strategic aim of the Fund is to provide a seamless, automated pension service by employing appropriate technologies and best practice to ensure the most effective and efficient service is provided to all of its stakeholders. The key principle is to identify the customer needs and attempt to provide this in the most efficient way.

The Fund will continue to invest and use ICT solutions to assist Scheme employers with the delivery of timely and accurate data. To this end the Fund is committed to working with Scheme employers in implementing and using i-Connect, a secure electronic data transfer system, as the method by which pension data is transferred between the Scheme employer and the Administering Authority.

i-Connect provides many benefits for both the Scheme employer and the Fund that support the strategic aim of improving the flow of communication and ultimately the levels of performance:

- Data is encrypted and submitted in real time on each occasion that a payroll is run meaning that, not only is data transmitted securely, Scheme members have instant access to the most up to date membership information;
- The need for Scheme employers to complete paper forms, spreadsheets and year-end returns is removed;

- All membership data is submitted at the correct time thereby ensuring that no data is missing and eliminating the risk of data inputting errors;
- All data protection requirements are met and security risks are significantly reduced;
- Instant reconciliation of Scheme contribution payments;
- Addresses auto-enrolment obligations thereby minimising the risk of fines from tPR;
- Automatically maintains membership data in line with the requirements set out in Record-Keeping regulations and to the standard required by tPR.

The Fund aims to have the largest Scheme employers using i-Connect by March 2017 with medium-sized employers being operational by March 2018. Consideration will be given to bringing smaller employers on-board ahead of the 2019 valuation subject to the solution being considered a viable option for those employers.

The Fund will also investigate and scope the use of a Scheme employer self-service (ESS) facility and identify an appropriate timeframe for implementation (no later than 31 March 2019). ESS will provide a Scheme employer with access to the pension records of their own Scheme members enabling the employer to:

- view, create and amend member information;
- Update sensitive information using online forms, thereby ensuring administrator checking and approval;
- Perform benefit calculations;
- Initiate and receive workflows;
- Produce and view documents;
- Run, create and print reports online.

As these solutions are developed the Fund will work and collaborate with Scheme Employers and provide necessary training and support.

To further improve communications the Fund is committed to re-introducing quarterly meetings with the PLOs of the largest Scheme employers the first such meeting to be held in the first quarter of the 2016/17 financial year. In addition an open invitation will be given to all other Scheme employers to meet with the Fund and discuss any element of pension procedures that they wish.

Furthermore the Fund will issue regular Scheme employer bulletins ('Inscribe') and issue at least one employer survey per year the outcome of which will be used to further improve communications and administration procedures.

3.4 Establishment of levels of performance (including SLA)

The use of time and accuracy based targets are vital in delivering a high level and cost effective service which is measurable, achievable, realistic and time specific as well as complying with statutory obligations.

In establishing acceptable levels of performance the Fund has tried to ensure that these targets strike a balance between allowing for each Scheme employers' other work pressures and the minimum turnaround times the Fund requires to ensure its system is as up to date as possible. By keeping pension systems up to date the Fund is able to significantly reduce pension related workloads for both the Fund and the Scheme employer by avoiding the

follow-on problems that can occur as well as improving the service provided to Scheme members.

The Fund has developed a Service Level Agreement (SLA) (which can be found on the Pension Fund website) in consultation with Scheme employers which sets out specific targets that apply to all Scheme employers in respect of all pension administration processes, the outcomes of which will be subject to external scrutiny by tPR, the Pension Fund Panel, Pension Fund Advisory Panel and Pension Board. It should be noted that many of the targets are set to ensure compliance with statutory requirements that already exist.

For some smaller Scheme employers, and for areas other than benefit administration, the amount of data typically collected will be too small to assess and report on statistically in a meaningful way. However, these targets will still apply and be considered on a case by case basis, particularly where the performance of the Fund or the Scheme employer falls well outside the prescribed targets. In these circumstances the appropriate action will be taken where necessary.

3.5 Procedures for producing performance statistics

The Pensions Regulator requires a Scheme Manager (Administering Authority) to keep records of information pertaining to member data across all membership categories and the Pension Board plays an independent scrutiny role to 'assist' the Scheme Manager with regulatory compliance and has the authority to report any serious concerns to tPR.

