Public Document Pack

Notice of Meeting

Berkshire Pension Board
Alan Cross (Chair), Arthur Parker (Vice-Chair), Nikki Craig and Jeff Ford

Monday 19 June 2023 11.00 am
Virtual Meeting - Online access & on RBWM YouTube

www.rbwm.gov.uk
Royal Borough of Windsor & Maidenhead

Agenda

Part I - Public Meeting		
Item	**Description**	**Page**
1	**Introduction and Apologies** To receive any apologies for absence.	-
2	**Declaration of Interest** To receive any declarations of interest.	3 - 4
3	**Minutes** To approve the Part I minutes of the meeting held on 13 March 2023.	5 - 12
4	**Board Governance Matters** To appoint a substitute member as a full member of the Pension Board.	-
5	**Scheme and Regulatory Update** To note the update from Philip Boyton, Pension Administration Manager.	Verbal Report
6	**Risk Reporting** To note the report from Damien Pantling, Head of Pension Fund.	13 - 26
7	**Good Governance** To note the report from Damien Pantling, Head of Pension Fund.	27 - 36
8	**Administration Report** To note the report from Philip Boyton, Pension Administration Manager.	35 - 50
9	**Responsible Investment** To note the report from Damien Pantling, Head of Pension Fund.	51 - 112

10	**Part I Any Other Business** To discuss any other items of business.	-
11	**Local Government Act 1972 - Exclusion of the Public** 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 they involve the likely disclosure of exempt information as defined in Paragraphs 1-7 of Part I of Schedule 12A of the Act."	-

Part II - Private Meeting

Item	Description	Page
12	Part II Minutes To approve the Part II minutes of the meeting held on 13 March 2023. ***(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)***	113 - 116
13	Investment Performance, Risk and Business Update To note the report from Damien Pantling, Head of Pension Fund. ***(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)***	117 - 184
14	Part II Any Other Business To discuss any other Part II items of business. ***(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)***	-

By attending this meeting, participants are consenting to the audio & visual recording being permitted and acknowledge that this shall remain accessible in the public domain permanently.

Please contact Laurence Ellis, Laurence.Ellis@RBWM.gov.uk, with any special requests that you may have when attending this meeting.

Published: 9 June 2023

MEMBERS' GUIDE TO DECLARING INTERESTS AT MEETINGS

Disclosure at Meetings

If a Member has not disclosed an interest in their Register of Interests, they **must make** the declaration of interest at the beginning of the meeting, or as soon as they are aware that they have a Disclosable Pecuniary Interest (DPI) or Other Registerable Interest. If a Member has already disclosed the interest in their Register of Interests they are still required to disclose this in the meeting if it relates to the matter being discussed.

Any Member with concerns about the nature of their interest should consult the Monitoring Officer in advance of the meeting.

Non-participation in case of Disclosable Pecuniary Interest (DPI)

Where a matter arises at a meeting which directly relates to one of your DPIs (summary below, further details set out in Table 1 of the Members' Code of Conduct) you must disclose the interest, **not participate in any discussion or vote on the matter and must not remain in the room** unless you have been granted a dispensation. If it is a 'sensitive interest' (as agreed in advance by the Monitoring Officer), you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted by the Monitoring Officer in limited circumstances, to enable you to participate and vote on a matter in which you have a DPI.

Where you have a DPI on a matter to be considered or is being considered by you as a Cabinet Member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

DPIs (relating to the Member or their partner) include:

- *Any employment, office, trade, profession or vocation carried on for profit or gain.*
- *Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her 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 council.*
- *Any licence to occupy land in the area of the council for a month or longer.*
- *Any tenancy where the landlord is the council, and the tenant is a body in which the relevant person has a beneficial interest in the securities of.*
- *Any beneficial interest in securities of a body where:*
  a) that body has a place of business or land in the area of the council, 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.*

Any Member who is unsure if their interest falls within any of the above legal definitions should seek advice from the Monitoring Officer in advance of the meeting.

Disclosure of Other Registerable Interests

Where a matter arises at a meeting which ***directly relates*** to one of your Other Registerable Interests (summary below and as set out in Table 2 of the Members Code of Conduct), you must disclose the interest. **You may speak on the matter only if members of the public are also allowed to speak at the meeting** but otherwise **must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation**. If it is a 'sensitive interest' (as agreed in advance by the Monitoring Officer), you do not have to disclose the nature of the interest.

Other Registerable Interests:

a) any unpaid directorships
b) any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority
c) any body
(i) exercising functions of a public nature
(ii) directed to charitable purposes or
(iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

of which you are a member or in a position of general control or management

Disclosure of Non- Registerable Interests

Where a matter arises at a meeting which ***directly relates*** to your financial interest or well-being (and is not a DPI) or a financial interest or well-being of a relative or close associate, or a body included under Other Registerable Interests in Table 2 you must disclose the interest. **You may speak on the matter only if members of the public are also allowed to speak at the meeting** but otherwise **must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.** If it is a 'sensitive interest' (agreed in advance by the Monitoring Officer) you do not have to disclose the nature of the interest.

Where a matter arises at a meeting which ***affects*** –

a. your own financial interest or well-being;
b. a financial interest or well-being of a friend, relative, close associate; or
c. a financial interest or well-being of a body included under Other Registerable Interests as set out in Table 2 (as set out above and in the Members' code of Conduct)

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied.

Where a matter (referred to in the paragraph above) ***affects*** the financial interest or well-being:

a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise **must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.** If it is a 'sensitive interest' (agreed in advance by the Monitoring Officer, you do not have to disclose the nature of the interest.

Other declarations

Members may wish to declare at the beginning of the meeting any other information they feel should be in the public domain in relation to an item on the agenda; such Member statements will be included in the minutes for transparency.

BERKSHIRE PENSION BOARD

Monday 13 March 2023

Present: Alan Cross (Chairman)

Present virtually: Board Members Arthur Parker (Vice-Chairman), Craig and Ford

Also in attendance virtually: Julian Curzon and Kieron Finlay

Officers: Damien Pantling, Kevin Taylor and Philip Boyton

Officers in attendance virtually: Becky Oates

Introduction and Apologies

The Chairman, Board Members and officers introduced themselves.

No apologies were received.

Declarations of Interest

No declarations of interest were received.

Minutes

AGREED: That the minutes of the meeting held on 17 November 2022 be agreed as a true and accurate record.

Risk Reporting

Damien Pantling, Head of Pension Fund, introduced the report, stating that Appendix 2 was the usual risk register. The main crux of the report revised the risk management policy, focusing on the risk appetite statement. Since 2018, various metrics were measured and given a red, amber, or green status. However, risk tolerance bands had not been applied (to investment management) which resulted in strategic asset allocation decisions being somewhat more subjective with regards to how much risk the Fund was willing to take in order to meet its financial goals. The committee had received a risk training session in April 2022, at which time it was not appropriate to implement these bands due to waiting for the results of the triennial valuation. In forming these new statement metrics, LPPI's asset and liability management team had advised on the appropriate bands which would help in forming objective 'go' and 'no-go' decisions. This would make decision making far clearer and less subjective when choosing an optimum strategic asset allocation investment portfolio.

The Chair asked for clarification on paragraph 2.6.2 of the report and the thinking behind this statement.

Damien Pantling explained that back in 2018 when the risk appetite statements were implemented, the Fund was at a mid-70% funding level. Red ratings resulted in immediate action if the funding level dropped below 70%. However, the Fund was now at a much better funding position of 86% at the last triennial valuation and therefore it made sense to move the red threshold up to 75%. If the Fund got close to a 75% funding level, the investment strategy would have to change reactively to stop this from happening.

The Chair asked if this would impact the level of risk that was taken over the investments at any point in time.

Damien Pantling confirmed this was correct.

Jeff Ford asked how often these ratings were given and whether this was annually or quarterly.

Damien Pantling confirmed that LPPI's asset and liability management team carried out this analysis on a quarterly basis which was reported to the Committee. The time horizon that was looked at was the average funding level over 10 years, so was a very forward-looking approach.

Jeff Ford asked if, hypothetically speaking, the funding level decreased to 74% at the end of 2023, would the process automatically kick in to review the investment strategy.

Damien Pantling stated that it would not, as the time horizon was 10 years and there may be volatility from time to time over the short-term.

The Chair stated that if the funding level reached 74% in December and was due to remain at 74% over the next 10 years, then action would occur to review the investment strategy.

Jeff Ford asked what the mechanism would be to change the strategy.

Damien Pantling stated that if and when the Fund was flagged as breaching the threshold, this would trigger an immediate review for the strategic asset allocation with a paper being brought to the Board and Committee to change the investment strategy.

The Chair commented that there was not a lot of action that could be taken if conditions became truly adverse, but there were things that could be done by taking reasonable views of what may happen in the market. The idea was to reduce the risk of decreasing to lower funding percentages.

The Chair said that he had provided feedback on the risk register (during the report drafting), and the register was being actively reviewed. In the risk management policy itself, he noted at paragraph 4.1, it was important to be aware that not all staff had responsibilities associated with all of the risks.

Philip Boyton, Pension Administration Manager, stated that staff received training on the potential outcome of certain actions that they may undertake.

The Board noted the report.

Scheme and Regulatory Update

Kevin Taylor began by stating that the Schools Bill had been scrapped and therefore the consequences of this Bill were no longer going to be enforced.

The Chair asked if this Bill would potentially have taken staff in academies out of the LGPS, and if so, which funds they would have been moved into.

Kevin Taylor confirmed that this may have been the case, but the specific details had not been clarified.

Kevin Taylor stated that guidance had been issued on the exit cap, which was now referred to as 'public sector exit payments: a new controls process for high exit payments.' The Scheme Advisory Board had provided a response to the consultation on behalf of the whole LGPS. The key point to note was that local authorities were not going to be part of the exit cap. There was still a question around academies as they were funded by DfE, as clear guidance had not yet been issued. This created the risk of a two-tier scheme member situation where those made redundant by a council would not be affected by the 95k cap whereas those made redundant by an academy might be subject to this cap.

Nikki Craig, Head of HR, Corporate Projects, and IT asked Kevin Taylor if there was any indication as to when that formal guidance was likely to be given.

Kevin Taylor stated that he had not received any indication.

Kevin Taylor added that the revaluation date was being changed from 1 April to 6 April 2023. There had been a perceived risk, because of the 10.1% inflationary increase in benefits, of a lot of people being caught by the annual allowance tax levy, and the government had released regulation to change the revaluation date for the CARE benefits to prevent members being caught by a potential trap of having a tax charge through the annual allowance.

The Chair noted that this was a potential issue for the longest-standing and/or higher paid employees.

Kevin Taylor commented that the good news for scheme members was that they would receive a 10.1% increase on the value of their CARE benefits for that year.

Philip Boyton added that moving the date from 1 April to 6 April harmonised the Annual Allowance Pension Input Period with that of the tax year and made logical sense.

The Chair asked if any research had been conducted on how many people may be impacted by this change.

Philip Boyton stated that in order to conduct an accurate assessment, it would be necessary to wait for the conclusion of the year end process by 31 August 2023.

Kevin Taylor concluded by stating that consultations were expected around Spring 2023 about proposed regulation changes to bring certain benefits in line for certain members such as the equalisation of widowers' benefits.

The current age 75 limit for death grants was being removed and backdated in order to remove any (perceived) age discrimination.

Also likely to come into regulation was the mandatory collection of monthly data from scheme employers. The Fund was already well ahead of the game in this regard. Also introduced would be pension administration KPIs which would provide a benchmark between Local Authority Funds.

The Board noted the update.

Actuarial Valuation

Damien Pantling introduced the report by noting that this was the busiest time of the triennial period and the busiest quarter of the year which had resulted in a remarkably busy agenda. It was the best time to review some related statements and policies.

The report concerned a formal Committee sign off of the results of the 2022 triennial valuation and the sign off of the rates and adjustment certificate, which set out the employer contribution rates payable by all employers from 1 April 2023. The valuation results were widely known by stakeholders and were communicated to Committee members at the November 2022 pre-meet. This was also communicated to scheme members and employers at the October annual meeting and senior officers with briefings as early as summer 2022. The results would be communicated to individual employers at the employer meeting on 16 March 2023.

It was worth noting that there may be some final amendments before 31 March 2023 as the final valuation report would not be signed off by the actuary until this date. The report itself had been a culmination of over a year of challenging work, and Damien Pantling paid credit to the team for their hard work.

The Chair asked if any changes would be formally agreed between Damien Pantling, the Chair of the Committee and the actuary and asked for confirmation that employers would have been aware of what they would be required to pay for some time now.

Damien Pantling confirmed both of these points and echoed that employers had been consulted since as early as September 2022.

Nikki Craig asked where the Fund sat in the table relative to other local authorities.

Damien Pantling stated that the only "league table" was the Government Actuary's Department Section 13 report which would be published in around a year's time. Prudence was incorporated into assumptions which would result in an underestimation in how much the Fund had improved over the long run. Additionally, an active step had been taken to reduce the deficit recovery period by an additional year to bring the Fund closer to being fully funded than previously expected. The Fund was currently fourth in the league table of investment returns in the LGPS, returning 12.5%, which was an incredibly positive picture.

The Chair commented that he suspected that the reality of the "league table" being published would show the Fund still near the bottom, but a decreased gap between the Funds rated higher than it was three years ago.

Kevin Taylor explained that the Fund had previously been flagged in previous Section 13 reports but with the ongoing work, it was hoped that the Fund would no longer be flagged.

Jeff Ford asked if it was possible to continue to ask the ratepayers to pay more and increasing employer contributions each year.

The Chair commented that the reality was that the main income source for local authorities was limited by central government, so the impact was seen in service reduction.

Damien Pantling stated that the Fund had one of the lowest primary employer contribution rates in the whole LGPS.

Kevin Taylor added that primary contributions were the future cost of the scheme, secondary contributions were deficit recovery for past experience.

The Board noted the report.

Statutory Policies

Damien Pantling stated that three policy documents required in the LGPS regulations were being brought to the Committee on the same day. The Investment Strategy Statement and he Funding Strategy Statement had gone through extensive external consultation. The Funding Strategy Statement featured several key changes that sought to protect and improve the Fund's overall funding position.

The Chair asked how the assumptions in section 7.11.3 of the statement had been changed with regards to inflation since the last valuation.

Damien Pantling explained that future pension increases had been applied across the whole of the LGPS. With regards to inflation, the Fund looked at a future period of between 20 and 30 years. The inflation assumption applied by the actuary had been increased from 2.6% in the 2019 triennial valuation exercise to 2.9% in the 2022 valuation exercise to take the current high inflationary rateinto account.

The Chair asked what specifically had happened to those assumptions since the last valuation.

Damien Pantling stated that since the last valuation, these had risen by 30 basis points, which would push up the liabilities.

Kevin Taylor added that the amount of liability based on pre April 2014 scheme membership still linked to final salary was reducing as more and more of the liabilities become linked to the CARE scheme.

Damien Pantling explained that the Governance Compliance Statement was an annual statement, with the only change being made last year with the training records of all Board and Committee members being appended to the statement following a Scheme Advisory Board recommendation.

The Chair thanked Arthur Parker, Jeff Ford, and Nikki Craig for completing the training as detailed on the last page of the appended training records.

Damien Pantling explained that a training plan would be brought to the next Committee as there may be new Committee members following the 2023 local elections.

Jeff Ford asked how the Fund could be seen to be compliant if Advisory Panel members did not attend meetings.

The Chair suggested that in the first instance, the appropriate action may be for the CFO of RBWM to have a conversation with the CFO of the largest authority to work with elected members to understand the importance of attending these meetings, noting that there may be clashes with meetings in that authority.

Nikki Craig asked if the training plan would just be for Committee members or also Board members and asked for advance notice if it included the latter.

Damien Pantling confirmed that it would be expected that the training would be for both Committee and Board members and would be mindful of busy diaries when planning these sessions.

The Board noted the report.

Good Governance

Damien Pantling stated that the two key parts to this report were the Business Plan and budget, with the Fund setting a proper budget for the first time, and the conclusion of the recent internal audit which had given a reasonable governance opinion which was a huge success given that two years ago, the Fund was cited as having significant governance concerns.

The Chair commented that under section 2.6 of the report, he was surprised that delegation did not automatically fall to the Head of Pension Fund.

Damien Pantling explained that to his understanding, the delegation naturally fell to the Section 151 officer and therefore further delegation was required.

The Chair asked if the target date of 1 April 2023 was still going ahead for the transition to a segregated Pension Fund ledger.

Damien Pantling stated that there was a lot of work going on in the background and there was no indication to believe this would not be going ahead.

Arthur Parker asked for clarification on the dates in sections 2.3 and 2.5, stating that he believed these dates should be 2023/24 and 2022/23 instead of the current 2022/23 and 2021/22. On page 165 of the report pack, he believed that the date for publishing annual financial statements should be 30 September 2023 instead of 30 November 2023 due to the deadline being brought forward.

The Chair and Damien Pantling confirmed that this was correct.

Jeff Ford asked if it was thought that this would be the last year that the Pension Fund would be net cash positive.

Damien Pantling explained that it was difficult to say as there were many other unpredictable factors involved. From a purely operational point of view, just considering the contributions and pensions payable, it was probably the last year of cash flow positivity.

The Board noted the report.

Administration Report

Philip Boyton stated that the report was in respect of Q4 of the 2022 calendar year. It was pleasing to see that the majority of scheme employers were meeting the SLA for submitting their monthly iConnect data. The picture was positive, though 8.5% of scheme member records were not delivered by iConnect on a monthly basis, representing just over 2,000 records. The pension team continue to work with those scheme employers yet to onboard iConnect, these are all of various size in terms of the number of scheme member records.

Page 184 of the reports pack showed the four KPIs that were reported each quarter and detailed a positive upward trend since July 2022 in deceased member records being processed within five working days.

Page 190 detailed a significant shift regarding the Pensions Dashboards Programme. On 2 March 2023, a written ministerial statement had been issued around the legislation and explained that a new timeline was being established and would likely result in the deadline of onboarding public sector pension schemes being pushed back from September 2024 to sometime in late 2025.

Section 2.3 explained upcoming changes later in 2023 surrounding the online pension service. Better functionality would be available to both the scheme member and also the pension team, which would result in creating better efficiencies in the way the pension team communicated with scheme members.

Jeff Ford asked when the functionality regarding the website would be likely to occur.

Philip Boyton explained that a service review had been conducted in February 2023. The changes to the platform would be delivered later in 2023, as the Fund had put itself forward as a test site to get early sight of these developments and put forward any ideas for further development.

The Board noted the report.

Responsible Investment

Damien Pantling stated that a key part of this report was LPPI's roadmap to Net Zero. The Fund published a lot more information than the average Fund on responsible investment, and progress on the delivery to Net Zero was being observed.

Jeff Ford asked if the report was LPPI's approach to all investment or just this Fund, and whether LPPI had obtained their own assets or were instead managing the assets inherited from the Fund.

Damien Pantling stated that the majority of the investments held in LPPI's pooling vehicles were close to 80% of the Fund's portfolio. The remaining assets are managed by LPPI from a fiduciary management point of view with investment managers reporting performance with the intention of selling those down or allowing them to mature naturally, then collecting the proceeds.

The Chair stated that he believed the Fund to be right to put as much information in the public domain as possible and noted that this helped reduce the workload associated with FOI requests. He added that a lot of work was being done to understand how to better invest from an ESG perspective.

Damien Pantling added that a newsletter was sent to members and employers which detailed what was being done in terms of responsible investment, with improvements each quarter to the amount of information published.

The Chair noted that this would be a big part of the pension agenda going forward and was the right thing to be doing.

Julian Curzon asked if the performance of the Fund could be monitored by going Net Zero.

Damien Pantling stated that it would be hard to compare before and after, but some modelling would be coming to the next quarter's meeting.

Part I Any Other Business

Damien Pantling explained that the 2019/20 audit had been signed off and credited the team for their hard work. Work was ongoing on the 2020/21 audit.

Kevin Taylor stated that this would be his last Pension Board meeting as he was due to retire and wished everybody every future success.

The Chair thanked Kevin Taylor for his work on behalf of the Committee and Board and wished him well for his retirement.

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 on the grounds that discussions 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 10.30 am, finished at 1.04 pm

Chair.…………………………………….

Date.………………………………..........

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Report Title:	**Risk Reporting**
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Simon Bond, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 19 June 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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Royal Borough of Windsor & Maidenhead

REPORT SUMMARY

On 6 December 2021, the Pension Fund Committee adopted an updated risk management process based on the 2018 CIPFA framework “Managing risk in the Local Government Pension Scheme”. This updated process was detailed in the Fund’s risk management policy last approved by the Pension Fund Committee on 13 March 2023

A risk register is now brought to the Pension Fund Committee quarterly for consideration of all known risks and their respective controls/mitigations, this report deals with the regular reporting of the revised risk register to the Pension Fund Committee.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

i) Approves the updated risk register for publishing including any changes since the last approval date, suggesting any amendments as required.

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

2.1. The Scheme Manager (The Royal Borough of Windsor and Maidenhead as the Administering Authority for the Fund) has a statutory duty to establish and operate risk controls. Failure to implement an adequate and appropriate risk assessment policy and risk register could lead to breaches of law. Where the effect and wider implications of not having in place adequate internal controls are likely to be materially significant, the Pension Regulator (tPR) must be notified in accordance with the Scheme Manager’s policy on reporting breaches of the law (last reviewed July 2022).

2.2. As a live document, this risk register (attached at Appendix 1) is kept under review and shall be presented to and reviewed by the Local Pension Board and the Pension Fund Committee on a quarterly basis.