Assessment of the levels of administrative performance requires that agreed performance standards are continuously monitored and the results fed back to Scheme employers. This will be achieved by the production of a Performance Report each quarter for each employer (as relevant) to keep them fully informed of the efficiency of service delivery to Scheme members. The Performance Report will contain the key areas of performance setting out the total number of notifications received against the number received within the prescribed timescale set out in the Scheme employer agreed Service Level Agreement. In order to measure the efficiency of service processes the following areas of administration will be reported:

- New Scheme joiners;
- Early leavers (those where benefits are not immediately payable);
- Retirements;
- Payments of contributions (including receipt of monthly schedules);
- Settlement of invoices;
- Year-end returns;
- Member complaints.

The Fund will work with Scheme employers to ensure that overall quality and timeliness is improved and will identify any problem areas and devise an action plan designed to improve service delivery.

The Fund will also present a Stewardship Report at all meetings of the Pension Fund Panel, Pension Fund Advisory Panel and Pension Board in which the performance of all Scheme employers (and that of the Fund) will be scrutinised and remedial actions considered.

tPR imposes a statutory obligation upon an Administering Authority and the Pension Board to report failures which are likely to be of material significance. All breaches of statutory requirements must be recorded in the breaches log and reported to the Pension Fund Panel, Pension Fund Advisory Panel and Pension Board. This log may also be published on the Pension Fund website and in the Fund's Annual Report. Where there is a material breach which represents a reportable event to tPR then the Regulator would expect to see an improvement plan implemented to rectify this position.

3.6 Circumstances for issuing notices of underperformance

The purpose of the Pension Administration Strategy is to secure improvement across the administrative processes of the Fund. Both the Fund and its Scheme employers need to play their part in meeting this objective. However, in areas of continuous poor performance the Fund has a statutory right to apply financial penalties and may ultimately do so but only as a matter of 'last resort'.

In accordance with Regulation 59(2)(e) of the Local Government Pension Scheme Regulations 2013, an Administering Authority has to consider the circumstances in which it may give a written notice to any of its Scheme employers under Regulation 70 of those Regulations (additional costs arising from Scheme employer's level of performance), on account of the Scheme employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established in accordance with this Pension Administration Strategy and associated Pension Administration Service Level Agreement.

The Fund will remind PLOs of the key targets on occasion and where individual cases are found to be significantly outside of the performance targets set, the Fund will provide the Scheme employer with case-tracking information to help the employer understand if structural or procedural changes need to be made.

However, where persistent failure occurs and no improvement is demonstrated by the Scheme employer and/or unwillingness is shown by the employer to resolve the identified issue, the Fund will contact the PLO for the employer to discuss the area of poor performance and to find a satisfactory solution. Where the poor performance continues a formal written notice will be issued to the employer and escalated to a senior officer for action.

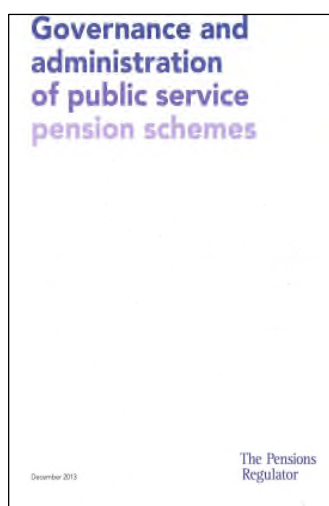
The following are circumstances upon which the Administering Authority will issue written notices of unsatisfactory performance:

- Where, in the opinion of the Administering Authority, it has incurred additional costs as a result of a Scheme employer's unsatisfactory performance the Administering Authority will give a written notice to the Scheme employer setting out the reasons for forming its opinion, the amount the Administering Authority has determined the Scheme employer should pay in accordance with Regulation 69(1)(d) and the basis upon which the amount has been calculated;
- Where a Scheme employer fails to make payment of employee and employer contributions by the 19th of the month following the period in relation to which the contributions were deducted;
- Where a Scheme employer persistently fails to provide the necessary documentation in support of the contribution payment;
- Where a Scheme employer has failed to settle an invoice for any additional costs arising as a result of their early retirement decisions within the prescribed 21-day deadline;

- Where a Scheme employer has failed to notify the Administering Authority that one of its employees has become entitled to the release of their pension benefits and, as a result of which, payment of any lump sum is made later than 30 calendar days from the date that pension benefits become payable.