2.3. Key changes from the last date of approval (additions, removals, significant changes to mitigations and/or risk scores) are brought to the Committee’s attention and are summarised as follows (noting that minor re-wording has not been included in the summary below):

2.3.1. PEN001 – Moved from trending sideways to trending down, as future return forecasts have improved amid lower investment asset prices

2.3.2. *PREVIOUSLY* PEN003 – Removed COVID-19 specific risk, instead wrapping up general affects in PEN002 (increased risk to global economic stability – unforeseen events such as global health and conflicts)

2.3.3. PEN007 – Amended risk to focus on failure to perform in line with the rest of the LGPS, as the prior wording of underperformance against a market benchmark would not necessarily result in a wider deficit and higher contributions (provided the actuarial benchmark can be exceeded). In comparing to the wider LGPS, employer contributions can be better benchmarked and this risk can be managed. Also added "Treat" measure to ensure we are monitoring other LGPS funds

2.3.4. PREVIOUSLY PEN008 – Removed risk relating to failure of fund manager, combing this with PEN006 to reflect risk of failure of any third party stakeholder or service provider, not limited to fund managers.

2.3.5. RENUMBERED PEN008 – Moved from trending down to trending up, reflecting that the scope of those members covered by the longevity insurance contract reduces each year through mortality and those retiring outside of its scope. Also reflected as a "tolerate" action that those liabilities held in respect of members not covered by the Longevity insurance contract are exposed to longevity risk (improvements in mortality rates)

2.3.6. PEN009 – Moved from trending up to trending down, reflecting that the scope of liabilities covered by the Longevity insurance contract reduces each year. Other than those affected by the contract, reducing mortality rates is positive for the Fund's liabilities.

2.3.7. PEN010 – Moved trending up to trending sideways to reflect the fact that economic data suggests that UK inflation has peaked in the near-term and the Bank of England predicts inflation will continue to fall over the longer-term..

2.3.8. PEN019 – Updated risk controls and mitigating actions wording now that the employer covenant review work is complete

2.3.9. PEN028 – Moved from tending sideways to trending up, reflecting recent personnel change and difficulty in backfilling vacant posts.

2.3.10. PEN045 – Removed the treat measure concerning the retention of a legal firm, noting that this arrangement is not currently in place.

2.4. All risks that have been removed, from June 2023, are disclosed in the Risk Register for information purposes

3. KEY IMPLICATIONS

3.1. Failure to maintain and keep under review the Pension Fund's key risks could lead to a loss in confidence and sanctions being imposed by the Pensions Regulator where failings are deemed to be materially significant for the Pension Fund and its stakeholders.

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1. Failure to monitor identified risks and to implement appropriate strategies to counteract those risks could lead to an increased Fund deficit resulting in employers having to pay more.

5. LEGAL IMPLICATIONS

5.1. The Administering Authority is required to govern and administer the Pension Scheme in accordance with the Public Service Pensions Act 2013 and associated Local Government Pension Scheme Regulations. Failure to do so could lead to challenge.

6. RISK MANAGEMENT

6.1. The risk register is attached at Appendix 1 to this report, it is reviewed quarterly by the Pension Board and the Pension Fund Committee and updated regularly by officers to ensure all risks are appropriately documented and mitigated where possible.

7. POTENTIAL IMPACTS

7.1. Failure to comply with pension legislation could result in the Administering Authority being reported to the Pensions Regulator where failure is deemed to be of a material significance.

7.2. Equalities. An Equality Impact Assessment has been completed for this report. The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service, or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. There are no EQIA impacts as a result of taking this decision. Equality Impact Assessments are published on the council's website

7.3. Climate change/sustainability: N/A

7.4. Data Protection/GDPR. GDPR compliance is included as a specific risk on the register in regard to processing and handling personal data, this is dealt with in the appendix along with the relevant mitigations.

8. CONSULTATION

8.1. No specific formal consultation since the date of last review, however, Committee members and Pension Board members undertook a detailed annual review session in January 2022 followed by a risk appetite statement review and training session on 21 April 2022 during the development of the Risk Management Policy previously approved on 4 July 2022, which the appended risk register is consistent with. The Fund's external advisors have been consulted in developing the revised Risk Management Policy.

9. TIMETABLE FOR IMPLEMENTATION

9.1. Ongoing.

10. APPENDICES

10.1. This report is supported by 1 Appendix:

- Appendix 1 – Risk Register

11. BACKGROUND DOCUMENTS

11.1. This report is supported by 0 background documents:

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Mandatory:	*Statutory Officers (or deputy)*		
Andrew Vallance	Head of Finance (Interim S151 Officer)	**05/06/2023**	
Emma Duncan	Head of Law and Governance (Interim monitoring officer)	**05/06/2023**	
Deputies:			
Jane Cryer	Principal Lawyer (Litigation) and Deputy Monitoring Officer	**05/06/2023**	
TBC			
Other consultees:			
Cllr Simon Bond	Chairman – Berkshire Pension Fund Committee	**02/06/2023**	
Alan Cross	Chairman – Local Pension Board	**02/06/2023**	

13. REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Pension Fund Committee decision	~~Yes~~/No	~~Yes~~/No

Report Author: Damien Pantling, Head of Pension Fund

THE ROYAL COUNTY OF BERKSHIRE PENSION FUND	
22/05/2023	**Risk Calculation Key**
Author: Damien Pantling, Head of Pension Fund	IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)
Adele Taylor - Director of Resources (S.151 Officer)	Gross Risk Score = IMPACT (Total) x Likelihood
Status: FINAL	Net Risk Score = IMPACT (Total) x Revised Likelihood
GREEN = Score of 3 to 15	Scores all ranked 1 to 5 Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown
AMBER = Score of 16 to 25	
RED = Score of 26 - 75	

Risk Group	Risk Ref.	Trending	Risk Description	Fund (IMPACT)	Employers (IMPACT)	Reputation (IMPACT)	TOTAL (IMPACT)	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	Owner	Reviewed
ASSET AND INVESTMENT RISKS														
Asset & Investment Risk	PEN001		Investment managers fail to achieve returns of at least the actuarial discount rate over the longer term.	5	4	3	12	3	36	**TREAT** 1) The LPPI/RCBPF Advisory Management Agreement (AMA) clearly states expectations in terms of investment performance targets. 2) Investment manager performance is reviewed by LPPI and the committee on a quarterly basis with action taken as necessary. 3) The Pension Fund Committee should be positioned to move quickly in regards to asset allocation and strategy if it is felt that targets will not be achieved, as advised by LPPI 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures. 6) Target return (actuarial) benchmark revised for monitoring from March 2023, above the actuarial discount rate **TOLERATE** 1) The actuarial assumptions regarding asset performance are regarded as achievable over the long term in light of historical data.	2	24	Damien Pantling	22/05/2023
Asset & Investment Risk	PEN002		Significant volatility and negative sentiment in global investment markets following disruptive geo-political uncertainty and/or unforeseen events such as global health and conflicts. Increased risk to global economic stability.	4	4	1	9	3	27	**TREAT** 1) Maintaining a well diversified portfolio with significant allocation to both public and private markets, a variety of asset classes and a variety of geographical locations. 2) Routinely receiving market updates from LPPI and independent advisors and acting upon the recommendations where appropriate - such as issuing additional/new guidance/instruction to LPPI. 3) Examining portfolio at an individual investment level to fully understand exposure to effected regions and reacting as appropriate.	2	18	Damien Pantling	22/05/2023
Asset & Investment Risk	PEN003		Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union and the economic after effects such as labour and supply chain shortages.	4	4	1	9	3	27	**TREAT** 1) Volatility is reduced through having a relatively low exposure to UK equities and is well diversified with a significant safe-haven focus. 2) Fund has removed the significant GBP hedge and is not undergoing any strategic currency hedging from 6th December 2021, but is currently under review again 3) Examining portfolio at an individual investment level to fully understand exposure to effected regions and reacting as appropriate.	2	18	Damien Pantling	22/05/2023
Asset & Investment Risk	PEN004		Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage if not compliant. The administering authority declared an environmental and climate emergency in June 2019. TCFD regulations impact on LGPS schemes currently expected to come into force during 2023/24.	3	2	4	9	3	27	**TREAT** 1) Published ISS in relation to published best practice (e.g. Stewardship Code) . 2) Ensure fund managers are encouraged to engage and to follow the requirements of the published ISS. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and Pensions and Lifetime Savings Association (PLSA), which raises awareness of ESG issues and facilitates engagement with fund managers and company directors. 4) An ESG statement and RI Policy was drafted for the Pension Fund as part of the ISS and approved in March 2021, the RI policy was comprehensively reviewed and published in October 2022 ensuring it is fit for purpose. 5) Officers regularly attend training events on ESG and TCFD regulations to ensure stay up to date with latest guidance. 6) LPPI manage the funds investments and have their own strict ESG policies in place which align with those of the fund.	2	18	Damien Pantling	22/05/2023
Asset & Investment Risk	PEN005		A change in government or existing government policy may result in new policies which could negatively impact the value of the pension fund assets.	5	5	1	11	2	22	**TREAT** 1) Maintain links with central government and national bodies to keep abreast of national issues. Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood by (external) policy makers and the Fund.	1	11	Damien Pantling	22/05/2023
Asset & Investment Risk	PEN006		Financial failure of third party supplier including fund managers results in service impairment, financial loss, value and confidence loss, increased costs.	5	4	1	10	2	20	**TREAT** 1) Performance of third parties (other than fund managers) regularly monitored by Fund officers and the Pension Fund Committee. 2) Regular meetings and conversations with global custodian take place. 3) Actuarial services and investment management are provided by different providers. 4) Review of internal control reports on an annual basis and regular Internal Audits are undertaken (at least annually) 5) Credit rating kept under review through procurement processes. 6) Fund is reliant upon current adequate contract management activity overseen by our investment managers LPPI. 7) Fund is reliant upon alternative suppliers at similar prices being found promptly.	1	10	Damien Pantling	22/05/2023
Asset & Investment Risk	PEN007		Global investment markets fail to perform in line with expectations (market benchmark) leading to deterioration in funding levels and increased contribution requirements from employers compared to the rest of the LGPS.	3	5	2	10	2	20	**TREAT** 1) Proportion of total asset allocation made up of equities, bonds, property funds, infrastructure and fixed income, limiting exposure to one asset category - this diversification generally reduces risk of any particular market underperformance. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Full wholistic strategy review takes place every three years in line with the actuarial valuation. 4) Investment strategy reviewed every year and LPPI undertake a health-check more frequently if required. 5) Asset allocations and strategies of other LGPS funds is monitored routinely to determine best practice	1	10	Damien Pantling	22/05/2023
LIABILITY RISKS														
Liability Risk	PEN008		Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	22	**TREAT** 1) A longevity swap insurance contract was entered into in 2009 which effectively hedged the risk of longevity rates increasing for all of the retired and dependent scheme members (c11,000 members) at that point in time. As at December 2022 the number has reduced to c6500 members. **TOLERATE** 1) All scheme members that were not part of the longevity swap contract group in 2009 (i.e. all active or deferred members as at 2009 or that have since joined the scheme) have liabilities exposed to longevity risk. Whilst longevity risk in isolation cannot be hedged without further consideration of another longevity contract, it is managed through regular review of the investment strategy (risk profile, cashflows, consideration of liability matching)	1	11	Damien Pantling	22/05/2023
Liability Risk	PEN009		Mortality rates decreasing, or increasing at a lower rate than those assumed in the 2009 longevity contract, leading to an increased contractual liability at present value.	3	4	4	11	2	22	**TOLERATE** 1) The opportunity cost in entering into the longevity contract was the loss of upside benefits associated with decreasing longevity rates - this was an active decision previously taken. 2) At present, the cost or even the option of exiting the contract has not been explored and may not be possible contractually. Any cost of exit if applicable is likely to far exceed the benefits.	2	22	Damien Pantling	22/05/2023
Liability Risk	PEN010		Long-term price inflation is significantly more than anticipated in the actuarial assumptions.	5	5	1	11	3	33	**TREAT** 1) Ensure sizeable holding in real assets (infrastructure and property) which generally act as protection against inflation. 2) The fund's material allocation to equity will provide a degree of protection against inflation, both in dividend income and capital appreciation 3) The actuary has taken a prudent view on inflation through the valuation process. 4) Material deviations (unexpected increases in inflation) and their impacts are modelled by the actuary through stress test analysis.	2	22	Damien Pantling	22/05/2023

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	Status: FINAL	Net Risk Score = IMPACT (Total) x Revised Likelihood
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Risk Group	Risk Ref.	Trending	Risk Description	Fund (IMPACT)	Employers (IMPACT)	Reputation (IMPACT)	TOTAL (IMPACT)	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	Owner	Reviewed
LIABILITY RISKS (CONTINUED)														
Liability Risk	PEN011		Employee pay increases are significantly more than anticipated for employers within the Fund.	3	4	2	9	2	**18**	**TOLERATE** 1) Fund employers should monitor own experience and communicate with the Fund as appropriate 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to be made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014). 4) Employer decisions to increase pay more than anticipated would result in increased contributions for that employer at the next triennial valuation to offset the liability impact.	2	**18**	**Damien Pantling**	22/05/2023
Liability Risk	PEN012		Impact of economic and political decisions on the Pension Fund's employer workforce and government funding level affecting the Councils spending decisions. For example scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	5	2	1	8	3	**24**	**TREAT** 1) Actuary uses prudent assumptions on future of employees within the workforce. Employer responsibility to flag up potential for major bulk transfers outside of the fund. The potential for a significant reduction in the workforce as a result of the public sector financial pressures may have a future impact on the Fund. 2) Actuary made prudent assumptions about diminishing workforce when carrying out the 2022 triennial actuarial valuation and will do so for future valuations 3) Review maturity of scheme at each triennial valuation. 4) Cashflow position monitored monthly and Secondary deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions and mitigate risk of reducing workforce on cashflow.	2	**16**	**Damien Pantling**	22/05/2023
Liability Risk	PEN013		Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	**14**	**TOLERATE** 1) Review "budgets" at each triennial valuation and challenge actuary as required. Charge capital cost of ill health retirements to admitted bodies at the time of occurring. Occupational health services provided by the unitaries and other large employers to address potential ill health issues early.	2	**14**	**Damien Pantling**	22/05/2023
Liability Risk	PEN014		Impact of increases to employer contributions following the 2025 actuarial valuation.	4	5	3	12	3	**36**	**TREAT** 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes. **TOLERATE** 1) For 2022 valuation (affecting contributions 2023-2026), improved funding levels has broadly led to reduced deficit recovery contributions, these are largely offset by increased primary contributions but increase overall is less than previously communicated	2	**24**	**Damien Pantling**	22/05/2023
Liability Risk	PEN015		There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	5	4	3	12	2	**24**	**TREAT** 1) Cashflow forecast maintained and monitored regularly. 2) Cashflow requirement is significant factor in the Fund's Investment Strategy Statement 3) Maintain a material level of cash held within a short duration bond fund, which allows access at short notice.	1	**12**	**Damien Pantling**	22/05/2023
Liability Risk	PEN016		Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy.	5	3	3	11	2	**22**	**TREAT** 1) Active investment strategy and asset allocation monitoring by LPPI, overseen by Pension Fund Committee, officers and independent advisors. 2) Strategic asset allocation review undertaken at regular interviews (last at March 2023) 3) Setting of Fund specific benchmark relevant to the current position of fund liabilities approved at each Triennial valuation 4) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.	1	**11**	**Damien Pantling**	22/05/2023
Liability Risk	PEN017		Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms, this also includes bulk transfers out.	4	4	2	10	2	**20**	**TREAT** 1) Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values.	1	**10**	**Damien Pantling**	22/05/2023
Liability Risk	PEN018		Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	**20**	**TREAT** 1) At time of appointment, ensure advisers have appropriate professional qualifications and quality assurance procedures in place. Committee, Board and officers scrutinise and challenge advice provided by all parties.	1	**10**	**Damien Pantling**	22/05/2023
EMPLOYER RISK														
Employer Risk	PEN019		Last active employee of scheduled or admitted body retires leading to cessation valuation liability calculated either on an ongoing or minimum risk basis, the latter applies to community admission type bodies without a bond or appropriate financial security in place. The full cessation at minimum risk could challenge the employer as a going concern and lead to failure.	3	5	4	12	3	**36**	**TREAT** 1) Employer covenant risk assessment was conducted by BW in 2023 using 2022 valuation data. This identified a number of key at-risk employers in the fund, those were all community admission body type employers at risk of cessation in the near future and without security in place. Fund officers are in contact with the employers flagged through this review 2) A number of employers have either had cessation arrangement decisions taken already through committee or have approached officers to discuss options, demonstrating the proactive rather than reactive nature of treating this risk. 3) Where appropriate seek to agree support from the relevant Local Authority. 4) Proper use of employer flexibilities introduced in the 2020 amended regulations (deferred debt and debt spreading agreements) to ensure that employer debts are managed appropriately in a way that benefits both the fund and the employer	2	**24**	**Damien Pantling**	22/05/2023
Employer Risk	PEN020		Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	5	3	3	11	2	**22**	**TREAT** 1) Transferee admission bodies (term no longer used) were required to have bonds or guarantees in place at time of signing the admission agreement. 2) Regular monitoring of employers and follow up of expiring bonds. 3) Regular reviews of what were formally referred to as community admission bodies, which are deemed high risk as no bond or guarantee was put in place at the time of admission. 4) Proper use of employer flexibilities introduced in the 2020 amended regulations (deferred debt and debt spreading agreements) to ensure that employer debts are managed appropriately in a way that benefits both the fund and the employer	1	**11**	**Damien Pantling**	22/05/2023
Employer Risk	PEN021		Risk of unexpected employer contributions (primary and secondary) as a result of poor employer budget management i.e. failure to plan and budget for the increased contribution costs. General risk of poor accountability and planning within employers and the Fund. Payment delay or failures may increase funding deficit primarily for that employer but may affect others in the event of failure	2	5	4	11	3	**33**	**TREAT** 1) Employer contributions communicated at every triennial valuation setting levels for the following 3 years in the Rates & Adjustment certificate 2) For largest employers, regular communication on likely contribution increases for budget planning purposes outside of triennial valuation process 3) Early communication with any employer experiencing payment delays or similar issues 4) Risk of increased liabilities resulting from poor budget management of the fund's expenses mitigated through robust business plan, budget setting and budget management **TOLERATE** 1) Common understanding that liabilities are ringfenced on an employer basis. With the largest (unitary council) employers unlikely to fail, liability increases associated with payment delays are likely to be contained within the struggling employer and not affect other employers	2	**22**	**Damien Pantling**	22/05/2023

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RESOURCE AND SKILL RISK														
Resource & Skill Risk	PEN022		Change in membership of Pension Fund Committee or Local Pensions Board leads to dilution of member knowledge and understanding - as such, Committee or Board members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	2	2	1	5	4	20	**TREAT** 1) Succession planning process to be considered. 2) Ongoing training of Pension Fund Committee members, training plan in place. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer. 5) Training to be supported by external parties including but not limited to the actuary, auditor, investment advisor and independent advisors. 6) External professional advice is sought where required	3	15	Damien Pantling	22/05/2023
Resource & Skill Risk	PEN023		Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	20	**TREAT** 1) Person specifications are used in recruitment processes to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. 3) Officers maintain their CPD by attending training events and conferences.	1	10	Damien Pantling	22/05/2023
Resource & Skill Risk	PEN024		Concentration of knowledge in a small number of officers and risk of departure of key staff. Loss of technical expertise and experience. Risk identified in 2023 of key personnel potentially leaving the Fund.	4	3	3	10	3	30	**TREAT** 1) Practice notes in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee to be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs for senior fund officers. 4) Training plans in place for all officers.	2	20	Damien Pantling	22/05/2023
Resource & Skill Risk	PEN025		McCloud remedy will generate considerable additional workloads for the team resulting in potential resource concerns.	3	3	2	8	4	32	**TREAT** 1) Statutory guidance to be issued by government setting out how remedy is to be managed. Regulations are expected to come into force from October 2023. 2) All Pension Committee, Advisory Panel and Board Members receive regular updates and actions will be taken by officers once guidance is issued. 3) If necessary, consider the recruitment of temporary staff.	3	24	Damien Pantling	22/05/2023
ADMININSTRATIVE AND COMMUNICATIVE RISK														
Administrative & Communicative Risk	PEN026		Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	2	4	4	10	3	30	**TREAT** 1) Administering Authority actively monitors prospective changes in membership, maintaining knowledge of employer future plans through regular communication. 2) Contribution rates and deficit recovery periods set to reflect the strength of the employer covenant. 3) Periodic reviews of the covenant strength and risk categorisation of employers are undertaken and indemnity applied where appropriate, last done in March 2023 using the results from the 2022 triennial valuation. 4) Change to minimum risk cessation basis from 1 April 2023, moving way from Gilt yields to "prudence plus" protecting the Fund in a higher rate environment	2	20	Damien Pantling	22/05/2023
Administrative & Communicative Risk	PEN027		Failure to comply with Scheme regulations and associated pension law leading to incorrect pension payments being made. Risk of fines, adverse audit reports and breaches of the law.	5	4	4	13	1	13	**TREAT** 1) Training provided as and when Regulations are updated. 2) Competent software provider maintains up to date systems. 3) Competent external consultants and advisors. 4) Comprehensive policy in place on reporting suspected breaches of the law, informing internal stakeholders on process to minimise legal challenge in unlikely event of breach or suspected breach	1	13	Damien Pantling	22/05/2023
Administrative & Communicative Risk	PEN028		Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	3	2	3	8	3	24	**TREAT** 1) Review of administration roles and responsibilities to be undertaken in 2023 2) Establishment of key training and development budget from 2022/23. 3) Key staff movements to be monitored closely. 4) Ongoing monitoring of administration statistical outcomes and KPI's via Local Pensions Board and Pension Fund Committee.	2	16	Damien Pantling	22/05/2023
Administrative & Communicative Risk	PEN029		Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	5	5	5	15	2	30	**TREAT** 1) System hosted and backed up in two separate locations. 2) Re-issue previous months BACS file in extreme circumstances.	1	15	Damien Pantling	22/05/2023
Administrative & Communicative Risk	PEN030		Failure to maintain a high quality member database leading to loss in member confidence, incorrect calculations of benefits, increased number of complaints, poor performance and loss of reputation.	5	5	3	13	1	13	**TREAT** 1) Fund undertakes annual data quality exercise required by and reported to TPR. 2) Implementation of I-Connect to enable employers to submit membership data in real time. 3) Fund makes further data checks as part of year end processing. 4) Testing of Annual Pension Increase by senior officers begins immediately once Pension Increase Order issued and immediately uploaded to test system. 5) Fund undertakes additional data cleansing exercise with the actuary ahead of the triennial valuation. 6) Mortality screening checks undertaken as reported in Risk PEN036 7) Fund undertakes additional data cleansing exercise and testing with software provider ahead of Pensions Dashboards onboarding scheduled for all Public Sector Pension Schemes by September 2024.	1	13	Damien Pantling	22/05/2023
Administrative & Communicative Risk	PEN031		Failure to hold data securely due to poor processing of data transfers, poor system security, poor data retention and disposal, poor data backup and recovery of data.	4	4	4	12	1	12	**TREAT** 1) Database hosted off-site and backed up in 2 separate locations every day. 2) Access to systems is limited to a defined number of users via dual password and user identification. 3) Data transferred is encrypted. 4) Compliant with RBWM data protection and IT policies. 5) No papers, files all managed via image and system documentation generation. 6) Confidential waste disposed of in line with RBWM policy.	1	12	Damien Pantling	22/05/2023

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ADMININSTRATIVE AND COMMUNICATIVE RISK (CONTINUED)

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Administrative & Communicative Risk	PEN032		Failure of cyber security measures following a cyber attack or data breach, including information technology systems and processes, leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal scheme membership data.	4	2	5	11	3	**33**	**TREAT** 1) Fund to consider developing its own cyber security risk policy. 2) System provider has robust accredited solutions in place to ensure any cyber-attack can be identified and prevented. 3) Fund shares cyber security systems with the administering authority, these are well funded and up to date. 4) Fund to engage consultancy in due course to independently test systems and recommend any further cyber security measures to implement. 5) Administering authority engages in system penetration checks annually, fund to utilise this service going forward with specific checks in fund IT systems. 6) New internal auditors appointed by administering authority, major focus on IT security going forward and recommendations to come out of internal audits. 7) Mandatory staff training for new joiners on cyber security which is annually refreshed by all staff as part of performance appraisal process.	2	**22**	**Damien Pantling**	22/05/2023
Administrative & Communicative Risk	PEN033		Loss of funds through fraud or misappropriation by an employer, agent or contractor leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	**20**	**TREAT** 1) Fund undertakes National Fraud Initiative (NFI) biannually. 2) Fund is a registered adopter of the Governments Tell Us Once (TUO) service, receives notification of deaths registered with GRO instantly. 3) Fund is subject to external audit and ad hoc internal audit which can be more frequent than annually - this tests the resilience and appropriateness of controls. New internal audit service is expected to enhance scrutiny in this regard. 4) Regulatory control reports from investment managers and the custodian are obtained. 5) Regulatory controls are in place and reviewed annually or, if earlier, immediately on receipt of guidance from the Local Government Association (LGA) to prevent and protect the Fund from pension scams 6) Fund undertakes a Global Existence Project with its overseas payment provider to prove the existence of in payment scheme members who reside overseas and receive monthly payment to an account in the country of their residence.	1	**10**	**Damien Pantling**	22/05/2023
Administrative & Communicative Risk	PEN034		Payments continue to be made incorrectly at a potential cost to the Pension Fund. Distress caused to dependents.	3	3	4	10	2	**20**	**TREAT** 1) The fund undertakes a monthly mortality screening exercise. 2) Additional validation measures are put in place with our overseas payments provider to check the information held in regards to payments to non-UK bank accounts. 3) The fund participates in the biannual National Fraud Initiative (NFI). 4) Fund undertakes a Global Existence Project with its overseas payment provider to prove the existence of in payment scheme members who reside overseas and receive monthly payment to an account in the country of their residence. 5) Fund immediately suspends payment of monthly pension on return of a rejected payment.	1	**10**	**Damien Pantling**	22/05/2023
Administrative & Communicative Risk	PEN035		Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	**16**	**TREAT** 1) Fund has a business continuity plan. 2) Systems hosted and backed up off-site in 2 locations. 3) All officers have the ability to work from home or any location where secure internet access is available.	1	**8**	**Damien Pantling**	22/05/2023
Administrative & Communicative Risk	PEN036		Late or non-receipt of pension contributions from Scheme employers within statutory deadlines leading to loss of Fund investment. Risk of being reported to the Pensions Regulator with actions and fines being imposed if regulation breach is considered to be materially significant.	4	5	4	13	1	**13**	**TREAT** 1) Fund closely monitors receipts of contributions and will chase any employer that is late in making a payment. 2) A notice of unsatisfactory performance will be sent to a Scheme employer who regularly misses the statutory deadline for payment. 3) Fund has power to report a Scheme employer to the Pensions Regulator if it deems the potential loss of investment as a result of the late payment of contributions to be materially significant. 4) Large employers (unitaries) have opted to pay secondary contributions in advance.	1	**13**	**Damien Pantling**	22/05/2023
Administrative & Communicative Risk	PEN037		Failure to communicate properly with stakeholders leading to Scheme members being unaware of the benefits the Scheme provides so take bad decisions and Scheme employers being unaware of their statutory responsibilities and duties in maintaining the Scheme for their employees.	4	4	2	10	2	**20**	**TREAT** 1) Fund has a Communication policy and a dedicated Communications Manager. 2) Pension Fund website is maintained to a high quality standard. 3) Fund provides all active, deferred and retirement scheme members secure online access to view and model their benefits according to status. 4) Quarterly bulletins issued to Scheme employers providing details of any and all scheme updates. 5) Training provided for Scheme employers. 6) Newsletters available to all active, deferred and retired scheme members. 7) Guides, factsheets and training notes are provided as relevant.	1	**10**	**Damien Pantling**	22/05/2023
Administrative & Communicative Risk	PEN038		Lack of guidance and process notes leads to inefficiency and errors.	3	3	1	7	2	**14**	**TREAT** 1) Desktop procedures have been written for all administrative tasks and are kept under review. 2) All Committee, Advisory Panel and Board Members have received a 'Member Handbook' and are required to undertake the Pension Regulator's online Public Sector toolkit. 3) Personal Development Plans are provided on day one to new staff members with no prior knowledge of LGPS administration that provides clear milestones for learning and development in all areas of the LGPS including team members responsible for delivery of training or alternative method.	1	**7**	**Damien Pantling**	22/05/2023
Administrative & Communicative Risk	PEN039		Failure to identify GMP liability leads to ongoing costs for the pension fund.	5	2	1	8	2	**16**	**TREAT** 1) Fund has carried out and completed a GMP reconciliation against all pensions in payment. 2) Ongoing action is being taken to complete a reconciliation of all GMPs held on active and deferred member records. In the interim Fund has registered access to HMRC website to obtain GMP liability values on an as required basis.	1	**8**	**Damien Pantling**	22/05/2023
Administrative & Communicative Risk	PEN040		Loss of office premises due to fire, bomb, flood etc. leading to temporary loss of service.	5	5	4	14	2	**28**	**TREAT** 1) All staff are now able to work remotely. 2) A business continuity plan is in place. 3) Systems are cloud hosted and backed up.	1	**14**	**Damien Pantling**	22/05/2023

THE ROYAL COUNTY OF BERKSHIRE PENSION FUND	
22/05/2023	**Risk Calculation Key**
Author: Damien Pantling, Head of Pension Fund	IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)
Adele Taylor - Director of Resources (S.151 Officer)	Gross Risk Score = IMPACT (Total) x Likelihood
Status: FINAL	Net Risk Score = IMPACT (Total) x Revised Likelihood
GREEN = Score of 3 to 15	Scores all ranked 1 to 5
AMBER = Score of 16 to 25	Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown
RED = Score of 26 - 75	

Risk Group	Risk Ref.	Trending	Risk Description	Fund (IMPACT)	Employers (IMPACT)	Reputation (IMPACT)	TOTAL (IMPACT)	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	Owner	Reviewed
REPUTATIONAL RISK														
Reputational Risk	PEN041		Financial loss of cash investments from fraudulent activity.	3	3	5	11	2	22	**TREAT** 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Strong governance arrangements and internal controls are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls) that are reviewed by auditors.	1	11	Damien Pantling	22/05/2023
Reputational Risk	PEN042		Financial loss and/or reputation damage associated with poor investment decision making. - through failure of governance and oversight as opposed to fraud	4	3	4	11	3	33	**TREAT** 1) Specific manager/investment decisions are delegated to, and undertaken by LPPI and are thus subject to rigorous investment manager selection processes involving a team of appropriately qualified and experienced investment professionals 2) LPPI's investment recommendations are presented to the Pension Fund committee for scrutiny by officers, members and independent advisors 3) Where appropriate, additional opinions may be called in i.e. LAPFF, PIRC, or other LGPS funds on matters that are either controversial or non-straightforward. 4) Good governance recommendations regularly reviewed following governance review in 2020, also new Internal Audit team to engage on governance matters and propose additional recommendations where appropriate	2	22	Damien Pantling	22/05/2023
Reputational Risk	PEN043		Inaccurate information in public domain leads to reputation damage and loss of confidence.	1	1	3	5	3	15	**TREAT** 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc.) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies, our communications team and LPPI's press team to ensure that news is well managed. 3) Hold Annual General Meeting every year for members and employers	2	10	Damien Pantling	22/05/2023
REGULATORY AND COMPLIANCE RISK														
Regulatory & Compliance Risk	PEN044		Failure to process (Collect, retain, use and disclose) personal data in accordance with relevant data protection legislation including UK GDPR and DPA 2018	3	3	5	11	3	33	**TREAT** 1) Data sharing with partners is end to end encrypted. 2) IT data security policy adhered to. 2) Implementation of and adherence to RBWM information governance policies and data retention schedules 3) Mandatory staff training for new joiners on GDPR data processing which is annually refreshed by all staff as part of performance appraisal process. 4) Administering Authority has an assigned data protection officer responsible for advising on data protection obligations. 5) Data protection compliance checks to be part of internal audit workplan going forward 6) Staff are aware of data breach process	2	22	Damien Pantling	22/05/2023
Regulatory & Compliance Risk	PEN045		Changes to LGPS Regulations along with failure to comply with legislation leads to ultra-vires actions resulting in financial loss and/or reputational damage - and pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	3	3	1	7	3	21	**TREAT** 1) Fund will respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood. 2) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulation on compulsory pooling to be closely monitored. 3) Officers maintain knowledge of legal framework for routine decisions. 4) Maintain links with central government and national bodies to keep abreast of national issues. 5) Fund officers to ensure there are regular internal audits and that both internal and external audit recommendations are adhered to	2	14	Damien Pantling	22/05/2023
Regulatory & Compliance Risk	PEN046		Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	3	3	4	10	2	20	**TREAT** 1) Publication of all documents on external website and all appointed managers expected to comply with ISS and investment manager agreements. 2) Local Pensions Board acts as an independent scrutiny and assistance function. 3) Compliance with the legislative requirements are reviewed annually through the audit process.	1	10	Damien Pantling	22/05/2023
Regulatory & Compliance Risk	PEN047		Failure to comply with recommendations from the Local Pensions Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator.	1	3	5	9	2	18	**TREAT** 1) Ensure that a co-operative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pensions Board. 2) Chair of Pension Board normally attends the committee and speaks as appropriate.	1	9	Damien Pantling	22/05/2023
Regulatory & Compliance Risk	PEN048		Loss of flexibility to engage with Fund Managers and loss of elective professional status with any or all of the existing Fund managers and counterparties resulting in reclassification. (The Fund is a retail client to counterparties unless opted up).	3	2	2	7	2	14	**TREAT** 1) More reliance on LPPI to keep Officers and Committee updated, LPPI processing opt-up forms on behalf of the Fund as required. 2) Maintaining up to date information about the fund on relevant platforms. 3) Existing and new Officer appointments subject to requirements for professional qualifications and CPD. 4) MIFID2 regulations to be monitored by fund officers and LPPI.	1	7	Damien Pantling	22/05/2023
Regulatory & Compliance Risk	PEN049		Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process.	2	2	3	7	2	14	**TOLERATE** 1) Pooled funds are not subject to OJEU rules, and most of our funds are in LPPI's pooled vehicles. **TREAT** 1) For those funds that are held directly, ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process. 2) Ensure that procurement waivers are kept up to date where applicable	1	7	Damien Pantling	22/05/2023
DELETED RISKS (RISK REF. refers to its reference in the last report before deletion)														
Asset & Investment Risk	PEN003	REMOVED JUNE 2023	The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	3	3	2	8	3	24	**TREAT** 1) Routinely receiving market updates from independent advisors and acting upon the recommendations as appropriate **TOLERATE** 1) Global investment market returns in aggregate for our SAA have thus far not been adversely affected by the COVID-19 pandemic, therefore, no significant changes to the investment strategy or strategic asset allocation are recommended	1	8	Damien Pantling	07/02/2023
Asset & Investment Risk	PEN008	REMOVED JUNE 2023	Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	20	**TREAT** 1) Fund is reliant upon current adequate contract management activity overseen by our investment managers LPPI. 2) Fund is reliant upon alternative suppliers at similar prices being found promptly.	1	10	Damien Pantling	07/02/2023

Column Heading	Calculation	Explanation
Risk Group		One of the seven risk categories specified by CIPFA
Risk Ref.		Unique reference "PEN" and unique risk number; i.e.. PEN001
Trending		Illustration identifies trend from the last time the risk register was reviewed (usually the last quarter)
Risk Description		Description of the risk before any treatment or mitigation - the "naked" risk.
Impact: Fund	***A***	(Score 1 to 5) - This is the impact the "naked" or un-treated risk has on the overall fund - usually referring to all assets, all liabilities or the entire fund as a separate legal entity
Impact: Employers	***B***	(Score 1 to 5) - This is the impact the "naked" or un-treated risk has on the individual employers, or groups of employers if applicable - This could be the Unitaries, scheduled bodies, admitted bodies, or a specific individual employer.
Impact: Reputation	***C***	(Score 1 to 5) - This is the impact the "naked" or un-treated risk has on the reputation of the Royal County of Berkshire Pension Fund as an entity in its own right, the Royal Borough of Windsor and Maidenhead as the administering authority, or the LGPS as a whole depending on the nature of the risk.
Impact: Total	***A + B + C***	(Score 3 to 15) - A sum of the Impact on Fund, Employers and Reputation
Likelihood	***D***	(Score 1 to 5) - This is the likelihood of the "naked" or un-treated risk occurring, or it's probability of occurrence in the absence of any mitigating action
Gross risk score	***(A + B + C) x D***	(Score 3 to 75) - This is a sum total of the Impact of the risk on the Fund, Employers and Reputation multiplied by the Likelihood of the "naked" or untreated risk occurring
Mitigation actions		These are the actions taken by all interested parties to reduce the likelihood of a risk occurring or eliminate it entirely
Revised Likelihood	***E***	(Score 1 to 5) - This is the revised likelihood of the risk occurring, or it's probability of occurrence following the implementation of any documented mitigation action
Net risk score	***(A + B + C) x E***	(Score 3 to 75) - This is a sum total of the Impact of the risk on the Fund, Employers and Reputation multiplied by the revised likelihood of the risk occurring following the implementation of any mitigation action
Risk Owner		For the avoidance of doubt, this is the officer responsible for monitoring, reviewing and reporting any changes to the impact or likelihood of the risk allocated to the officers name. Risks are technically all "owned" by the Pension Fund Committee
Reviewed		Date of last review - to be updated following officer review to ensure regular monitoring and tracking of risk impacts and likelihood.

CIPFA risk categories	Types of risk for category	Description of risk
Asset and Investment Risk	Asset/liability mismatch risk	the risk that pension fund assets do not grow in line with the developing cost of pension fund liabilities
	inflation risk	due to unexpected inflation increases the fund is unable to grow at the same rate as the increasing liabilities
	concentration risk	fund not sufficiently diversified and therefore has large exposure to one asset category/sub category/fund/security
	investment pooling risk	brings with it several new risks, one of the major risks being transition risk
	illiquidity risk	fund cannot meet short term liabilities due to not being sufficiently liquid
	currency risk	
	manager underperformance risk	
	transition risk	incurring unexpected costs when moving funds between managers. Losing value on assets whilst held in cash after being sold down to be used to subscribe elsewhere
	counterparty default risk	
Liability Risk	financial	assumptions based on inflation, discount rate, or salary increases turns out to be different to expected resulting in increased liabilities
	demographic	longevity, early retirement, ill-health retirement, regulatory risk
Employer Risk	participating bodies	risks may arise related to individual bodies within the overall pension fund - funding risks, security risks, membership risks
Resource and Skill Risk	inadequate staffing levels for the roles required	
	inadequate knowledge and skills for the roles required	
	inadequate resources to support staff in their roles	
	turnover amongst elected members and hence membership of pension committees	
Administrative and Communicative Risk	failure of ICT	may result in inability to make payments, monitor investments, collect income, communicate with stakeholders
	over reliance on/loss of key staff	
	data quality	especially important is to note that bad date can lead to inefficiencies and waste
	collaboration	working across different teams/partnerships fails or become inefficient
	third party provider under-performance	payroll/pensions administrator/investment advisor/consultant not performing to expected standards leading to problems around inefficiencies or poor decision making
	data protection	GDPR
	cyber threats	
Reputational Risk		
Regulatory and Compliance Risk	non-compliance with new or old piece of legislation or guidance that is issued	

RCBPF Risk Management Scoring Matrix		
Scoring (Impact)		
Impact Description	Category	Description
1 Very Low	Cost/Budgetary Impact	£0 to £25,000
	Impact on life	Temporary disability or slight injury or illness less than 4 weeks (internal) or affecting 0-10 people (external)
	Environment	Minor short term damage to local area of work.
	Reputation	Decrease in perception of service internally only – no local media attention
	Service Delivery	Failure to meet individual operational target – Integrity of data is corrupt no significant effect
2 Low	Cost/Budgetary Impact	£25,001 to £100,000
	Impact on life	Temporary disability or slight injury or illness greater than 4 weeks recovery (internal) or greater than 10 people (external)
	Environment	Damage contained to immediate area of operation, road, area of park single building, short term harm to the immediate ecology or community
	Reputation	Localised decrease in perception within service area – limited local media attention, short term recovery
	Service Delivery	Failure to meet a series of operational targets – adverse local appraisals – Integrity of data is corrupt, negligible effect on indicator
3 Medium	Cost/Budgetary Impact	£100,001 to £400,000
	Impact on life	Permanent disability or injury or illness
	Environment	Damage contained to Ward or area inside the borough with medium term effect to immediate ecology or community
	Reputation	Decrease in perception of public standing at Local Level – media attention highlights failure and is front page news, short to medium term recovery
	Service Delivery	Failure to meet a critical target – impact on an individual performance indicator – adverse internal audit report prompting timed improvement/action plan - Integrity of data is corrupt, data falsely inflates or reduces outturn of indicator
4 High	Cost/Budgetary Impact	£400,001 to £800,000
	Impact on life	Individual Fatality
	Environment	Borough wide damage with medium or long term effect to local ecology or community
	Reputation	Decrease in perception of public standing at Regional level – regional media coverage, medium term recovery
	Service Delivery	Failure to meet a series of critical targets – impact on a number of performance indicators – adverse external audit report prompting immediate action - Integrity of data is corrupt, data falsely inflates or reduces outturn on a range of indicators
5 Very High	Cost/Budgetary Impact	£800,001 and over
	Impact on life	Mass Fatalities
	Environment	Major harm with long term effect to regional ecology or community
	Reputation	Decrease in perception of public standing nationally and at Central Government – national media coverage, long term recovery
	Service Delivery	Failure to meet a majority of local and national performance indicators – possibility of intervention/special measures – Integrity of data is corrupt over a long period, data falsely inflates or reduces outturn on a range of indicators

Scoring (Likelihood)	
Descriptor	Likelihood Guide
1. Improbable, extremely unlikely.	Virtually impossible to occur 0 to 5% chance of occurrence.
2. Remote possibility	Very unlikely to occur 6 to 20% chance of occurrence
3. Occasional	Likely to occur 21 to 50% chance of occurrence
4. Probable	More likely to occur than not 51% to 80% chance of occurrence
5. Likely	Almost certain to occur 81% to 100% chance of occurrence

Control		Details required
Terminate	Stop what is being done.	A clear description of the specific actions to be taken to control the risk or opportunity
Treat	Reduce the likelihood of the risk occurring.	
Take	Circumstances that offer positive opportunities	
Transfer	Pass to another service best placed to deal with mitigations but ownership of the risk still lies with the original service.	The name of the service that the risk is being transferred to and the reasons for the transfer.
Tolerate	Do nothing because the cost outweighs the benefits and/or an element of the risk is outside our control.	A clear description of the specific reasons for tolerating the risk.

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Impact: Reputation (C)	(Score 1 to 5) - This is the impact the "naked" or un-treated risk has on the reputation of the Royal County of Berkshire Pension Fund as an entity in its own right, the Royal Borough of Windsor and Maidenhead as the administering authority, or the LGPS as a whole depending on the nature of the risk.
Impact: Total (A+B+C)	(Score 3 to 15) - A sum of the Impact on Fund, Employers and Reputation.
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Revised Likelihood (E)	(Score 1 to 5) - This is the revised likelihood of the risk occurring, or it's probability of occurrence following the implementation of any documented mitigation action.
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Reviewed	Date of last review - to be updated following officer review to ensure regular monitoring and tracking of risk impacts and likelihood.

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Report Title:	**Good Governance**
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Simon Bond, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 19 June 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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REPORT SUMMARY

This report addresses several key documents prepared by the Fund that are not explicitly required by the Regulations and are thereby prepared and reported on as a matter of good governance in the LGPS.

Appendix 1 contains the Fund's training framework for the 2023/24 financial year now that the new Pension Fund Committee members have been appointed. Appendix 2 contains an update of the Fund's governance structure following recent personnel change.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

i) Approves 2023/24 training framework; and

ii) Approves the revised governance structure chart

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

2.1. For Pension Fund Committee and Advisory Panel members to appropriately undertake their duties as well as provide appropriate challenge and scrutiny on reports and recommendations, knowledge and understanding must be kept up to date. The Fund has in place a training framework guided by the Pensions Regulator's 7 essential modules along with a suite of additional training resources set up and run either by officers or third parties. This framework is reviewed and refreshed annually in line with best practice and the revised training framework for 2023/24 is attached at Appendix 1 to this report.