On each occasion that any notice of unsatisfactory performance is issued it will be included in the Stewardship Report presented at meetings of the Berkshire Pension Fund Panel, Pension Fund Advisory Panel and Pension Board.

Where the Pension Fund has become liable to pay interest due to the unsatisfactory performance of a Scheme employer, consideration will be given to charging that interest payment to the appropriate Scheme employer.



Interest will be calculated in accordance with Regulation 71 of the Local Government Pension Scheme Regulations 2013 (one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests).

The Administering Authority will always assist the Scheme employer to resolve any issues but where persistent failure by a Scheme employer to meet payment deadlines can be evidenced, or where a Scheme employer continually fails to meet statutory requirements and/or the performance standards set out in the Pension Administration Service Level Agreement, further consideration will be given to whether or not that Scheme employer should be reported to the Pensions Regulator in line with Code of Practice number 14, 'Governance and Administration of Public Service Pension Schemes'.

Should the Fund incur any fine or charge for breach of its statutory duties which is as a result of a Scheme employer's performance failure, the Fund reserves the right to require the Scheme employer to reimburse it within 21 days of the fine or charge having been received by the Fund.

It is vital that all Scheme employers ensure that appropriate record-keeping is maintained and where they outsource their payroll, HR or pension administration functions to a third party, that the Scheme employer is clear that the legal responsibility for the provision of pension data to the Administering Authority lies with the Scheme employer and not the third party. Scheme employers must therefore ensure, as part of any contract entered into with a third party, that the third party has sufficiently robust processes in place to fulfil the statutory duties of the Scheme and the performance levels set out in the Pension Administration Service Level Agreement.

See Annex 2 for a schedule of notices of unsatisfactory performance.

3.7 Disputes

The Fund has a clear internal disputes resolution procedure (IDRP) set out for members of the LGPS which can be found on the Pension Fund's website. Scheme employers are, however, required to nominate an adjudicator to deal with disputes at stage 1 of the process. Scheme employers are asked to supply the details of their stage 1 adjudicator as part of their discretionary policy statement and should advise the Fund immediately of changes made in this regard.

Where a Scheme employer is in dispute with a decision or action taken by the Fund, the Fund will in the first instance attempt to resolve the matter internally and may seek an independent senior mediator from within RBWM as the Administering Authority to make a final

determination. Should this prove to be unsuccessful, a suitable, mutually agreeable and independent third party shall be appointed to determine the outcome of the matter.

4.0 REVIEW AND CONSULTATION PROCESS

The Fund will review this Strategy to ensure it remains up to date and meets the necessary regulatory requirements at least annually. A current version of the Strategy will always be available on the Pension Fund website.

In preparing this Strategy the Fund has consulted with Scheme employers and other persons considered appropriate. Where it is necessary to revise the Strategy all Scheme employers will be notified of the changes and advised where they can obtain a copy of the revised strategy.

ANNEX 1 – LEGISLATIVE FRAMEWORK FOR THIS STRATEGY

Local Government Pension Scheme Regulations 2013

Pension administration strategy

59.—(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—

(i) the setting of performance targets,

(ii) the making of agreements about levels of performance and associated matters, or

(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—

(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and

(ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

(a) keep its pension administration strategy under review; and

(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

(a) its pension administration strategy; and

(b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

Additional costs arising from Scheme employer's level of performance

70.—(1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating—

(a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);

(b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and

(c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

Statements of policy about exercise of discretionary functions

60.—(1) A Scheme employer must prepare a written statement of its policy in relation to the exercise of its functions under regulations—

(a) 16(2)(e) and 16(4)(d) (funding of additional pension);

(b) 30(6) (flexible retirement);

(c) 30(8) (waiving of actuarial reduction); and

(d) 31 (award of additional pension),

and an administering authority must prepare such a statement in relation to the exercise of its functions under regulation 30(8) in cases where a former employer has ceased to be a Scheme employer.

(2) Each Scheme employer must send a copy of its statement to each relevant administering authority before 1st July 2014 and must publish its statement.

(3) A body required to prepare a statement under paragraph (1) must—

(a) keep its statement under review; and

(b) make such revisions as are appropriate following a change in its policy.

(4) Before the expiry of a month beginning with the date any such revisions are made, each Scheme employer must send a copy of its revised statement to each relevant administering authority, and must publish its statement as revised.