2.2. In compliance with best practice and following a governance recommendation in the Hymans Robertson February 2021 "Good Governance: Phase 3 Report to SAB", the Pension Fund Committee should prepare and publish a training log documenting all training attended by Committee members. As per the governance recommendation, this training log should be appended to the Governance Compliance Statement which is presented for approval by the Pension Fund Committee annually.

2.3. Backward looking training logs are usually approved along with the forward-looking training framework, however, this convention is not followed in 2023 due to the significant change in Committee personnel following the local elections. Training logs for 2022/23 were approved in March 2023 and appended to the Governance Compliance Statement, the training plan for 2023/24 is presented for approval as Appendix 1 to this June 2023 report.

2.4. There have been some significant changes since the governance structure chart for the Royal County of Berkshire Pension Fund was last presented in March 2022, with a change in officers filling key senior posts, along with changes to the Committee and Advisory Panel members following the local elections. Appendix 2 summarises the governance structure of the Fund and shall be kept up to date by officers, only presenting as part of a Committee report if and when there are more significant changes in future.

3. KEY IMPLICATIONS

3.1. Maintaining a suite of non-statutory policies and acting upon the recommendations of various good governance reviews by third parties ensures that the Pension Fund is maintained as a well governed scheme. Regular reviews of these policy and framework documents, such as those appended to this report, ensures that the officers and Committee Members running the Pension Scheme are acting in line with best practice and making well informed decisions on behalf of the Administering Authority, scheme employers and scheme members.

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1. Training and development budgets were set as part of the 2023/24 business plan approved in March 2023.

5. LEGAL IMPLICATIONS

5.1. None

6. RISK MANAGEMENT

6.1. A detailed risk register is brought to the Committee quarterly for review and approval, the risks associated with poor governance are detailed in the register and a relevant mitigation action is to improve governance processes such as the publication of this report and its relevant appendices.

6.2. The risk of poor, little or no budget management is mitigated through advanced approval of a controllable budget that was delegated as appropriate to the budget holder from March 2023.

7. POTENTIAL IMPACTS

7.1. Failure to comply with pension legislation could result in the Administering Authority being reported to the Pensions Regulator where failure is deemed to be of a material significance.

7.2. Equalities. An Equality Impact Assessment has been completed for this report. The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service, or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. There are no EQIA impacts as a result of taking this decision. Equality Impact Assessments are published on the council's website

7.3. Climate change/sustainability: N/A

7.4. Data Protection/GDPR. GDPR compliance is included as a specific risk on the register in regard to processing and handling personal data, this is dealt with in the appendix along with the relevant mitigations.

8. CONSULTATION

8.1. Committee Members were consulted upon preparation of the training framework.

9. TIMETABLE FOR IMPLEMENTATION

9.1. Ongoing.

10. APPENDICES

10.1. This report is supported by 2 Appendices:

- Appendix 1 – 2023/24 Training Framework
- Appendix 2 – Governance structure chart – June 2023

11. BACKGROUND DOCUMENTS

11.1. This report is supported by 0 background documents:

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Mandatory:	*Statutory Officers (or deputy)*		
Andrew Vallance	Head of Finance (Interim S151 Officer)	**05/06/2023**	

Emma Duncan	Head of Law and Governance (Interim monitoring officer)	**05/06/2023**	
Deputies:			
Jane Cryer	Principal Lawyer (Litigation) and Deputy Monitoring Officer	**05/06/2023**	
TBC			
Other consultees:			
Cllr Simon Bond	Chairman – Berkshire Pension Fund Committee	**02/06/2023**	
Alan Cross	Chairman – Local Pension Board	**02/06/2023**	

13. REPORT HISTORY

Decision type:	**Urgency item?**	**To follow item?**
Pension Fund Committee decision	~~Yes~~/No	~~Yes~~/No

Report Author: Damien Pantling, Head of Pension Fund

TRAINING FRAMEWORK FOR BERKSHIRE PENSION FUND COMMITTEE AND ADVISORY PANEL MEMBERS (2023/24)

1. Introduction

Pension Fund Committee and Advisory Panel Members must ensure that their knowledge and understanding of the rules, regulations and laws governing LGPS funds are kept up to date. Regular training must be made available to enable decision makers to undertake their duties appropriately, to make informed decision as well as provide necessary challenge on various RCBPF decisions that are required to be taken by the Pension Fund Committee under the Administering Authority's constitution.

In compliance with best practice for good governance, a training framework is presented for approval by the Pension Fund Committee. This framework is reviewed annually focussing on essential training along with additional areas of training and development, it is recommended that decision makers undertake all essential and at least some additional training sessions.

Pension Fund Committee and Advisory Panel members are required to keep a record of their training, which is collated into a training log and published as an appendix to the annual governance compliance statement following advice provided by in the Hymans Robertson Good Governance: Phase 3 Report to the SAB.

2. Core Essential Training

The Pension Regulator's (tPR) public service pensions toolkit contains seven modules that must be completed at least once by Pension Fund Committee and Advisory Panel members and should be revisited on a regular basis or as and when members feel there are possible gaps in the knowledge and understanding required to undertake their decision making duties.

Training Item	***Description***	***Source***	***Further Information***
Conflicts of interest	Learn what conflicts of interest are, how important it is to be aware of them and their potential impact	tPR Public Service toolkit	https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes
Managing risk and internal controls	Learn how to identify, evaluate, manage and monitor scheme risks. You will also learn about internal controls to mitigate risk.	tPR Public Service toolkit	https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes
Maintaining accurate member data	Learn about the requirement for maintaining complete and accurate member data. You will also learn about other records that must be kept.	tPR Public Service toolkit	https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes
Maintaining member contributions	Learn about the requirement to monitor member contributions and how to manage overdue contributions.	tPR Public Service toolkit	https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes
Providing information to members and others	Learn about the information different types of schemes are required to provide.	tPR Public Service toolkit	https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes
Resolving internal disputes	Learn about the requirement for schemes to have an Internal Dispute Resolution Procedure (IDRP).	tPR Public Service toolkit	https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes
Reporting breaches of the law	Learn about the requirement to report certain breaches of the law to the Regulator. You will also learn about the traffic light framework.	tPR Public Service toolkit	https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes

3. Additional Training

Investment matters

In between quarterly Pension Fund Committee meetings, the Local Pensions Partnership (Investments) Limited (LPPI) attend a meeting with Fund officers and Committee members (intra-quarter meetings). The agenda is often focussed on upcoming matters for discussion and approval at the upcoming Committee meeting. Since September 2021, where possible this forum has incorporated a training session consistent with the main topic of discussion/decision at the upcoming Committee meeting. Examples of what has been covered recently includes (but not limited to); SAA training, currency hedging training, real-assets portfolio training, risk appetite statement metric training, responsible investment and climate risk training. The intention is for this process to continue through 2023/24, Committee and Advisory Panel members are advised to attend these sessions where possible and to suggest specific topics for training where possible.

<u>Funding matters</u>

At least quarterly, Fund officers hold a general training and update session with technical matters usually presented by the Fund's actuary Barnett Waddingham. Examples of sessions delivered by the actuary recently include (but not limited to); technical training on actuarial matters (such as discounting, funding etc.), funding and contributions training at the annual meeting, and longevity contract training. These training sessions plan to continue through 2023/24, either as standalone items or during Committee pre-meetings. Committee and Advisory Panel members are advised to attend these sessions where possible.

<u>General and other matters</u>

In addition to the training sessions summarised above, third parties whereby the Fund hold existing relationships (actuary, investment managers, custodian bank, LAPFF, PLSA, SAB etc.) may be contacted from time to time to provide specialist and bespoke training on a wide range of matters to a wide variety of audiences (for example at the fund AGM or employer meeting). Adhoc training matters may include general LGPS overviews or subject specific matters such as asset valuation, IAS19/FRS102 accounting reports, responsible investment and climate risk. Where training sessions are already provided and diarised by third parties, these details will be communicated to Committee/Advisory-Panel members by officers as soon as practical to encourage attendance.

From time-to-time, Fund officers may arrange for external third parties to attend a smaller group session to provide training on a specific matter. This will largely be on an ad-hoc basis where Committee, Advisory Panel or Fund officers feel that there is a current knowledge gap in this area and/or specific training is required before a decision can comfortably be taken. Generally, the Fund will look to use existing relationships, but external parties may be contacted if better suited for the provision of such training.

The Fund's two independent advisors (independent investment advisor and independent strategy and governance advisor) may be asked on an adhoc basis to provide a training session on a particular matter or issue where it is felt there is a knowledge gap.

Pension Fund Committee and Advisory Panel members may from time to time attend in-person and virtual conferences, seminars and forums. These events usually contain several useful training sessions on general and specific matters. Attendance to these sessions is encouraged and where not explicitly arranged by Fund officers, should be independently recorded in members' training logs or attendance details provided to officers.

4. Budget

Training and development is seen as a crucial part of Committee and Advisory Panel members being equipped with the right knowledge and skills to be able to effectively undertake their duties and take decisions. Therefore, training and development resources, where reasonable, will be made available by the Fund and paid for out of existing administrative budgets. For 2023/24, the £1.033m third-party expenses budget contains an £0.080m contingency which has been ringfenced for fund Governance, Training and Development activities and all training activities are expected to be managed within this budget. All training expenditure should be agreed in writing by the Head of Pension Fund as delegated budget manager.

NATIONAL LEVEL

HM TREASURY

↓

SECRETARY OF STATE FOR THE DEPARTMENT FOR LEVELLING UP, HOUSING AND COMMUNITIES (DLUHC)

(The 'Responsible Authority' as defined in The Public Service Pensions Act 2013)

↓

SCHEME ADVISORY BOARD

LOCAL LEVEL

Administering Authority ('Scheme Manager')
Royal Borough of Windsor & Maidenhead
Responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under the Local Government Pension Scheme Regulations.

There is no separate legal distinction between the Administering Authority and the Pension Fund. The Fund does not operate under a trust arrangement and is effectively classed as a ringfenced reserve fund of the Administering Authority. Committee members are not trustees despite fulfilling a similar role to that of a corporate trustee.

Berkshire Pension Fund Committee
5 RBWM Elected Members

- Cllr. Simon Bond (Chair)
- Cllr. Wisdom Da Costa (Vice-Chair)
- Cllr. Neil Knowles
- Cllr. Asghar Majeed
- Cllr. Julian Tisi

The 5 Committee Members have voting rights.

There are 5 substitute members that may attend in the absence of any of the voting Committee members.

Pension Fund Senior Officers

- Andrew Vallance, Interim s.151 Officer
- Damien Pantling, Head of Pension Fund
- Philip Boyton, Deputy Head of Pension Fund
- VACANT, Pensions Admin Manager
- Patrick Osei, Fund Accountant

Berkshire Pension Fund Advisory Panel

To consider and make recommendations to the Berkshire Pension Fund Committee on all Pension Fund matters.

- Cllr. TBC (Slough BC)
- Cllr. TBC (Reading BC)
- Cllr. Stephen Newton (Wokingham BC)
- Cllr. TBC (West Berkshire Council)
- Cllr. Steve O'Regan (Bracknell Forest Council)

The Advisory Panel has no voting rights.

Local Pension Board

Responsible for assisting the Administering Authority in securing compliance with the LGPS Regulations, other legislation relating to governance and administration and the requirements imposed by the Pensions Regulator.

Scheme Employer Representatives:

- Nikki Craig (RBWM)
- Arthur Parker (Bracknell Forest Council)
- Julian Curzon (Haybrook College)

Scheme Member Representatives:

- Alan Cross (Deferred Member) (Chair)
- Jeff Ford (Retired Member)
- Vacant

Investment Manager:

Local Pensions Partnership (Investments) Ltd

Appointed by the Administering Authority as the Investment Manager of all Pension Fund assets ('investments') through an Advisory and Management Agreement effective from 1 June 2018 (in line with the Government's objective to 'pool' Local Authority Pension Funds in England and Wales).

Actuary:

Barnett Waddingham

Appointed by the Administering Authority as the Independent Actuary, responsible for calculating how much Scheme employers should pay into the Scheme, for undertaking a Triennial valuation, producing IAS19/FRS102 accounting reports for scheme employers and other adhoc actuarial matters.

Custodian:

Northern Trust

Appointed by the Administering Authority as the global custodian, responsible for the safekeeping of the Fund's investment assets, production of Fund performance data, trade settlement and income collection, tax reclaims and other global custody services from time to time.

Report Title:	**Administration Report**
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Simon Bond, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 19 June 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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Royal Borough of Windsor & Maidenhead

REPORT SUMMARY

This report deals with the administration of the Pension Fund for the period 1 January 2023 to 31 March 2023. It recommends that Pension Fund Committee Members (and Pension Board representatives) note the Key Administrative Indicators throughout the attached report.

Good governance requires all aspects of the Pension Fund to be reviewed by the Administering Authority on a regular basis. There are no financial implications for RBWM in this report.

The Committee are asked to note that Administration Reports are provided to each quarter end date (30 June, 30 September, 31 December and 31 March) and presented at each Committee meeting subsequent to those dates.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

- **i) Notes all areas of governance and administration as reported;**
- **ii) Notes all key performance indicators; and**
- **iii) Approves publication of the quarterly Administration report on the Pension Fund website.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

2.1. The Royal County of Berkshire Pension Fund Committee has a duty in securing compliance with all governance and administration issues.

3. KEY IMPLICATIONS

3.1. Failure to fulfil the role and purpose of the Administering Authority could lead to the Pension Fund and the Administering Authority being open to challenge and intervention by the Pensions Regulator.

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1. No direct financial implications arising from this report.

5. LEGAL IMPLICATIONS

5.1. None.

6. RISK MANAGEMENT

6.1. The Pension Fund Committee review and approve a risk register on a quarterly basis, prepared in line with CIPFA's guidance on "managing risks in the LGPS – 2018". The latest risk register (including relevant actions and mitigations) has been prepared alongside the amendments within these revised policies, with any relevant changes considered and documented as appropriate in the quarterly review of the risk management report.

7. POTENTIAL IMPACTS

7.1. Failure to comply with pension legislation could result in the Administering Authority being reported to the Pensions Regulator where failure is deemed to be of a material significance.

7.2. Equalities. An Equality Impact Assessment has been completed for this report. The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service, or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. There are no EQIA impacts as a result of taking this decision. Equality Impact Assessments are published on the council's website

7.3. Climate change/sustainability: N/A

7.4. Data Protection/GDPR. GDPR compliance is included as a specific risk on the register in regard to processing and handling personal data, this is dealt with in the appendix along with the relevant mitigations.

8. CONSULTATION

8.1. The Pension Board were consulted in detail through the approval of this report.

9. TIMETABLE FOR IMPLEMENTATION

9.1. The Local Pension Board was consulted on the contents of this report

10. APPENDICES

10.1. This report is supported by 1 appendix:

- Appendix 1: Administration Report 1 January 2023 to 31 March 2023

11. BACKGROUND DOCUMENTS

11.1. This report is supported by 0 background documents.

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Mandatory:	*Statutory Officers (or deputy)*		
Andrew Vallance	Head of Finance (Interim S151 Officer)	**05/06/2023**	
Emma Duncan	Head of Law and Governance (Interim monitoring officer)	**05/06/2023**	
Deputies:			
Jane Cryer	Principal Lawyer (Litigation) and Deputy Monitoring Officer	**05/06/2023**	
TBC			
Other consultees:			
Cllr Simon Bond	Chairman – Berkshire Pension Fund Committee	**02/06/2023**	
Alan Cross	Chairman – Local Pension Board	**02/06/2023**	

13. REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Pension Fund Committee decision	~~Yes~~/No	~~Yes~~/No

Report Author: Damien Pantling, Head of Pension Fund, 01628 796701

THE ROYAL COUNTY OF BERKSHIRE PENSION FUND

ADMINISTRATION REPORT

QUARTER 1 – 2023 (Q4 2022/23)

1 January 2023 to 31 March 2023

Contents

1. ADMINISTRATION

1.1. Scheme Membership

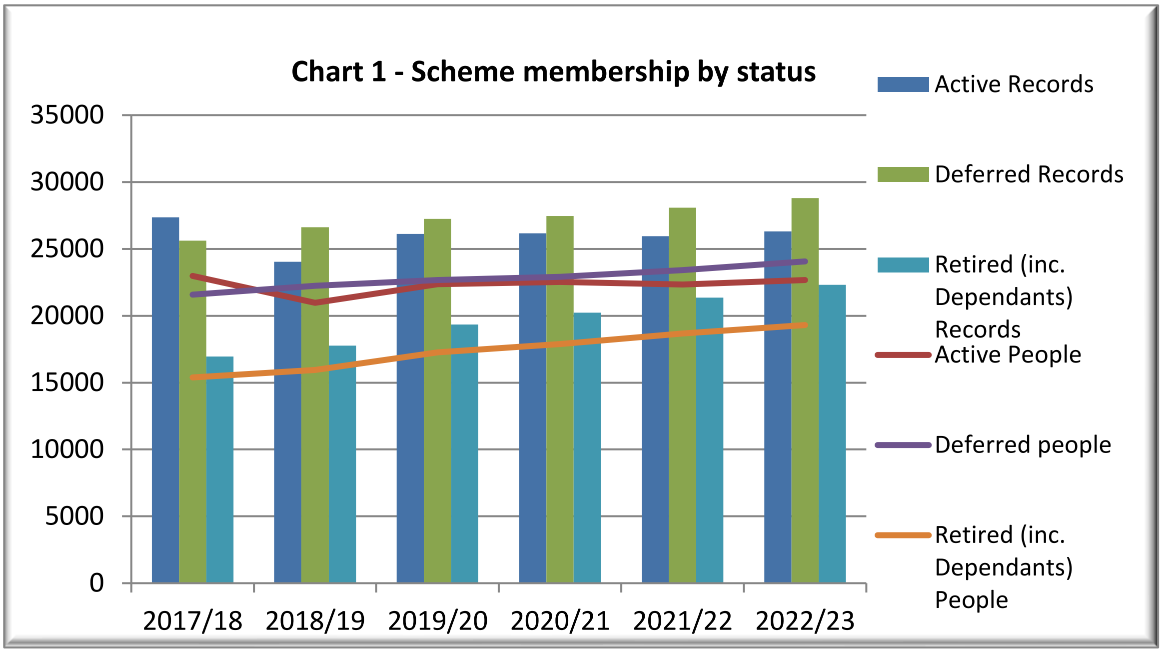


Table 1 – Total Membership at 31 March 2023

Active Records	26,315	Active People	22,677
Deferred Records	28,794	Deferred People	24,062
Retired Records	22,316	Retired People	19,303
TOTAL	**77,425***	**TOTAL**	**66,042**

Draft core costs of administering the scheme in 2022/23 (includes just staff, plus direct administration supplies & services) were **£1.906m. Total cost of administration per membership record is **£24.6**. This significantly below both the London average of c£50 and the English pension fund average of c£30*

1.2. Membership by Employer

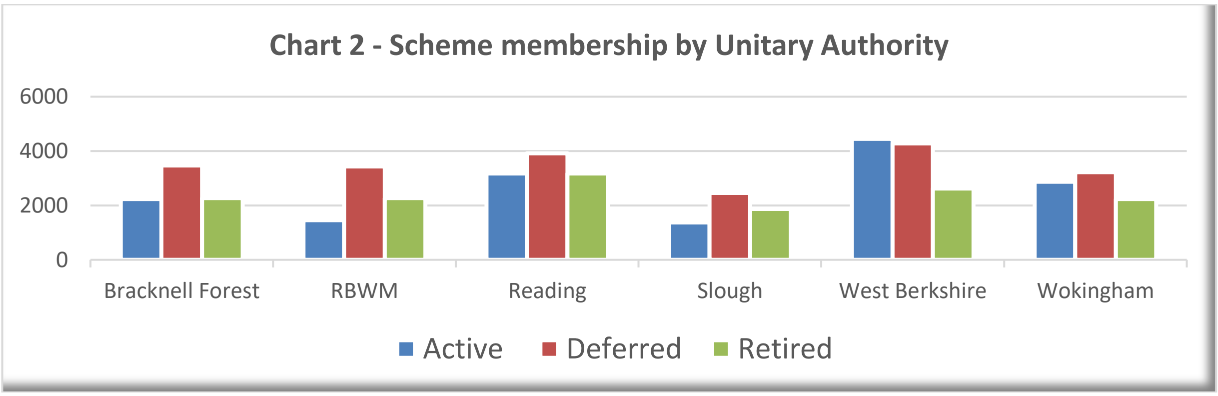
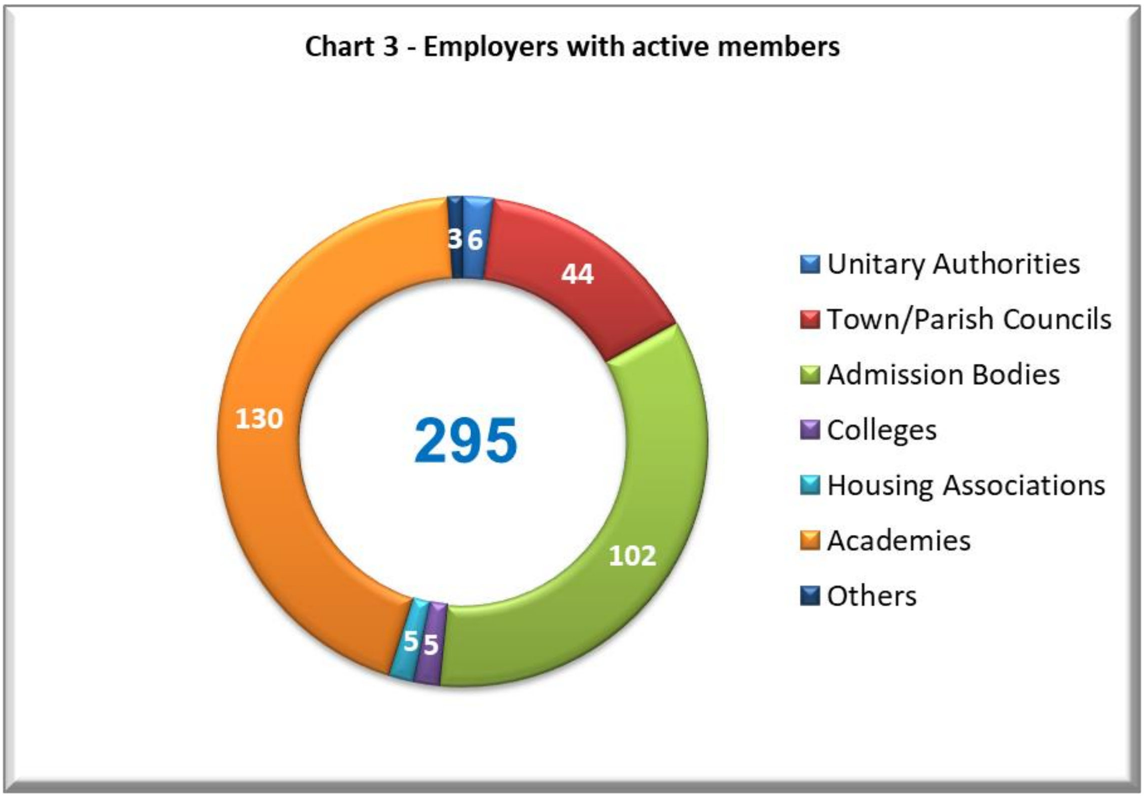


Table 2 - Membership movements in this Quarter (and previous Quarter)

	Bracknell	RBWM	Reading	Slough	W Berks	Wokingham
Active	**-+2** *-56*	**-7** *-21*	**-104** *+53*	**+7** *+31*	**+34** *-90*	**+9** *+15*
Deferred	**+37** *-2*	**-11** *-13*	**+33** *+15*	**-6** *-16*	**+19** *+67*	**+20** *+19*
Retired	**+16** *+19*	**+20** *+20*	**+43** *+33*	**+22** *+12*	**+48** *+29*	**+41** *+25*

1.3. Scheme Employers

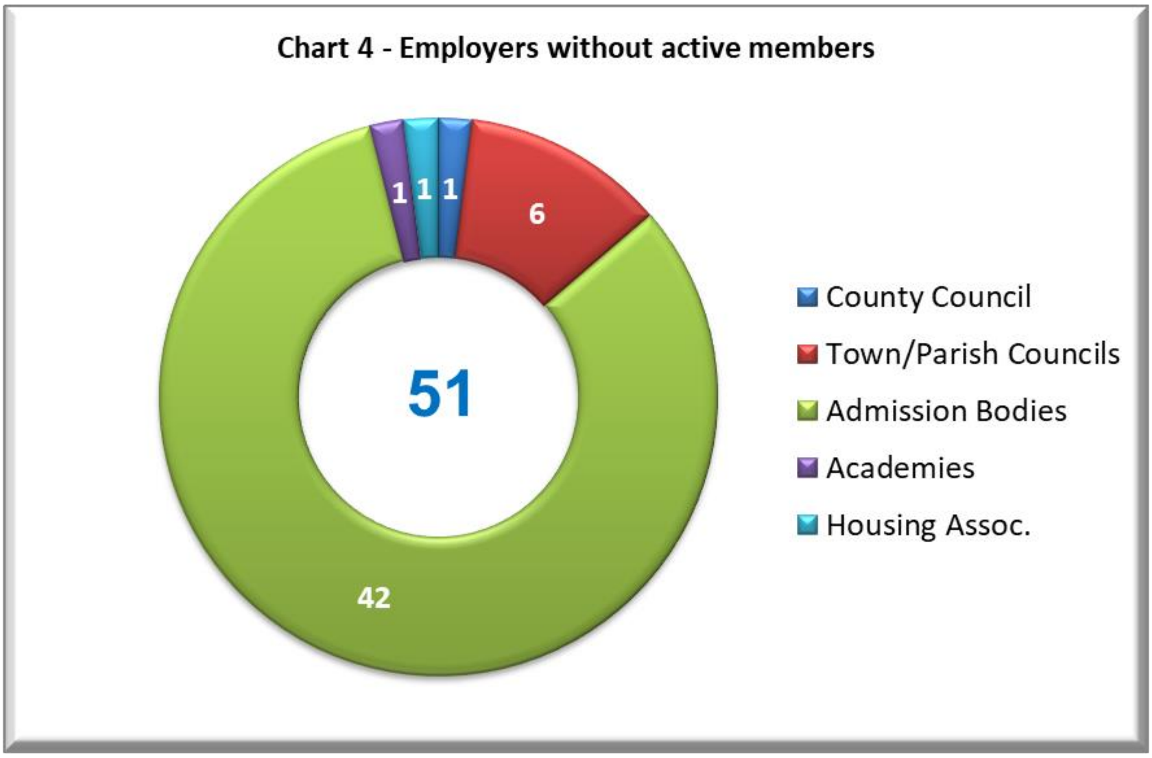


<u>New employers since last report:</u>

Admission Bodies: Compass Contract Services (Churchend Academy Trust) ABM Catering Services (Windsor Learning Partnership); Contract Services Limited (Thames Learning Trust).

Academies: *None*

Scheduled bodies: East Ilsley PC; Aldworth PC



Exiting employers: None

There are 346 scheme employers in total, of which 295 have active contributors and 51 do not have active contributors. Please note that the figures reported above are at academy level rather than at multi-academy trusts level, the latter being the level they appear on the Fund's administration system. For the purposes of the 2022/23 annual accounts, 186 active/contributing employers are disclosed, the figure in the annual accounts groups academies into multi-academy trusts as this information derived from contributions records (academies typically pay contributions together within a multi-academy trust)

1.4. Scheme Employer Key Performance Indicators

Table 3 – i-Connect users Quarter 4 (1 January 2023 to 31 March 2023)

Employer	Starters	Leavers	Changes	Total	Submission Received Within Specification
Bracknell Forest Council	196	103	246	545	100%
RBWM	111	62	127	300	100%
Reading BC	219	110	290	619	100%
Slough BC	107	48	119	274	100%
West Berks Council	443	258	524	545	100%
Wokingham BC	111	68	187	366	100%
Academy/ School	728	875	1299	2902	79.55%
Others	91	73	295	459	100%

NOTES: Table 1A above shows all transactions through i-Connect Software for the fourth quarter of 2023. Changes include hours/weeks updates, address amendments and basic details updates.

The benefits of i-Connect are:

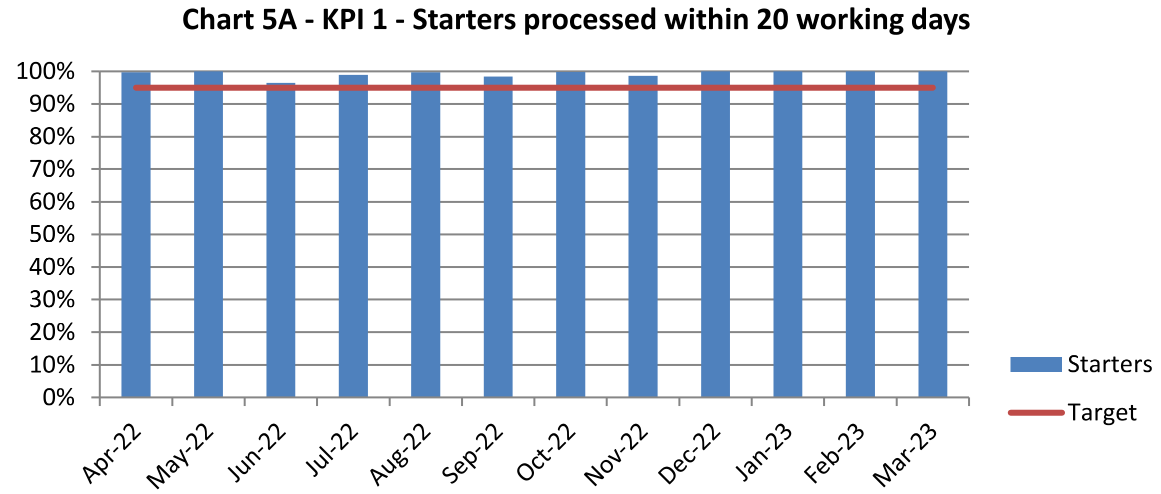
- Pension records are maintained in 'real-time';
- Scheme members are presented with the most up to date and accurate information through "my pension ONLINE" (Member self-service);
- Pension administration data matches employer payroll data;
- Discrepancies are dealt with as they arise each month;
- Employers are not required to complete year end returns;
- Manual completion of forms and input of data onto systems is eradicated removing the risk of human error.

Since 1 January 2023, no further scheme employers have on board i-connect Software. Officers continue to work closely with Denefield School, The Pioneer Educational Trust and The Slough & East Berkshire MAT which represents circa 420 scheme member records endeavouring to on board.

Overall, 135 scheme employers are yet to on board i-Connect Software which represents circa. 2,200 scheme member records (8.50% of total Active Scheme members).

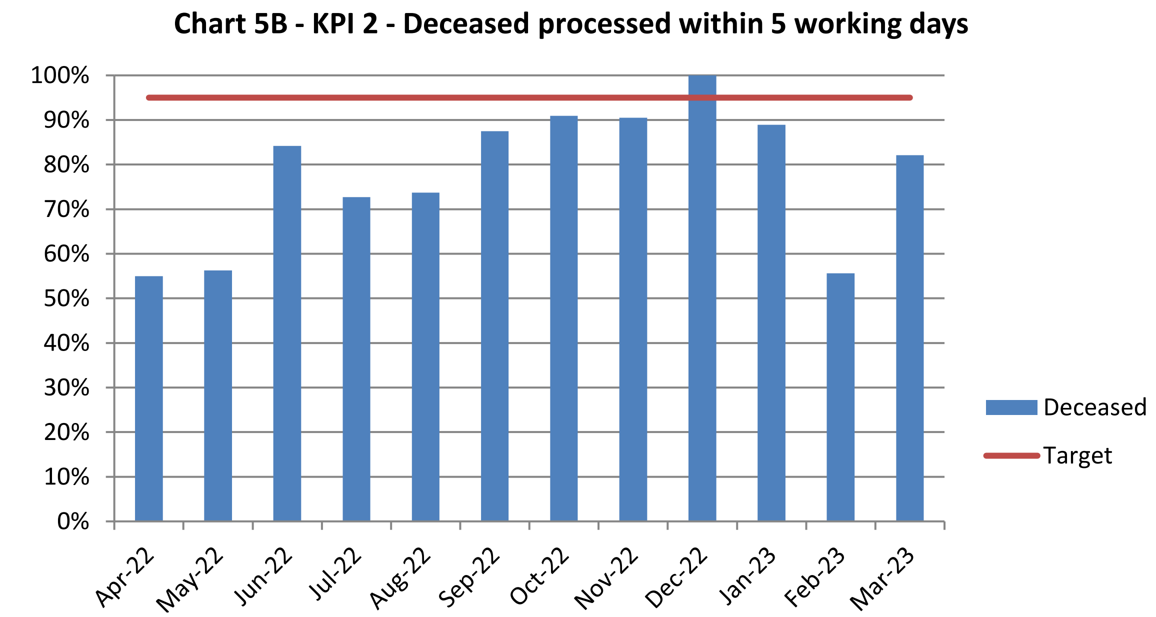
The Pension Fund remains committed to continuing to work with these scheme employers to help them to onboard, where it is possible for them to do so. Scheme employers with fewer than 10 scheme members (81 employers) have the option of using an on-line portal version of i-Connect Software rather than submitting via ".csv".

1.5. Key Performance Indicators



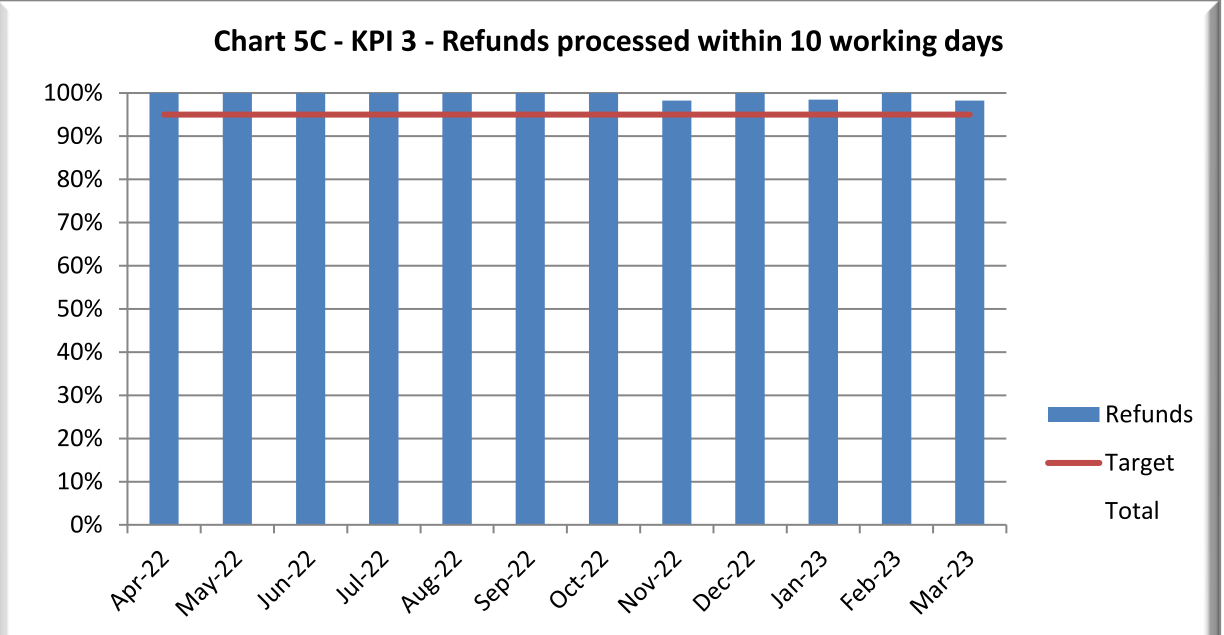
	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Starters	99.7	100	96.5	98.9	99.7	98.4	99.8	98.6	100	100	100	100
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	353	764	654	728	673	429	1010	989	591	766	826	678

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



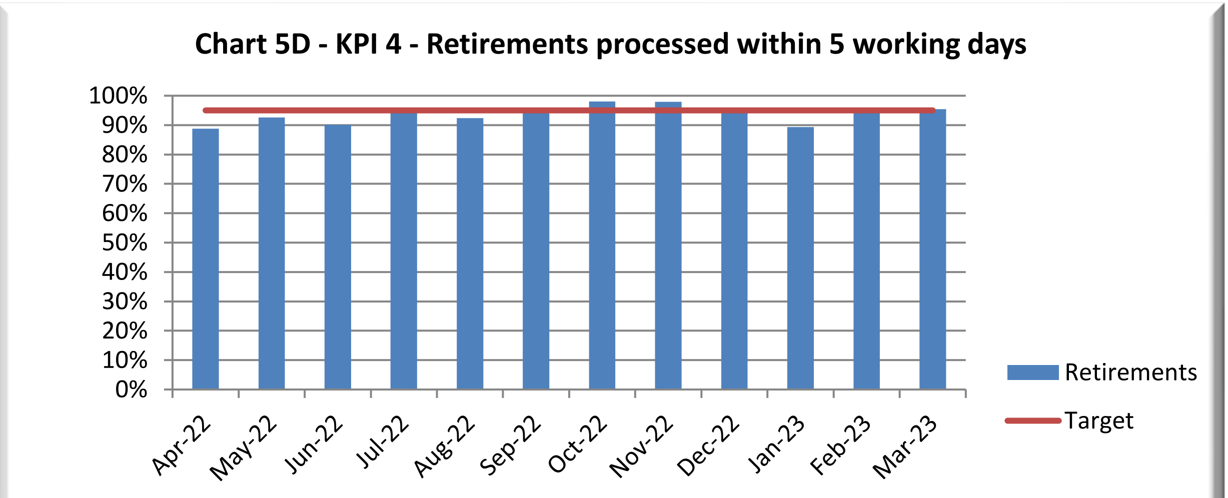
	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Starters	55	56.25	84.21	72.73	73.68	87.5	90.91	90.48	100	88.9	55.6	82.1
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	20	16	19	22	19	16	11	21	6	18	18	28

CIPFA Benchmark: As soon as practicable and no more than two months from date of notification of death from scheme employer or deceased's representative.



	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Refunds	100	100	100	100	100	100	100	98.25	100	98.5	100	98.25
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	28	35	38	26	37	48	44	57	54	68	63	57

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

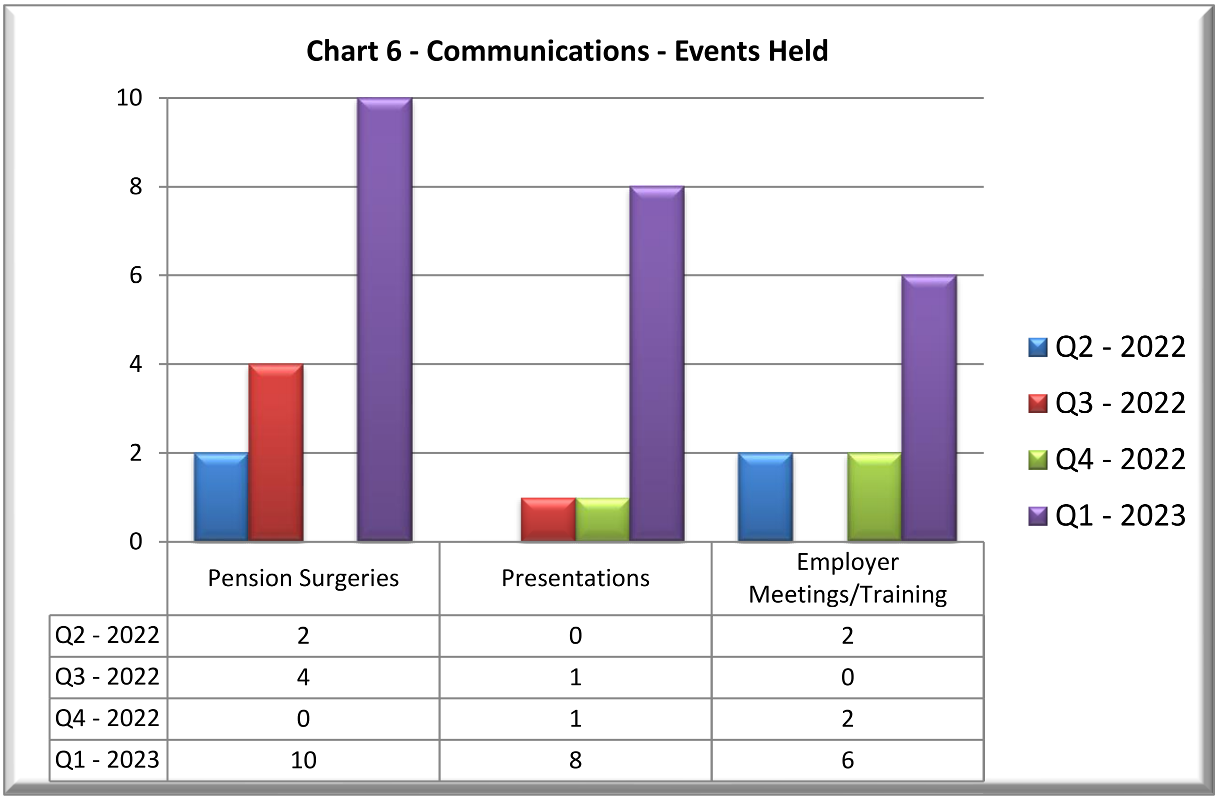


	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Retirements	88.79	92.54	90.08	95.28	92.42	95.69	98.01	97.96	95.52	89.3	95.1	95.4
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	116	134	121	106	132	116	151	98	67	140	101	87

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

1.6. Communications

Events shown have been held remotely, including hybrid.



1.7. Stakeholder Feedback

As part of the Pension Fund’s aim to achieve Pension Administration Standards Association (PASA) accreditation it is a requirement to report to Members the comments and complaints received from scheme employers and their scheme members on a periodic basis. Please see below feedback received from stakeholders during the fourth quarter:

Date Received	Method	Feedback
16/01/2023	Email	I must say the team at Berkshire are so much more organised and knowledgeable than [NAME] Pension Fund. Thank you for your extraordinary patience today.
18/01/2023	E-mail	[NAME] Pension Fund gave scheme member merge options (but did not include Annual Pension or Lump Sum Retirement Grant values). Scheme member did not respond to [NAME] Pension Fund by deadline and therefore auto aggregation occurred. [NAME] Pension Fund requested Berkshire Pension Fund accept repayment of the transfer paid under auto aggregation as the scheme member raised complaint that because of the auto aggregation their benefits reduced in value. The Berkshire Pension Fund acted in accordance with the LGPS

		Regulation and therefore responded confirming they will not accept return.
01/03/2023	E-mail	[NAME] Pension Fund gave aggregation options to scheme member and they called Berkshire Pension Fund to speak about it. They said we are always very helpful and [NAME] Pension Fund are a terrible Pension Fund as they can never talk to anybody, he wanted me to pass on to your manager how good you are.
23/03/2023	E-mail	Thank you very much for the information you gave me over the phone today and for the link you sent me below which was very helpful. I would be grateful if you could pass my email on to your manager as I was very impressed by your professional responses to my questions whilst also being very personable. When I saw from your email that you are a trainee, I was even more impressed by your knowledge. As I explained to you, I have been trying to get through to HMRC with a couple of questions about my state pension and, although waiting on the phone for ages each time, in the end gave up! Whereas you answered immediately and was able to resolve all my queries efficiently. Thank you.
27/03/2023	E-mail	You have been absolutely brilliant, thank you so much for answering all my questions about my retirement option forms and other related things such as saving bank accounts and state pension etc and being mindful of my situation for the last few years which is much appreciated.
28/03/2023	E-mail	I just wanted to thank you for your handling of the pension received by my late wife, [NAME], and the subsequent survivors pension award to myself. Documentation was dealt with both speedily and efficiently. Your timely correspondence kept me aware of progress and payments proceeded seamlessly. After 43 years of marriage [NAME]'s death hit me hard, your actions for Berkshire Pension Fund gave me one less thing to worry about. I have had to notify a number of financial institutions and public bodies of [NAME]'s death, believe me Berkshire Pension Fund stands out as a beacon of efficiency. My wife a former RAF Air Traffic

		Controller of 23 years before retraining and working as a principal accountant, would have strongly approved. Thank you.
29/03/2023	E-mail	I would like to thank you and [NAME] for the service provided upon my retirement. In fact any dealings I have had with yourselves have been so easy. Letters received are easy to understand and arrive in a timely manner. It's so nice to be able to pick up a phone and talk to a person directly. Keep up the good work!
31/03/2023	E-mail	Thank you so much for such a swift response to my enquiry. Your time and patience in clarifying the situation with regard to monthly statements is greatly appreciated.