(5) In preparing, or reviewing and making revisions to its statement, a body required to prepare a statement under paragraph (1) must have regard to the extent to which the exercise of the functions mentioned in paragraph (1) in accordance with its policy could lead to a serious loss of confidence in the public service.

(6) In this regulation a relevant administering authority in relation to a Scheme employer, is any authority which is an appropriate administering authority for that employer's employees.

Statements of policy concerning communications with members and Scheme employers

61.—(1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with—

- (a) members;
- (b) representatives of members;
- (c) prospective members; and
- (d) Scheme employers.

(2) In particular the statement must set out its policy on—

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
- (b) the format, frequency and method of distributing such information or publicity; and
- (c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

Pension fund annual report

57.—(1) An administering authority must, in relation to each year beginning on 1st April 2014 and each subsequent year, prepare a document ("the pension fund annual report") which contains—

- (a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;
- (b) a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;
- (c) a report of the arrangements made during the year for the administration of each of those funds;
- (d) for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 62 (actuarial valuations of pension funds), of the level of funding disclosed by that valuation;
- (e) the current version of the statement under regulation 55 (governance compliance statement);
- (f) for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;
- (g) an annual report dealing with—
 - (i) the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in a pension administration strategy in accordance with regulation 59 (pension administration strategy), and
 - (ii) such other matters arising from a pension administration strategy as it considers appropriate;

- (h) the current version of the statement referred to in regulation 58 (funding strategy statement);
 - (i) the current version of the statement under regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (statement of investment principles)(1);
 - (j) the current version of the statement under regulation 61 (statements of policy concerning communications with members and Scheme employers); and
 - (k) any other material which the authority considers appropriate.
- (2) The authority must publish the pension fund annual report on or before 1st December following the Scheme year end.
- (3) In preparing and publishing the pension fund annual report, the authority must have regard to guidance given by the Secretary of State.

Public Service Pensions Act 2013

Administration

17 Regulatory oversight.

- (1) Schedule 4 contains provision relating to the regulation of schemes under section 1, new public body pension schemes and connected schemes.
- (2) The Secretary of State may by order make—
- (a) provision consequential on Schedule 4, and
 - (b) further provision for, or in connection with, the regulation of public service pension schemes within the meaning of the Pensions Act 2004 (as amended by that Schedule).
- (3) The provision referred to in subsection (2) includes provision made by amending any legislation (including this Act).
- (4) An order under this section may make different provision for different purposes.
- (5) An order under this section is subject to—
- (a) the affirmative procedure, if it amends primary legislation, and
 - (b) the negative procedure, in any other case.

SCHEDULE 4 Regulatory oversight

Amends the Pensions Act 2004 to cover Public Service Pensions and the Pensions Regulator involvement.

16 Records.

- (1) The scheme manager for a scheme under section 1 and any statutory pension scheme that is connected with it must keep such records as may be specified in regulations made by the Secretary of State.

The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.

Records

3. For the purposes of section 16 of the 2013 Act, the scheme manager for a public service pension scheme⁽¹⁾ must keep the records which are specified in regulations 4 to 6.

Records of member and beneficiary information

4.—(1) In respect of member and beneficiary information, the records which are specified are—

- (a) the name of each member and of each beneficiary;
- (b) the date of birth of each member and of each beneficiary;
- (c) the gender of each member and of each beneficiary;
- (d) the last known postal address of each member and of each beneficiary;
- (e) each member's identification number in respect of the scheme;
- (f) the national insurance number of each member who has been allocated such a number; and
- (g) in respect of each active member, deferred member and pensioner member—
 - (i) the dates on which such member joins and leaves the scheme;
 - (ii) details of such member's employment with any employer participating in the scheme including—
 - (aa) the period of pensionable service in that employment; and
 - (bb) the amount of pensionable earnings in each year of that employment.

(2) In respect of each member's rights and, where applicable, of each beneficiary's entitlement, to any benefits which are not money purchase benefits, injury benefits or compensation benefits under the scheme, the records which are specified are—

- (a) any formula or formulas used for calculating the member's or beneficiary's pension or benefit;
- (b) the percentage to be applied in respect of revaluation for each year to the member's accrued rights to benefits under the scheme; and
- (c) any increase to be applied to the pensioner member's or beneficiary's pension or benefit in payment in each year.