2. SPECIAL PROJECTS

2.1. McCloud Judgement

In 2014 the Government introduced reforms to public service pensions, meaning most public sector workers were moved into new pension schemes in 2014 and 2015.

In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judges’ and firefighters’ pension schemes, as part of the reforms, gave rise to unlawful discrimination.

On 15 July 2019 the Chief Secretary to the Treasury made a written ministerial statement confirming that, as ‘transitional protection’ was offered to members of all the main public service pension schemes, the difference in treatment will need to be removed across all those schemes for members with relevant service.

The changes to the LGPS include transitional protection for members who were within 10 years of their Final Salary Scheme normal pension age on 1 April 2012, ensuring that they would receive a pension that was at least as high as they would have received had the scheme not been reformed to a Career Average Revalued Earnings scheme from 1 April 2014.

Officers understand the Department for Levelling Up, Housing and Communities (DLUHC) is to consult on further regulations governing the application of the McCloud remedy to the LGPS.

The DLUHC has confirmed to the Local Government Pension Committee (LGPC), in a recent update, that work continues on the steps to rectify the discrimination as it affects the LGPS in England and Wales, with the government planning to publish its response to the 2020 consultation on amendments to the statutory underpin later this year, after which the LGPS Scheme Advisory Board will resume its McCloud implementation groups.

An updated version of the draft regulations implementing the remedy will be published alongside the consultation response, covering new powers relating to the statutory underpin. However, a further consultation will take place in 2023 to ensure the updated draft regulations are accurate in light of the changes made.

The government will also consult on other aspects of the McCloud remedy which did not feature in our original consultation, such as compensation and rates of interest.

These new regulations are expected to come into force in October 2023, while a consultation will also take place covering new statutory guidance on McCloud implementation.

2.2. Pensions Dashboard Programme

A national pensions dashboard has been on the horizon for some time, but now the Pension Schemes Act 2021 has received Royal Assent it is anticipated the Department for Work and Pensions (DWP) will begin to consult on detailed dashboards regulations and work with regulators to begin supporting both private and public sector pension providers and pension schemes to comply with their dashboards compulsion duties. It is anticipated the Pensions Dashboards Programme (PDP) will publish further detailed instructions on how a scheme administrator must operate with the dashboards ecosystem.

The DWP announced on 2 March 2023 a significant delay to the Pensions Dashboards Programme. The statement released explained that the Pensions Dashboards Programme will be unable to meet the connection deadlines set out in legislation, and the timeline will need to be revised. The framework for dashboards will remain unchanged, but DWP will now legislate to provide new deadlines. It is anticipated public sector pension scheme administrators will now begin onboarding during quarter four of 2025 rather than 2024.

Officers recognise it is important not to wait. Almost every aspect of administering a pension scheme is easier to achieve if data is actively managed and incorporates both Common and Scheme Specific data activities, an area officers have successfully improved over the last three years. Officers acknowledge Pensions Dashboards, if done well, could be a game changer in getting individuals to better engage with their pensions and a better efficiency of pension scheme management.

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Report Title:	**Responsible Investment**
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Simon Bond, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 19 June 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

www.rbwm.gov.uk
Royal Borough of Windsor & Maidenhead

REPORT SUMMARY

Whilst responsible investing and ESG have always been guiding principles in the Fund's investment strategy, the decision to pool funds with LPPI from 1 June 2018 enabled more active monitoring and consolidation of its responsible investment outcomes.

Following the release of an Environmental, Social and Governance (ESG) public statement in late 2020, the Fund approved a Responsible Investment (RI) policy on 22 March 2021 supported by several values, principles, and priorities. Since then, the Fund has been continuously improving its approach to RI and have been working towards an updated RI policy that was approved by the Committee on 12 October 2022.

This report aims to update the reader quarterly on the Fund's responsible investment activities and outcomes through presenting an RI report and dashboard as aligned with the Fund's RI policy – noting that climate change is one of the underlying priorities in the Fund's revised RI policy and therefore carries material weight in this update. This report also seeks to provide the reader with a suite of key engagement activities undertaken on behalf of the Fund and the outcomes of these engagements.

In addition, this report covers a detailed climate scenario analysis report which was undertaken by the scheme Actuary as part of our 2022 triennial valuation

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

i) **Approves the Fund's RI dashboard, RI report, active engagement report for publication; and**

ii) **Acknowledges the Climate Risk Analysis report as provided by Barnett Waddingham for discussion.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

2.1 Since 1 June 2018, all Fund investments have been actively managed or overseen by the Fund's Investment Manager LPPI. Responsible investing is an underpinning principle of LPPI's investment approach and is documented by a suite of detailed RI policies and reports available on their website.

2.2 From December 2021, the Fund has reported publicly on its implementation and outcomes concerning responsible investment. The report and dashboard to Q1 2023 (or Q4 2022/23) are included respectively at Appendix 2 and Appendix 3 to this report.

2.3 Notably, the report and dashboard shows full "green/brown" portfolio exposures to all of the Fund's equity and equity-like assets (listed equity, private equity, and infrastructure) plus corporate bonds within fixed income. The key takeaways from this analysis are as follows:

2.3.1 Investments in brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) make up just 2.08% of the portfolio.

2.3.2 Investments in green sectors (renewable energy generation, clean technology, and decarbonising activities) make up over 6.96% of the portfolio.

2.4 As illustrated above, the green exposure significantly outweighs the brown exposure by over 3x within the identified portfolio, underpinning the principle of "net" zero. Further work is being progressed by LPPI in relation to Net Zero Target setting and its Climate Solutions Fund project, with the intention of capturing the entire portfolio for green/brown exposure analysis in the near future.

2.5 As detailed in the Fund's Responsible Investment policy, "the RCBPF considers engagement to be a route for exerting a positive influence over investee companies and encouraging responsible corporate behaviour." The Fund (via LPPI) has appointed an engagement partner to ensure active engagement with companies across its credit and equity portfolios, seeking to improve a company's behaviour on ESG related issues. The Fund's active engagement outcomes are reported at Q1 2023 (or Q4 2022/23) on the Fund's website.

2.6 Officers previously included the active engagement report as a separate appendix to this RI report, however, this is now summarised by LPPI in the main RI report at Appendix 2, focusing on its application to the Fund's investment portfolio. The full engagement report is still provided, but on the Fund's website for additional reading instead of as the part of the core meeting papers, in the interest of streamlining the agenda for better decision making.

2.7 Whilst a separate RI policy is not compulsory for LGPS Funds under the Regulations, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, Regulation 7 requires that the Authority's Investment Strategy Statement (ISS) must include the its policy on how ESG considerations are taken into account in the selection, non-selection, retention and realisation of investments. The Fund's ISS (presented for approval by the Committee on 13 March 2023) defines that a separate RI policy shall be in place with detailed guidance on the points within the Regulations, and that implementation of said RI policy would be undertaken by LPPI.

2.8 A decision was taken by the Pension Fund Committee on 6 December 2021 to set up a RI working group (the Task & Finish Group) of Officers, Committee members, Board members, Advisory Panel members, LPPI and independent Advisors. Terms of Reference were agreed and the group first met in April 2022. The Task & Finish group undertook various other meetings and discussions to develop a comprehensive revised RI policy that is modern, consistent with the current external environment, and that it reflects the values, principles and priorities of the Pension Fund Committee. The revised RI policy also serves as a position statement on the Fund's approach to RI.

2.9 The revised RI policy was approved by the Pension Fund Committee on 12 October 2022. LPPI have also given a professional opinion that the policy shall be implemented in practice and tailored reporting has been reflected in the relevant RI report and dashboard (appendix 2 and 3). The revised RI policy encapsulates several changes such as the focus on continuous improvement as well as specific priorities of the Fund within the Environment, Social and Governance categories. The policy is underpinned by the Fund's fiduciary responsibility to pay scheme members benefits as they fall due.

2.10 Consideration of climate risk was an important part of the triennial valuation process and final report which was signed off by the Committee in March 2023. It was agreed in March 2023 that the Fund would hold a separate training session on climate risk which was then held in June 2023.

2.11 To supplement the 2022 triennial valuation and climate risk training session, the scheme Actuary Barnett Waddingham have prepared a detailed climate analysis report which is attached at Appendix 1 to this report. This report considers both physical and transition risks to the Fund's anticipated future funding levels along with life expectancy and employer covenant considerations within this detailed scenario analysis report.

2.12 The purpose of the Climate Analysis Report at appendix 1 is intended to be for information only at this stage as it supports the Fund Actuary's view that the prudence applied through the 2022 triennial valuation was sufficient to capture the effects of climate risk. The report is acknowledged by both the Fund and it's fiduciary investment manager LPPI and shall be considered in future Strategic Asset Allocation (SAA) and Investment Strategy Statement (ISS) reviews.

2.13 It is important to note that the Climate Risk Analysis report considers the risk of climate change to the Fund's assets, liabilities and funding level, providing reassurance that sufficient prudence is applied through the 2022 triennial valuation to withstand any of the modelled climate scenarios. This report is not intended to provide guidance or advice on how the Fund's asset allocation should change, but instead to provide reassurance that the current Strategic Asset Allocation is robust enough to endure the various pressures on funding level directly or indirectly caused by climate change.

3. KEY IMPLICATIONS

3.1 The Fund is receiving a growing number of Freedom of Information (FOI) requests regarding how the Fund's investment assets are being managed and invested responsibly. Moreover, the recent focus has been on environmental factors concerning carbon emissions and fossil-fuel exposure. The Fund's RI report and dashboard acts as a public document to be updated quarterly and aims to address the majority of public requests for information.

3.2 The RI policy has undergone extensive review by the 'Task & Finish' group and has been confirmed by LPPI to be implementable in practice with no material changes to the Fund's investment activities or objectives.

3.3 The Fund seeks to achieve good ESG credentials whilst maintaining strong investment performance. Evidence suggests these two are not mutually exclusive, therefore, the Fund seeks to achieve both over the long run provided it can meet its fiduciary responsibility to scheme members and employers.

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 Net-zero strategy development and LPPI's decision to exclude extractive fossil fuel companies from its global equities fund has involved divesting from a relatively small opportunity set. However, these investments consumed disproportionate stewardship resources and the associated costs of maintaining these. Exclusion of these assets enables attention to move to a broader range of sectors impacted by transition risk and are required to decarbonise, providing the Fund with future opportunities and an improved framework to manage risk.

4.2 At present, the Fund's investment performance and expected returns are not mutually exclusive to the achievement of its revised responsible investment policy outcomes. Therefore, the Fund's fiduciary duty and ultimate goal to pay pensions is not adversely affected by implementation of its revised RI policy but this shall be kept continuously under review.

4.3 Well-governed companies are best equipped to manage business risks and opportunities, and this contributes to achieving optimum risk-adjusted returns over the long term.

5. LEGAL IMPLICATIONS

5.1 Reporting against RI metrics and making a net-zero commitment are not legal or regulatory requirements. TCFD reporting requirements, when published, will be a legal requirement and legislated by DLUHC (Department for Levelling up, Housing and Communities). These requirements will likely involve penalties and levies by tPR for non-compliance. TCFD requirements shall be implemented in due course and the Fund shall monitor these developments closely

5.2 The Fund is compliant with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (Regulation 7) which requires that the authority's investment strategy statement (ISS) must include the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments. The Fund's ISS (last approved by the Pension Fund Committee in March 2023) defines that a separate RI policy shall be in place with detailed guidance on the points within the Regulations, and that implementation of said RI policy would be undertaken by LPPI. The revised RI policy is this compliant with the regulations.

6. RISK MANAGEMENT

6.1 The Pension Fund Committee review and approve a risk register on a quarterly basis, prepared in line with CIPFA's guidance on "managing risks in the LGPS – 2018". The latest risk register (including relevant actions and mitigations) has been prepared alongside the amendments within this report, with any relevant changes considered and documented as appropriate in the quarterly risk management report.

7. POTENTIAL IMPACTS

7.1 Failure to comply with pension legislation could result in the Administering Authority being reported to the Pensions Regulator where failure is deemed to be of a material significance.

7.2 Equalities. An Equality Impact Assessment has been completed for this report. The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service, or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. There are no EQIA impacts as a result of taking this decision. Equality Impact Assessments are published on the council's website

7.3 Climate change/sustainability: This report is centred around the topic of climate change and sustainability and such impacts are documented in detail through the report and its appendices.

7.4 Data Protection/GDPR. GDPR compliance is included as a specific risk on the register in regard to processing and handling personal data, this is dealt with in the relevant risk report to the Committee along with the relevant mitigations.

8. CONSULTATION

8.1 The Fund's Investment Advisor LPPI and scheme actuary Barnett Waddingham was consulted in preparing this report.

9. TIMETABLE FOR IMPLEMENTATION

9.1 Responsible investment outcomes are not subject to any specific timeline and are instead ongoing. Specific interim net-zero targets and plans are set out in the relevant appendices to prior Responsible Investment reports presented to the Pension Fund Committee.

10. APPENDICES

10.1 This report is supported by 3 appendices:

- Appendix 1: Climate Risk Analysis
- Appendix 2: Responsible Investment Report Q1 2023
- Appendix 3: Responsible Investment Dashboard Q1 2023

11. BACKGROUND DOCUMENTS

11.1 This report is supported by one background document available in the "policies and reports" section of the Pension Fund website

- Responsible Investment Policy (October 2022)

12. CONSULTATION (MANDATORY)

Name of consultee	**Post held**	**Date sent**	**Date returned**
Mandatory:	*Statutory Officers (or deputy)*		
Andrew Vallance	Head of Finance (Interim S151 Officer)	**05/06/2023**	
Emma Duncan	Head of Law and Governance (Interim monitoring officer)	**05/06/2023**	
Deputies:			
Jane Cryer	Principal Lawyer (Litigation) and Deputy Monitoring Officer	**05/06/2023**	
TBC			
Other consultees:			
Cllr Simon Bond	Chairman – Berkshire Pension Fund Committee	**02/06/2023**	
Alan Cross	Chairman – Local Pension Board	**02/06/2023**	

13. REPORT HISTORY

Decision type:	**Urgency item?**	**To follow item?**
Pension Fund Committee decision	~~Yes~~/No	~~Yes~~/No

Report Author: Damien Pantling, Head of Pension Fund

Royal County of Berkshire Pension Fund

Climate analysis report as at 31 March 2022

Barnett Waddingham LLP

22 February 2023

59

Contents

Executive summary

There is clear scientific evidence that human activities are causing climate change. The Royal County of Berkshire Pension Fund (the Fund) faces potential risks from both the physical effects of climate change and the transition to a low-carbon economy.

Climate risk may manifest itself through many of the risks which the Fund already faces such as inflation risk and investment risk, which can potentially cause a deterioration in the Fund's funding position.

The purpose of this paper is to consider climate risk in the context of the Fund's 2022 actuarial valuation. This paper sets out climate scenario analysis on the assets and liabilities of the Fund based on the data and information received for the 2022 actuarial valuation.

The key features of this report are:

Climate risks

- For our analysis we have grouped climate risks into:
  - Physical climate risks
  - Transition climate risks

Other risks

- Climate risk can manifest itself in several other risks that the Fund is already exposed to such as:
  - Employer covenant risk
  - Investment risk
  - Inflation risk
  - Mortality risk
  - Legislative risk
  - Operational risk

Key Principles

- Agreed between the four actuarial firms, the Government Actuary's Department (GAD) and the Department of Levelling Up Housing and Communities (DLUHC)
- Climate risk will feature as part of the Section 13 review of the 2022 valuations

Climate scenarios and key metrics

- The BW framework tests four scenarios (early action, late action, no additional action, far too little too late)
- **Based on the scenario testing, we are comfortable with the current level of prudence included in our proposed funding assumptions**

Introduction and background

This paper sets out climate scenario analysis on the assets and liabilities of the Royal County of Berkshire Pension Fund (the Fund) in-line with the Key Principles agreed with the Government Actuary's Department (GAD) for the purpose of the 2022 LGPS valuations. In producing this analysis, we have also considered the requirements under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 however, these regulations do not apply to the LGPS. We anticipate that the equivalent regulations that will ultimately apply to the LGPS will contain similar requirements.

The purpose of this report is to present information to help Royal Borough of Windsor and Maidenhead, as the administering authority to the Fund, consider climate risk in the context of the Fund's 2022 actuarial valuation. This report also sets out measures the administering authority could take to manage climate risk.

The analysis focuses solely on climate related attributes and combines a mixture of qualitative and quantitative assessments, considering the Fund's investment strategy and other unique characteristics.

The results of the analysis can be used by the administering authority to consider the Fund's exposure to climate risks and opportunities. It may feed into the Fund's Task Force on Climate-related Financial Disclosures (TCFD) report, when required.

The analysis considers the projected funding level under various climate-related scenarios, alongside the (proposed) 2022 valuation basis for the Fund. The results thereby allow the administering authority to consider whether the 2022 valuation funding strategy is sufficiently robust in the context of this climate scenario analysis and any potential contribution impacts.

The climate scenarios used are set out in the body of this report and relate to specific targets and global temperature changes, although we recommend these are taken as illustrative only. Qualitative commentary is included throughout to help provide context to the analysis, covering the impact on the Fund's assets, liabilities, and employer covenant.

This advice complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100) and Technical Actuarial Standard 300: Pensions (TAS 300) as issued by the Financial Reporting Council (FRC).

Climate risks

For our analysis, we have grouped climate risks into the following two categories:

Physical climate risks

This is the direct risk associated with an increased global temperature. This may include acute physical risks (such as heatwaves, landslides, floods, wildfires and hurricanes) and chronic physical risks (such as rising sea levels, changes in precipitation and more volatile weather events). These risks may put an invested asset (or an asset of an underlying company) directly at risk of damage; may cause disruption throughout supply chains and the global economy and/or may lead to higher costs on invested assets or underlying companies (such as insurance and litigation costs).

Transition climate risks

This is the risk associated with the transition to a low carbon economy. The main risk is assumed to be the potential impact of the enforcement of carbon taxes and policies (it is assumed that this risk is higher for regions and sectors with a higher level of, and hard to abate, emissions). However, other risks may include wider policy and regulation risk, technological risk, market risk, litigation risk, and reputational risk.

Physical risks	Transition risks
• Droughts • Floods • Wildfires • Sea level rises • Loss of biodiversity • Heatwaves	• Carbon tax • Constrains on consumption of natural resources • Policy changes in land use and farming practices • Impact on labour skills development • Reputational risk

Other risks

Climate risk can manifest itself in several other risks that the Fund is already exposed to such as:

Other risks	Current mitigation and potential actions
Employer covenant risk: The impact on employer covenant is possibly the most immediate risk for most pension schemes, including the LGPS. The key risk being that if an employer is unable to meet their financial obligation the cost will fall to the other employers in the Fund. Different employers within the Fund are likely to be affected at different times and for different reasons due to their own individual characteristics. It may be appropriate for the Fund to factor in any concerns over particular employers as a result of climate change into the funding valuation. Inevitably, certain LGPS funds and employers are likely to be more at risk from these changes than others. For example, bus operators and logistics companies may have to evolve considerably to satisfy new net zero requirements. Other companies or employers, such as schools and leisure centres may be affected by supply chains if those are disrupted. Some areas are at greater risk of flooding and extreme weather events than others, affecting funds as a whole. Or local authority budgets may be affected by non-pensions issues surrounding climate change. This will all have an impact on covenant: how able and willing employers are to pay contributions to the Fund. The Fund should monitor the strength of the covenant of the participating employers over time, so that any sudden changes in any employer's position can be mitigated. The Fund should consider how they could factor climate risk into any employer covenant review. At this stage, without the relevant data it is difficult to factor climate risk into employer covenant reviews, but if you are aware of individual employers who may pose an increased risk due to climate change, then we would recommend that this is also considered as part of any covenant review and, consequently, in the funding strategy.	The Fund regularly monitors the strength of the covenant of the participating employers. Currently, any employer covenant assessment, in terms of the impact of climate change, is likely to be qualitative due to lack of robust and relevant data. The Fund could focus on physical climate risks which could lead to high costs for employers as a result of insurance and litigation costs. It may be easier for the Fund to consider these risks by sector rather than by individual employer.

Investment risk:

For funding purposes, the discount rate used to value the Fund's liabilities reflects the expected return on the investments that the Fund holds (reduced by a margin for prudence). Funds generally invest in equities, bonds and property, along with other alternative assets. The price of these depends on the market outlook of how each company underlying the investments will perform in the future. To the extent that the market has anticipated the effect of climate risk on each company, it is already reflected within the discount rate.

However, climate risk is complex and whilst it is easy to imagine the various ways that climate change could impact an energy company, for example, it becomes less clear with other companies such as those in the service or healthcare sectors. If the market cannot anticipate or agree on the impact, then it is *unlikely* this will be priced into today's market value or return expectation – in particular where investors' timeframes vary.

Allowance is made in the funding assumptions for the expected long-term performance of risk-seeking asset classes such as equities, but an explicit allowance for climate risk has not yet been included. There is a risk that these returns will not be achieved in practice due to climate risk.

Some funds already have a net zero pledge in place and therefore both funding strategy and investment strategy need to be aligned in order to achieve this. The Fund should therefore regularly review the investment strategy specifically with regards to climate risk, to ensure the risks are understood and managed appropriately.

The Fund receives regular updates from their investment advisers and asset managers about how climate risks are allowed for in the Fund's investment strategy.

The Fund's policy on environmental, social and governance (ESG) considerations, including climate change, is included in the Fund's Investment Strategy Statement.

The Fund may wish to consider any opportunities as well as risks emerging from climate change in incorporate those into the investment strategy.

The Fund should regularly monitor the funding position of the Fund, this can be done using our online intervaluation funding monitoring system, Monitor.

Inflation risk:

Inflation is another of our key assumptions, with the majority of LGPS benefits increasing in line with the Consumer Prices Index (CPI) each year. No one knows how inflation will move over the long term. However, we look to the bond market to gauge the market's expectations of this to set our assumption for the valuation.

As is the case for the discount rate, however, if the inflationary impact of climate risk is not being priced into the bonds in the market, then this will have a knock-on effect on our inflation assumption – the impact of which is, again, unknown. We have not made any additional adjustments to our inflation

The Fund periodically reviews the level of inflation risk inherent in the Fund's investment strategy with their investment advisers.

assumption for the 2022 valuation with regards to climate risk. There is a risk that long-term inflation will be different to assumed for the valuation due to climate risk. If inflation is higher, this will increase the cost of providing the benefits.

The Fund should therefore consider the inflation risk present within the Fund when reviewing the investment strategy.

Mortality risk:

It is easy to see that climate change will have an effect on how long we will all live, but it's more difficult to gauge exactly how. The list of implications of how it will affect the world is long (and growing) and includes risks like zoonotic pandemics such as Covid-19. But how much of that will impact on the life expectancy for members of UK pension schemes? How quickly will an effect be seen? And will it vary by location?

For example, it is possible that in the UK, longevity might actually improve due to climate change. If winters are milder in future, then that could mean fewer deaths. On the other hand, if our summers get too hot then that might not count for much.

It is not possible to predict with certainty how long members of the Fund will live and, if members live longer than expected, additional contributions will be required to prevent a deterioration in the Fund's financial position. The Fund should therefore keep the mortality assumptions under review.

The Fund takes advice from their Fund Actuary on appropriate changes to the Fund's mortality assumptions.

Legislative risk:

Changes in legislation could change the approach that the Fund has taken to managing climate change.

Task Force on Climate-related Financial Disclosures (TCFD) is a framework that aims to help companies and investors measure, manage, and report their climate-related risk exposures and opportunities in a consistent manner. At the time of this report, we are still awaiting the consultation regarding the proposals for new requirements for assessing and reporting on climate risks in line with the recommendations of the TCFD and how they apply to the LGPS. Therefore, we have no new regulations or guidance to inform this analysis. However, we have agreed an approach with DLUHC and GAD for the 2022 actuarial valuations.

The Fund receives regular updates on legislative matters from their advisers.

Further to this, funds face additional risks through the secondary effects of policies introduced by governments. For example, The European Union's (EU's) expansion in 2021 of the Emission Trading Scheme (ETS) made companies pay for the cost of carbon, including the car industry and domestic heating and the carbon border adjustment mechanism requiring goods imported into the EU to be covered by equivalent carbon pricing applicable to production of the same goods within the EU, under the ETS. These types of policies increase the cost of production, affecting businesses and consumers and may affect the investment returns received. The Fund should therefore take professional advice to ensure that they are aware of any changes in legislation and the impact of these changes on the Fund's funding position.	
Reputational risk: LGPS funds are expected to take action to mitigate climate risk. They are under increasing pressure from the general public to invest sustainably and to communicate their net zero targets. It is easy for funds to be compared against each other in their progress and therefore those funds making the least progress will be highlighted. As mentioned, funds are being asked to make an allowance for climate risk in the 2022 valuations. Any challenges to this requirement are likely to be highlighted and/or flagged in the next Section 13 report.	By engaging with this scenario analysis, the Fund has met the requirements of the Section 13 review and therefore should not be highlighted (for this reason) in the final report.
Operational risk: Although many physical implications of climate change are expected to play out over decades-long timescales, in the UK we are already seeing increased short-term localised disruption due to flash floods and power cuts. Depending on the location of critical services, these have the potential to disrupt the day-to-day operations of the Fund, including the payment of pensions to members. It is likely that in future such events will increase both in frequency and duration. Transition effects may also impact the running costs of the Fund (in the same way that the current spike in gas and petrol costs, although driven by non-climate-related factors, will be increasing expenses).	The Fund already has procedures in place covering Business Continuity Planning for short-term disruption, but these may need to be reviewed to ensure that they are sufficiently robust in light of the expected increase in frequency and duration of such disruptions, particularly in the context of increased working-from-home.

Key Principles

Barnett Waddingham has worked with GAD and the other actuarial firms to agree a set of Key Principles for how LGPS funds would undertake climate change scenario analysis as part of the 2022 valuations.

The Key Principles behind the climate scenario analysis have been agreed in order to assist GAD in their 2022 Section 13 review of the LGPS funds. In their 2019 Section 13 report dated November 2021, GAD noted:

> *"DLUHC will be consulting on proposals for new requirements for assessing and reporting on climate risks in 2021 in line with the recommendations of the Taskforce on Climate-related Financial Risks (TCFD), and new regulations and guidance are expected to follow. Climate risk will be a focus in future section 13 reports. GAD will facilitate dialogue and engagement with DLUHC, actuarial advisors and the SAB prior to publication of the 2022 valuations to ensure a consistent approach is adopted."*

67

DLUHC's consultation on governance and reporting of climate change risks was launched 1 September 2022 and closes on 24 November 2022. Barnett Waddingham considered the consultation and submitted a response.

The Key Principles agreed with GAD for 2022 valuation reporting are split into four areas:

Key Principles		Fund/BW action
1.	**Scope of the analysis** The scope was deliberately kept wide to reflect the various levels of that progress that different funds will have made on their journey in managing climate risk. It was agreed that any analysis should be able to identify the impact of transition risk (shorter term) and physical risks (longer term) on the potential funding outcomes. The purpose of the analysis is to test whether the Fund's funding strategy is sufficiently prudent in the context of the scenario analysis considered and therefore any potential contribution impacts. The analysis should be supported by qualitative commentary on what potential actions are being taken to improve resilience to climate change and the potential implications.	The scenario analysis within this report separates the impact into transition risks and physical risks. This report comments on the suitability of the funding strategy. Qualitative commentary is included in the "Other risks" section.

2.	**Scenarios to be considered and "expected" funding level** As a minimum, each fund should select two scenarios to consider: "Paris-aligned" and higher temperature outcome, and compare these to the funding basis. "Paris-aligned" is an optimistic basis which assumes that good progress is made towards the ambitions made in the 2015 Paris Agreement. A higher temperature outcome assumes that no new climate policies are introduced beyond those already agreed, resulting in a growing concentration of greenhouse gas emissions and a larger increase in global temperatures. Funds should also consider the extent to which the scenarios will consider additional elements such as the potential impact on life expectancy changes and employer covenant.	The scenario analysis in this report looks at four scenarios. Our "early action" scenario aims to represent a "Paris-aligned" scenario, and our "no additional action" scenario represents a higher temperature outcome. We also consider a "late action" and a "far too little too late" scenario. The impact on the funding position of each scenario is then considered in the "Projected funding level" section of this report. Additional elements are described in the "Other risks" section.
3.	**Time horizon and output** The output from the scenario analysis will include consideration of the results (which will include the funding level on each scenario modelled) over a period of at least 20 years to ensure there is sufficient recognition of the transition and physical risks of climate change.	The scenario analysis looks at the impact on funding the period to 2050.
4.	**Reporting** A summary of the analysis should be included in the final valuation report. GAD will be looking to confirm that the two scenarios have been considered in a way that funds and other readers can understand. It may also need to be referenced in the Section 13 dashboard included in the final valuation report. The Fund's approach to managing climate risk in the valuation, should also be set out in the Funding Strategy Statement (FSS).	BW will continue to engage with GAD on the 2022 reporting requirements in order to ensure consistency with the other LGPS funds. BW will also provide wording for inclusion in the FSS.

Climate scenarios and key metrics

The climate scenarios within Barnett Waddingham's in-house climate scenario framework consist of four scenarios, which are broadly based on those used in the Bank of England's Biennial Exploratory Scenario (further details of which can be found in Appendix 1). A brief description of these scenarios is set out below.

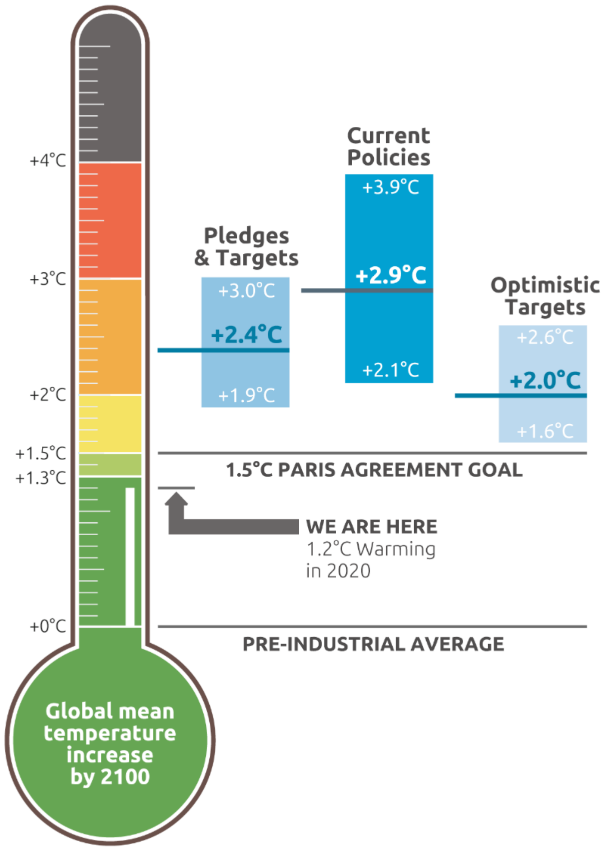
Scenario	Brief description	Assumed temperature rise* by 2100	Approx. carbon price** 2030/2050	Physical risk	Transition risk
Early action (Paris-aligned)	Transition to net zero begins in year one, alongside assuming carbon pricing and policy intensifies over time. The long-term average return under this scenario is equivalent to the best estimate return calculated for the 2022 valuation of the Fund, effectively assuming the market is pricing in early action on climate risks.	1.6°C	$300/$900	Limited	Medium
Late action	Policy implementation is more sudden and disorderly due to delay, resulting in disruption over the medium term.	1.6°C	$30/$1,000	Limited	High
No additional action	No new climate policies are introduced beyond those already agreed, resulting in a growing concentration of greenhouse gas emissions and a larger increase in global temperatures. This results in changes in precipitation and increases the frequency and severity of extreme weather events. A temperature rise of 2.3°C is assumed to happen over the short term.	4.1°C	$30/$20	High	Limited
Far too little too late	This scenario has been created by Barnett Waddingham and accumulates the impacts of a "late action" scenario and a "no additional action" scenario. The scenario considers what may happen if the implementation of polices is more sudden and disorderly due to delay and, despite action, a larger increase in global temperatures still occurs. (It should be noted however that even this scenario does not represent a "worst case".)	4.1°C	$30/$1,000	High	High

* Relative to pre-industrial levels
** Approximate assumed price in 2010 real terms to offset one ton of carbon dioxide in 2030 and 2050, respectively. Like other commodities, price increases with demand.

We do not expect any one of these scenarios to play out exactly in full and actual experience will differ from that projected within the scenarios. However, these illustrations can be used as a guide to consider climate risk within the Fund's funding and investment strategy, thereby helping the Fund to monitor, manage and potentially mitigate specific risks.

The picture to the right shows how global temperature rises could change, based on national policies and pledges, giving context to the temperature rise considered under each scenario in this report.

The picture has been taken from the Climate Action Tracker (based on national polices and pledges end of December 2019) ourworldindata.org



Analysis of the Fund’s assets

Using the Fund’s long-term investment strategy, as provided to us for the 2022 valuation, we have assessed the climate risk impact under each of the scenarios set out above. The scenarios cover a range of outcomes, from global warming being limited to global warming increasing significantly. However, in reality, the risks may be significantly more material than implied within these scenarios.

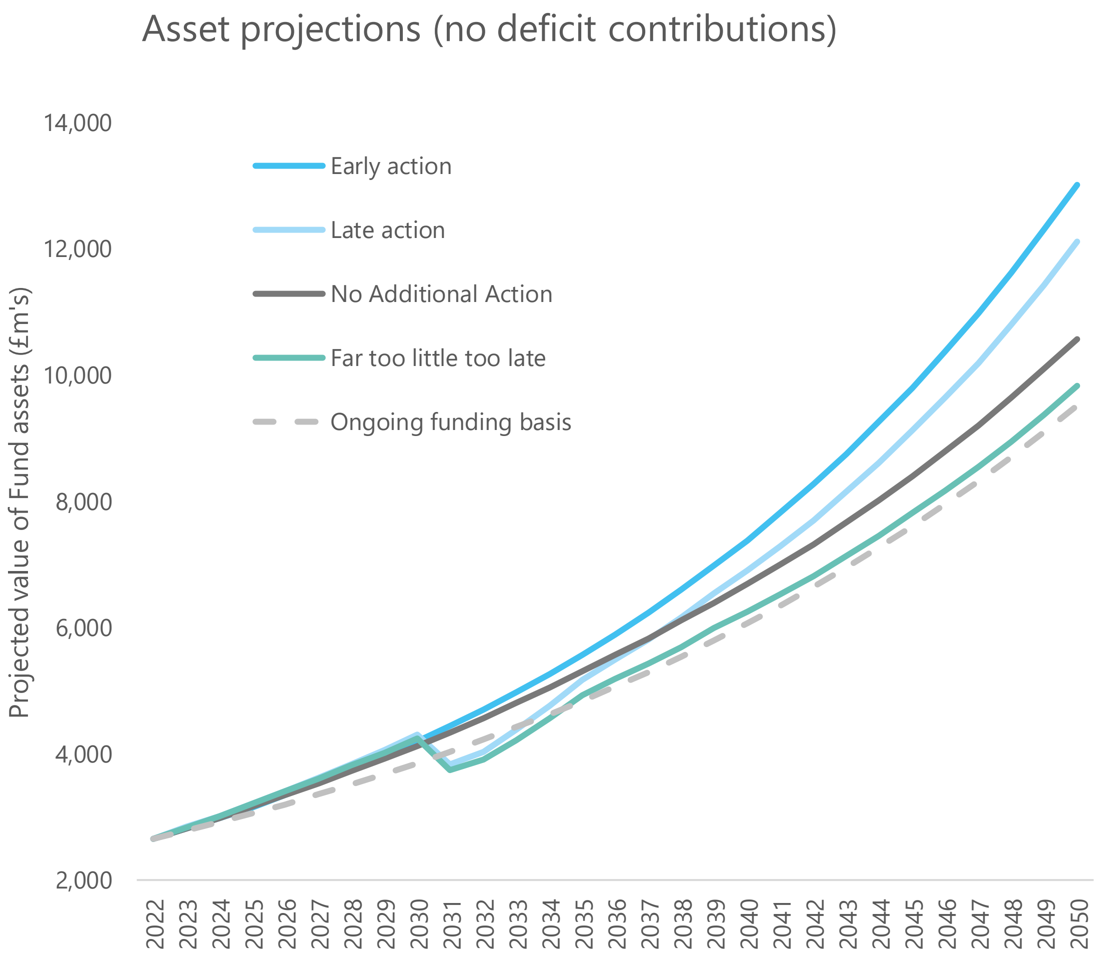
All scenarios effectively consider the current market mispricing of assets and future returns. This may be the case for a vast number of reasons, for example, due to lack of climate risk data for investors, stranded assets, impact on yields through issuance of greater bond supply, or currency risk if not all countries adapt equally.

The Bank of England Biennial Exploratory Scenario data used for our projections utilises a “top-down” approach (that is, at a macroeconomic level), rather than a “bottom-up” approach (at a company level). A bottom-up approach may provide for more granular results, however, given the quality and availability of data, the expectation that climate impacts will be systemic and the nature of UK pension scheme investments (that is, they are primarily invested in pooled funds with various underlying asset classes and numerous securities), a top-down approach was viewed as being more appropriate.

Barnett Waddingham’s analysis looks at the impact of climate risk on each asset class at a given point in time. We have grouped the Fund’s investment strategy into the same groupings used for the purpose of deriving the discount rate assumption used in the 2022 actuarial valuation and applied the Bank of England Biennial Exploratory Scenario data to each asset class. A breakdown of the asset projections by asset type under each scenario has been included in Appendix 2.

For the avoidance of doubt, our asset projection does not make any allowance for any steps that the Fund may have already taken to reduce emissions and manage climate risk. Further “bottom-up” analysis would be required to incorporate this. Nor does it allow for adjustments at future valuation dates.

The graph below illustrates the estimated pathway of the Fund's assets under each scenario. A projection on the ongoing funding basis is also included for comparison.



The “early action” scenario is used as the base case, and each of the other scenarios are considered relative to this scenario over the period to 2050. The difference between the projected assets under the “early action” scenario and the ongoing funding basis reflects the prudence allowance included for ongoing funding only.

The Fund’s projected assets under each scenario differs and the assets under the ongoing funding basis sit below those on any other scenario in the long-term. This shows that in the long-term, the asset return assumed for the ongoing funding basis is sufficently prudent to withstand the risk of these climate scenarios (albeit the prudence allowance is intended to act as a buffer against other non climate-related risks too).

However, in the medium-term, assets projected on the “late action” and “far too little too late” scenarios fall below those projected in line with the ongoing funding basis. These scenarios assume climate policy implementation is more sudden and disorderly, resulting in disruption and a sharp fall in returns while policies bed in (during the early 2030s).

In practice, we will continue to monitor the return on the Fund’s assets and any changes in our best-estimate outlook will be incorporated into the assumptions used for future valuations. If, for example, our best-estimate outlook shifts downwards towards the late action scenario then our funding projection would shift downwards too (maintaining the same level of prudence as we do currently).

Projected funding level

The Fund's liabilities are also subject to climate risks and opportunities. For example, inflation may increase due to resource constraints or decrease due to lower economic growth, life expectancies might be impacted by physical climate risks (e.g, drought, flooding), or operational costs might increase due to changes in the supply and demand of certain resources.

In this section we consider the impact of the different scenarios on the Fund's overall funding position.

Conditions of analysis

Due to the current lack of robust data, no assumption has been made for potential climate change impacts on mortality in our scenario analysis. We will keep this under review and consider any new information for future reviews of this analysis.

In our calculations we have used member data and asset data provided by the administering authority as part of the 2022 actuarial valuation. We checked the data for reasonableness as part of the valuation process and are happy that the data is sufficiently accurate for the purposes of this analysis.

Results

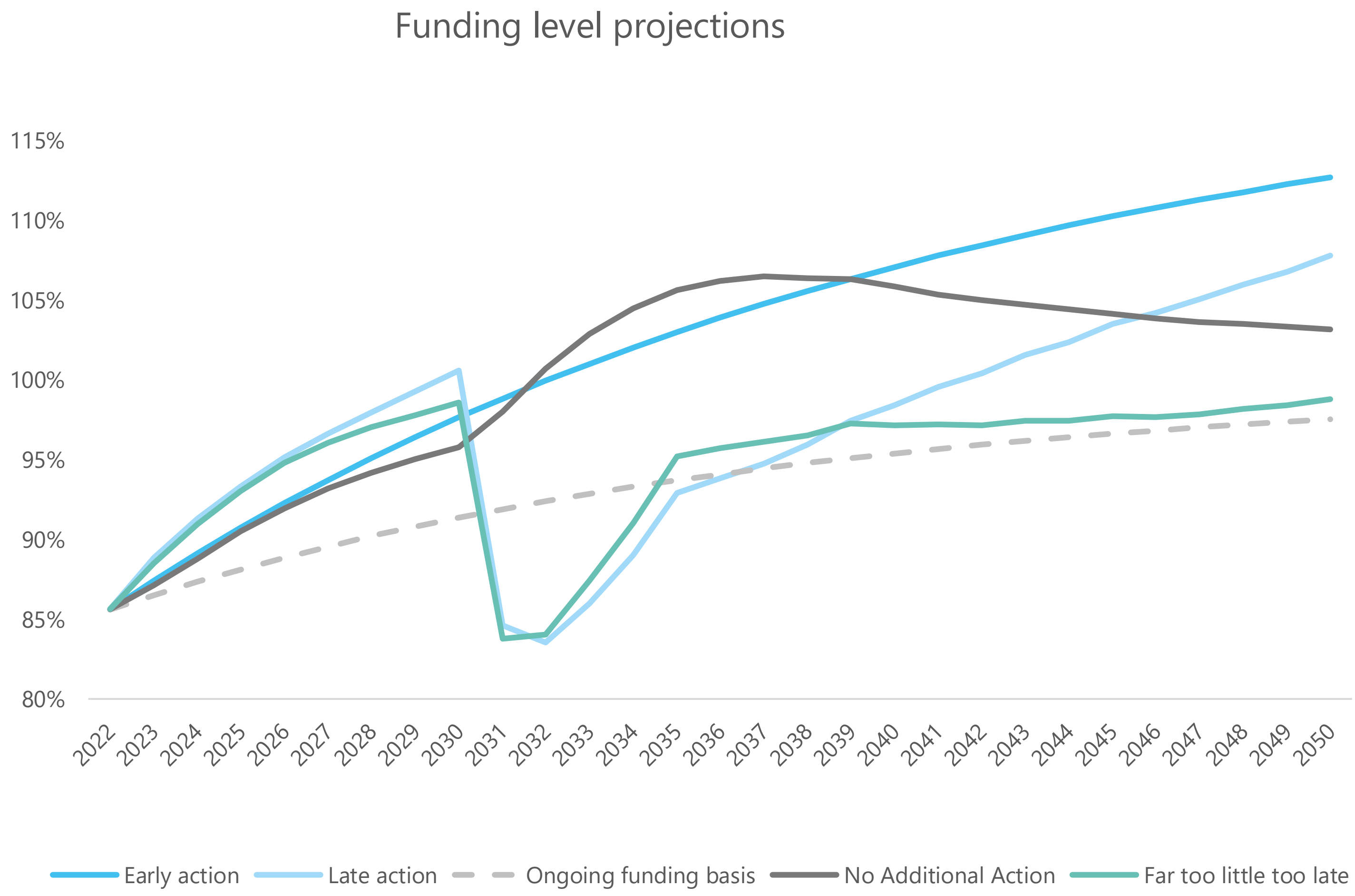
74

The Fund's liabilities have been projected based on the data and assumptions used for the 2022 valuation. The ongoing funding basis projection assumes the (proposed) 2022 valuation assumptions play out in practice, with no adjustments made at future valuation dates. Whereas the early action scenario assumes that our 'best estimate' assumed return is achieved on the Fund's assets, that is the 2022 discount rate with the margin for prudence removed. The other climate scenario projections are then calculated with reference to the early action scenario using The Bank of England Biennial Exploratory Scenario data.