(3) In respect of each member's rights to any money purchase benefits under the scheme, the records which are specified are—

- (a) any investment decisions taken by, or in relation to, the member;
- (b) any investments held on behalf of the member; and
- (c) any anticipated date of retirement notified by the member.

(4) In respect of pension credits under section 29(1)(b) of the Welfare Reform and Pensions Act 1999⁽¹⁾ (creation of pension debits and credits) or under article 26(1)(b) of the Welfare Reform and Pensions (Northern Ireland) Order 1999⁽²⁾ (creation of pension debits and credits), the records which are specified are records of any information relevant to calculating each member's rights under the scheme which are attributable (directly or indirectly) to a pension credit.

(5) In respect of pension debits under section 29(1)(a) of the Welfare Reform and Pensions Act 1999 or under article 26(1)(a) of the Welfare Reform and Pensions (Northern Ireland) Order 1999, the records which are specified are records of any

information relevant to calculating any reduction in each member's rights under the scheme which are attributable to a pension debit.

Records of transactions

5. In respect of transactions, the records which are specified are—

- (a) any employer contribution or member contribution paid in relation to each active member;
- (b) payments of pensions and benefits including the date of the payment;
- (c) except where the payment is a payment under paragraph (b) or (f), payments made by, or on behalf of, the scheme manager to any person including—
 - (i) the name and address of the person to whom payment was made; and
 - (ii) the reason for that payment;
- (d) any movement or transfer of assets from the scheme to any person including—
 - (i) the name and address of the person to whom the assets were moved or transferred; and
 - (ii) the reason for that transaction;
- (e) the receipt or payment of money or assets in respect of the transfer of members into or out of the scheme including—
 - (i) the name of that member;
 - (ii) the terms of the transfer;
 - (iii) the name of the scheme into or out of which the member has been transferred;
 - (iv) the date of the transfer; and
 - (v) the date of receipt or payment of money or assets;
- (f) payments made to any member who leaves the scheme, other than on a transfer, including—
 - (i) the name of that member;
 - (ii) the date of leaving;
 - (iii) the member's entitlement at that date;
 - (iv) the method used for calculating any entitlement under the scheme; and
 - (v) how that entitlement was discharged;
- (g) payments made to any employer participating in the scheme;
- (h) any amount due to the scheme which has been written off in the scheme's accounts; and
- (i) any other payment to the scheme including the name and address of the person from whom it is received and, where a payment is made in respect of a member, the name of the member in respect of whom it is made.

Records of pension board meetings and decisions

6.—(1) In relation to any pension board meetings, the records which are specified are records relating to any such meeting including—

- (a) the date, time and place of the meeting;
- (b) the names of all the members of the pension board invited to the meeting;
- (c) the name of any person who attended the meeting and the capacity in which each attended; and

(d) any decisions made at the meeting.

(2) In relation to any other decision made by the members of the pension board in the exercise of their functions as members of the pension board, the records which are specified are records relating to any such decision including—

(a) the date, time and place of the decision; and

(b) the names of the members of the pension board who participated in making the decision.

(3) In relation to any decision made by a committee or sub-committee of the pension board which has not been ratified by the pension board, the records which are specified are records relating to any such decision including—

(a) the date, time and place of the decision; and

(b) the names of the members of the committee or sub-committee who participated in making the decision.

Amendment of the Occupational Pension Schemes (Scheme Administration) Regulations 1996

7. For regulation 16A of the Occupational Pension Schemes (Scheme Administration) Regulations 1996(1) (exemptions from the requirement to notify the Authority or the member of a late contribution payment) substitute—

“Exemptions from the requirement to notify the Authority or the member of a late contribution payment

16A.—(1) Subject to paragraph (3), where an amount corresponding to any contribution payable on behalf of an active member of an occupational pension scheme—

(a) is deducted from that member's earnings in respect of any employment; and

(b) is not paid to the trustees or managers of the scheme within the period of 19 days beginning on the first day of the month after which the deduction is made,

the trustees or managers do not need to give notice of the failure to pay that amount within that period to the Authority or member in the circumstances specified in paragraph (2).

(2) The specified circumstances are where the trustees or managers of the scheme are exempt from the requirement—

(a) to secure the preparation, maintenance and revision of a payment schedule for the purposes of section 87(1) of the 1995 Act (schedules of payments to money purchase schemes), by virtue of regulation 17(2); or

(b) to prepare, review and if necessary revise a schedule of contributions under section 227 of the 2004 Act (schedule of contributions), by virtue of any of subparagraphs (a) to (i) and (k) to (m) of regulation 17(1) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005(3).

(3) Paragraph (1) does not apply in circumstances where the scheme is a public service pension scheme.

(4) For the purposes of this regulation—

“the 2013 Act” means the Public Service Pensions Act 2013;

“connected”, “new public body pension scheme” and “statutory pension scheme” have the meanings given in section 37 of the 2013 Act (general interpretation);

“public service pension scheme” means—

- (a) a scheme established under section 1 of the 2013 Act (schemes for persons in public service);
- (b) a new public body pension scheme;
- (c) any statutory pension scheme which is connected with a scheme referred to in paragraph (a) or (b)."

Explanatory note for this amendment

Under section 49 of the Pensions Act 1995 trustees or managers must notify the Pensions Regulator and the member where there is a late payment of a contribution where such late payment is likely to be of material significance to the Pensions Regulator's function. Regulation 16A of the Scheme Administration Regulations sets out exceptions to that duty. The amendments mean that managers of public service pension schemes under the 2013 Act cannot benefit from the exception and will now be subject to the duty to notify.

ANNEX 2 – WRITTEN NOTICES OF UNSATISFACTORY PERFORMANCE

1	In accordance with Regulation 69(1)(d), where, in the opinion of the Administering Authority, it has incurred additional costs in line with Regulation 70 as a result of a Scheme employer's unsatisfactory performance, the Administering Authority will give a written notice to the Scheme employer setting out the reasons for forming its opinion, the amount the Administering Authority has determined the Scheme employer should pay and the basis upon which the amount has been calculated.
2A	Failure to make payment of monthly employee and employer contributions by the 19 th of the month following the period to which the contributions relate will result in the Administering Authority issuing a written notice of unsatisfactory performance. Where a Scheme employer persistently fails to make payments within the statutory deadline and the Administering Authority considers that this is of a material significance, the Scheme employer will be reported to the Pensions Regulator.
2B	Where a Scheme employer persistently fails to provide the necessary documentation in support of the contribution payment the Administering Authority will issued a written notice of unsatisfactory performance.
3	Failure to make payment of a capital cost owing to the pension fund within 21 calendar days from the date of issue of an invoice will result in the Administering Authority issuing a written notice of unsatisfactory performance. This will be reported as part of a Stewardship report presented at meetings of the Berkshire Pension Fund Panel, Pension Fund Advisory Panel and Pension Board and steps may be taken to recover the amount of interest lost by the Pension Fund calculated in accordance with Regulation 71 of the Local Government Pension Scheme Regulations 2013.
4	Where as a result of the Scheme employer's failure to notify the administering authority of a scheme member's retirement, interest becomes payable on any retirement lump sum paid, the Administering Authority will issue a written notice of unsatisfactory performance. This will be reported as part of a Stewardship report presented at meetings of the Berkshire Pension Fund Panel, Pension Fund Advisory Panel and Pension Board and steps may be taken to recover the amount of interest lost by the Pension Fund calculated in accordance with Regulation 71 of the Local Government Pension Scheme Regulations 2013.

NOTES

1. The Administering Authority has the power to charge a Scheme employer additional costs arising from the Scheme employer's level of performance in accordance with Regulation 70 of the Local Government Pension Scheme Regulations 2013 which will be referred to in all cases.
2. Payment of contributions is set out in clause 4.2.5 of the SLA.
3. Payment of capital costs is set out in clause 6.12 of the SLA.
4. Notifications of retirements is set out in clause 4.2.4 of the SLA. Regulation 71 of the Local Government Pension Scheme Regulations 2013 states that interest must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests. If late payment of a lump sum occurs as a result of a failure by the scheme member to provide information to the administering authority, the pension fund will be liable for the payment of any interest due.

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Agenda Item 19

Actuary Training - Board members are invited to attend the forthcoming annual employers' meeting, scheduled for Friday 17th March 2017 at 11.00. The actuary will be presenting the outcomes of the triennial valuation and associated information. This should provide an initial learning opportunity as well as allowing members to identify other areas for future development in this area.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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