In our funding model, both the discount rate and benefit increases are linked to the assumed level of inflation. Because of this, the impact of changes in projected inflation on the liability value are minimal. Therefore, the projected values of liabilities are broadly similar across all climate scenarios.

In reality, it is unlikely that there would be this level of disparity between the scenarios over the long-term, as contributions and assumptions would be revisited every three years as part of the Fund's actuarial valuation. However, for the purposes of this analysis, we have calculated the projections in line with the (proposed) 2022 valuation assumptions.

Combining the liability projections with the asset projections, the graph below shows how the Fund's funding level is expected to vary across the scenarios and time periods. This projection assumes that secondary (deficit) contributions are paid to restore the funding level to 100% over a rolling 17 year period on each scenario.



Over the short-term (up to 10 years), the funding level is influenced most by the impact on asset returns under a “late action” and a “far too little too late” scenario, driven by the assumption that physical risk is present from day 1.

Over the medium-term (10 – 20 years), the funding level is influenced most by the impact on asset returns under a “late action” and “far too little too late” scenario, driven by the introduction of sudden and disorderly policies. However, these impacts are somewhat recovered over time.

Over the long-term (20 years or more), the funding levels under all scenarios become less volatile but the outlook is most positive under the “early action” and “late action” scenarios under which the funding position continues to improve. Unsurprisingly, where no additional action or too little action is taken, the funding level is more materially and adversely impacted, although remains above ongoing funding basis over the long term.

The Fund may be able to reduce the impact experienced on its funding level across each of the scenarios and time periods by considering the Fund’s investment strategy and using this report in discussions with their investment advisers. As part of any such review, the Fund should consider the other risks and opportunities to which the Fund is exposed (as detailed earlier in the report).

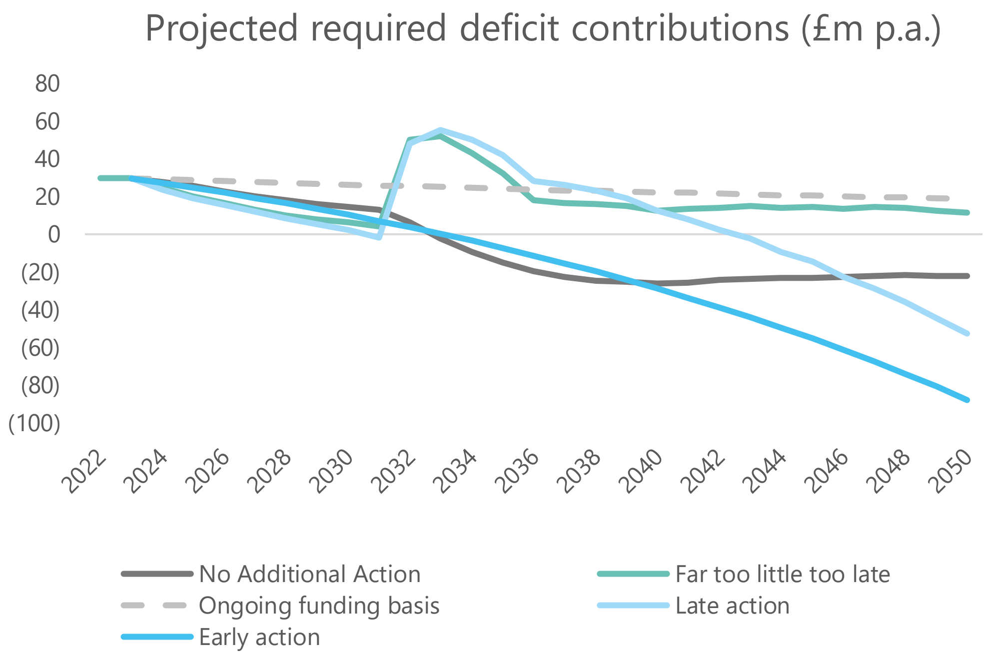
Employer contributions

Our projection assumes that secondary (deficit) contributions are paid to restore the funding level to 100% over a rolling 17 year period on each scenario (the Fund’s base recovery period). This means that for the purpose of our projections, the recovery period never gets any shorter. This also means that different secondary contributions are assumed to be paid under each scenario.

The graph to the right shows the projected secondary (deficit) contributions required under each scenario, calculated assuming a rolling 17 year recovery period. As we are assuming a rolling recovery period, the secondary contributions on the ongoing funding basis never fully disappear in these projections. In practice, the contributions payable and associated recovery period would be reviewed at each funding valuation and adjusted as appropriate, i.e., the recovery period is unlikely to remain fixed.

The graph illustrates that, the ongoing secondary contributions are projected to be insufficient in the medium-term should the "late action" or "far too little too late" scenarios play out in practice and larger injections of cash may be required.

We suggest the Fund monitors the situation over the next valuation period, carrying out further climate scenario analysis as and when new information become available. Monitoring of the funding position can be done on a regular basis using our Monitor software which is our online intervaluation funding monitoring system.



Final comments

The Fund has varying levels of climate risk across its assets and liabilities.

Our analysis considers the Fund's funding level under different climate scenarios and there are varying impacts. The largest impacts are experienced over the medium term, under a "late action" and "far too little too late" scenario (primarily driven by transition risks) and over the long-term under a "far too little too late" scenario (primarily driven by physical risks).

The ability to mitigate the climate risk impact on the Fund's liabilities is limited, although consideration should be given to the 2022 valuation basis used to calculate the contributions paid by employers to the Fund, to ensure the administering authority is comfortable with the level of risk being taken.

Climate risk is only one risk that the Fund faces. The prudence allowance included in the valuation assumptions is intended to act as a buffer against all downside risks, not just those relating to climate change.

Based on the scenario testing in this report, we are comfortable with the current level of prudence included in our proposed funding assumptions. Over the short-term, our analysis shows there is some leeway to allow the Fund time to react to worsening conditions and put appropriate measures in place. We will of course keep this under review and, if at subsequent valuations it looks as though we are going down a "late action" type path, we will update our assumptions accordingly.

Next steps

Climate change and managing climate risk is becoming increasingly important. With draft regulations on the way, it is anticipated that it will become necessary for administering authorities to consider climate risk in relation to the Fund.

There are a number of actions set out in this paper, which the Fund could consider in managing climate risk including:

- Different employers are likely to be affected by climate change in different ways, and at different times. The administering authority should stay alert to this and continuously monitor employer covenant to ensure that any changes in covenant are revealed. Any changes should be dealt with as required and as soon as possible, in order to best protect the Fund and the other participating employers. Given the lack of robust data, the Fund may choose to consider climate risk by sector, rather than by individual employer.
- The Fund should regularly monitor the funding position of the Fund. This can be done using our Monitor software.

- The administering authority may also wish to consider the climate risk and opportunities of the Fund’s assets and investment strategy. This should be discussed with the Fund’s investment advisers. Barnett Waddingham’s Investment Consulting team would also be happy to carry out a more in-depth analysis of your investment strategy for you, if desired.
- The Fund should take advice from their Fund Actuary on appropriate changes to the Fund’s mortality assumptions at future valuations.
- The Fund should ensure they are in receipt of regular updates on legislative matters from their advisers.

We look forward to discussing this paper with you in more detail.

Barry McKay

Barry McKay FFA
Partner
Barnett Waddingham LLP

Appendix 1 Approach to climate scenario analysis

Overview

Barnett Waddingham's in-house climate scenario framework utilises the Bank of England's Biennial Exploratory Scenario to undertake climate scenario analysis. These scenarios build upon a subset of the Network for Greening the Financial System (NGFS) climate scenarios, which have been produced in partnership with leading climate scientists and make use of climate economic models.

The Bank of England Biennial Exploratory Scenario is not exhaustive concerning asset classes, regions, sectors, funds, macro-economic indicators and scenarios. Therefore, Barnett Waddingham's in-house climate scenario framework combines a mixture of qualitative and quantitative methods to assess climate impacts across all required areas.

The Bank of England Biennial Exploratory Scenario also utilises a "top-down" approach (that is, at a macroeconomic level), rather than a "bottom-up" approach (at a company level). A bottom-up approach may provide for more granular results, however, given the quality and availability of data, the expectation that climate impacts will be systemic and the nature of UK pension scheme investments (that is, they are primarily invested in pooled funds with various underlying asset classes and numerous securities), a top-down approach was viewed as being more appropriate.

Nevertheless, Barnett Waddingham's framework does allow for a bottom-up approach to be incorporated at Fund level, by breaking down the Fund's long-term investment strategy, although we have not done so for this analysis. If the Fund would like to receive more in-depth analysis of their investment strategy, we would be happy to liaise with our Investment Consulting team to prepare this for you. Detailed information on the breakdown of your asset strategy would be required.

Our analysis does not consider the impact of climate change on mortality due to the current lack of data in this area.

Climate scenario modelling is in its infancy and is expected to undergo significant development over time. Furthermore, climate scenario data quality is generally considered spurious and non-comprehensive. As a result, we intend to develop and build upon this analysis over time as data quality and availability improves.

In creating this framework, Barnett Waddingham has recognised these limitations and aims to address them by creating a solution that combines quantitative and qualitative analysis.

Key assumptions

Current market pricing

The Bank of England data includes projected returns and yields on several asset classes up to 2050, under three scenarios – "early action", "late action", and "no additional action". Barnett Waddingham's model examines the differences between these projections under each scenario and applies them to our own funding model, to allow for comparison with the Fund's ongoing funding basis, rather than using the Bank of England data in isolation. To do this we need to make an assumption regarding what, in respect of climate change, is already priced into the markets.

We generally believe that the market is pricing in somewhere between the "early action" scenario and "late action" scenario.

We have spoken to several modelling providers who have provided a range of answers. Very few providers model a "base case" representative of the market's assumed view. However, from what we have seen, modelling providers that do take into account a market "base case" scenario tend to show a positive relative impact under an "early action" scenario, implying that they agree that an "early action" scenario is more optimistic than what the market expects.

We also believe that, as time goes on without a global consensus on climate policy, it is likely that the market will increasingly price in a "late action" scenario.

Exactly how much the market is pricing in at any one time is difficult to predict. Therefore, for our analysis, we have taken a pragmatic approach and, instead of trying to second guess the market, we have used our "early action" scenario as our base case (i.e., equal to our best estimate of market assumptions for the 2022 valuation and excludes any prudence allowance). This means that our base scenario may be seen as somewhat 'optimistic', but results in our risk measures being conservative (as we consider downside risk relative to this scenario).

Projected employer contributions

Employer contributions comprise of primary contributions (covering the annual cost of accrual of benefits) and secondary contributions (as an adjustment to the primary rate as required i.e. payments towards any deficit that may exist). For our projections we have calculated the cost of accrual under each scenario and assumed that primary contributions will be paid in line with this in each case. Similarly, to benefit increases, our discount rate is linked to CPI inflation, and therefore the primary contributions required under all scenarios is assumed to be broadly constant.

The secondary contributions allowed for under each scenario have been calculated to recover the deficit under each scenario over a rolling 17 year period. We have done this to better reflect the action the Fund may be required to take in adjusting contributions under each scenario if that scenario played out.

The funding projections shown are therefore not entirely indicative of what would happen in practice – in reality, three-yearly funding valuations would be carried out and the contributions payable would be recalibrated in line with the funding position and the Funding Strategy Statement, adjusting the recovery period appropriately. However, the projections do still highlight a wide range of outcomes that may be possible, depending on how climate matters progress.

Asset allocation

The Fund's assets are assumed to be invested in line with the strategic asset allocation used for the 2022 valuation, at all future dates. In practice, the strategic asset allocation should be reviewed on a regular basis, and it is unlikely this would remain constant over the next 30 years. Any changes to the asset allocation may affect the Fund's exposure to climate risk and therefore would alter our projections. Our analysis, therefore, only captures the risks projected under the current long-term investment strategy as used for the 2022 valuation and the derivation of the discount rate.

Timeframes

The Fund's investment strategy has been assessed under each scenario across a 30-year time horizon, which has been split into three segments of ten years (short-term, medium-term, and long-term). Ranges, rather than precise years, have been used due to the uncertainty of exact timings regarding climate events. The rationale for selecting these periods is set out below.

Short-term (0-10 years)

Over this period, we would expect significant improvements in modelling and data quality with regards to climate scenario analysis. Furthermore, under an "early action" scenario, we would expect significant progress by global governments and corporations, given the importance of significant changes being made by 2030 to limit global warming.

Medium-term (10-20 years)

Over this period, we may expect the impacts of a "late action" scenario to be at their highest. This is expressed as a ten-year range, as there is great uncertainty regarding the precise timing of any "late action".

Long-term (20-30 years)

Over this period, under an "early action" and "late action" scenario, we would expect global governments' and corporations' carbon emissions to be tending towards zero, in order to meet any net zero targets by 2050. Furthermore, under a "no additional action" and a "far too little too late" scenario, we would expect impacts to be at their greatest at the end of the scenario period (that is, by 2050).

Future reviews

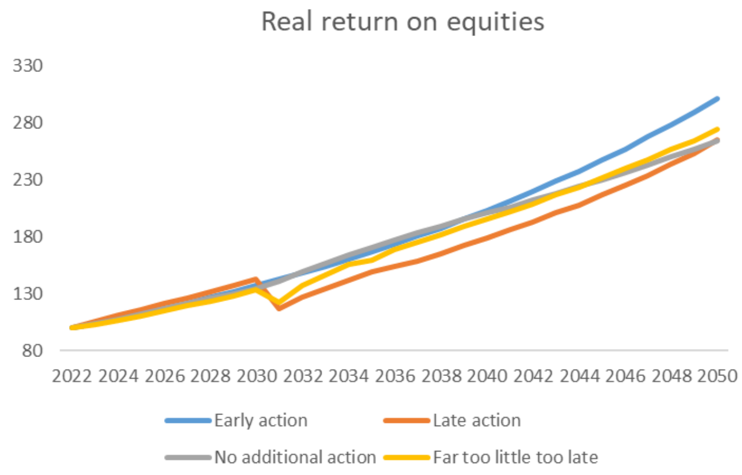
Barnett Waddingham will review and adapt our framework on an ongoing basis but expect to undertake a full-scale review during the next LGPS funding valuation, by which time we would expect a material increase in the quality and coverage of climate scenario analysis forecasts and climate data. If earlier support is required following the draft regulations from DLUHC, we would be happy to help and we will be in touch with more information.

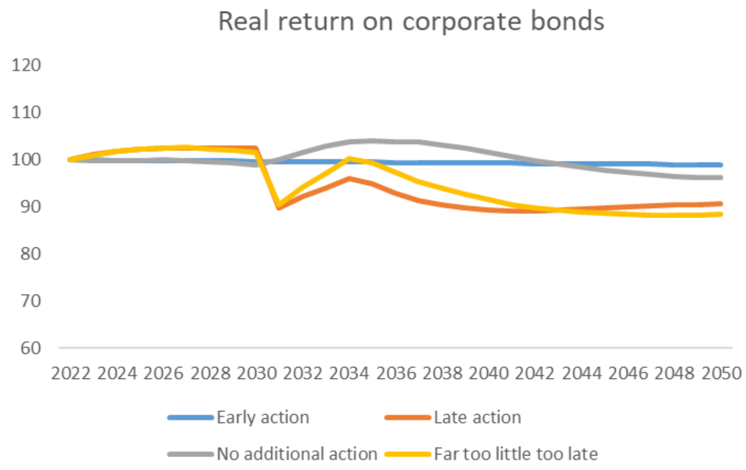
In the meantime, Barnett Waddingham will continue to engage with modelling and data providers, as well as fund managers, regarding best practice and improvements to methodologies, data quality and coverage.

Appendix 2 Asset projections by asset class under each scenario

The graphs in this appendix, consider each asset class's performance under each climate scenario *net* of inflation, over a 30-year time horizon. The early action projections are in line with our best estimate return on each asset class, as assumed for the 2022 valuation. The other scenarios are projected with reference to this using the Bank of England Biennial Exploratory Scenario data and assumed inflation relevant to that scenario. The scale used differs between each graph.

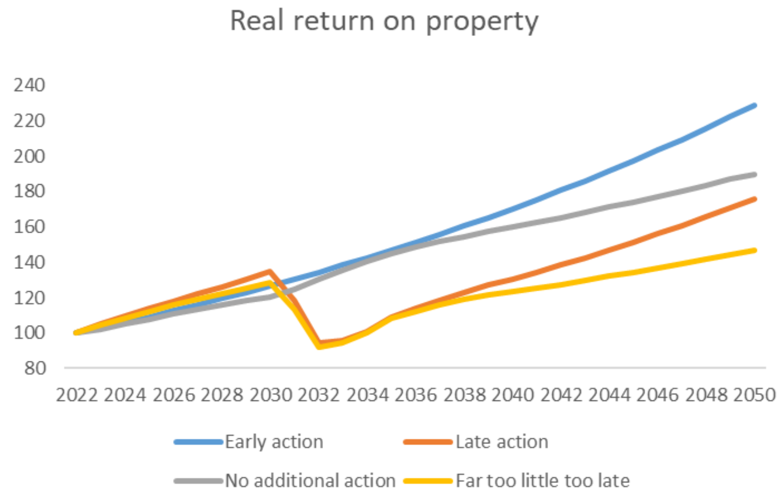
The kinks in the projected return under the "late action" and "far too little too late" scenarios for all asset classes are a result of the expected disruption that would be caused by last minute policy implementation.

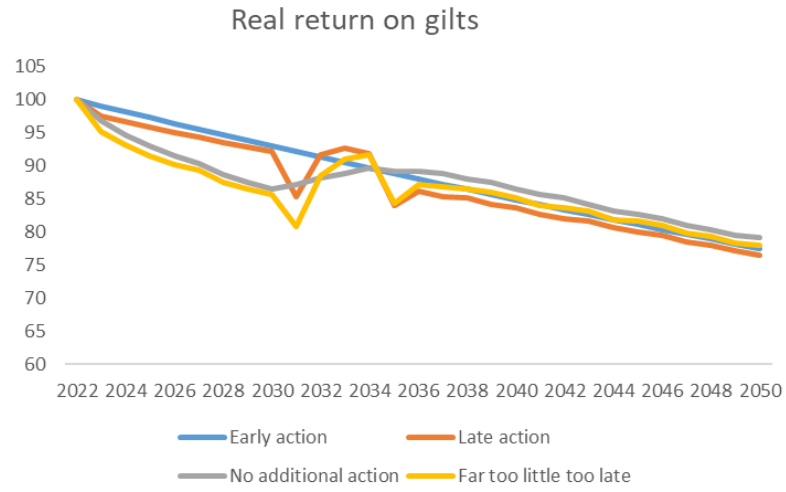




As the world enters uncharted territory with economies looking for ways to combat climate change, company shareholders face substantial risks that established business models may no longer be viable, and innovation may be necessary in order to survive, and thrive. The physical consequences of climate change have the potential to cause widespread damage and disruption to countries across the globe. This is likely to heighten market volatility and may trigger flights to safety from investors, which could result in a significant impact on returns.

Relative to equities, global corporate bond indices have a relatively high weighting to financials, which are expected to be less impacted by transition risk, but also to industrials, which are expected to experience higher impacts. Physical risks will vary, depending on where a company's operations are based and how dependent their revenue is on their at risk assets or supply chains. Not only may these risks harm a company's revenue, and increase the likelihood of them defaulting on the bonds, it may also result in companies having to issue more debt. Recovery rates on bonds may also be impacted, due to the risk of stranded assets.





Property will be a key contributor to the UK's journey to a low carbon economy. It is anticipated that over the coming years, regulation will be created that requires commercial buildings to have at least an EPC rating of 'B' by 2030 as well as increased disclosures. This may result in large upgrade costs to property owners and may result in stranded assets (whereby the cost of upgrading the building is not feasible). As a physical asset, property has high exposure to physical climate risks. For example, a property near the coast may be at more risk of flooding due to rising sea levels, whereas a property in the financial hub of London may be better protected by government spending on sea defences.

The UK was the first major economy to make a net-zero commitment and currently their efforts are deemed to be 'almost sufficient' in meeting these objectives. We therefore believe that the UK will be in a relatively better position with regards to managing climate risk than many other developed and emerging nations. However, the UK is not immune to these risks. On the physical side in particular, large areas of the UK, including major cities, are expected to be below sea level in a scenario where temperatures increase significantly. These risks may impact businesses and result in lower tax revenues for the UK government.

As illustrated by the graphs, there is significant volatility of returns under the "late action" and "far too little too late" scenarios in the medium-term. This is primarily driven by the knee jerk action assumed to be taken in these scenarios. The real return on property is assumed to be affected by climate change to a greater extent than equities, bonds, and gilts for the reasons described above.

If the Fund wished to consider any alterations to their investment strategy, then advice should be taken from their investment advisers. The Fund's objectives as a whole, along with the other risks and opportunities to which the Fund is exposed, should also be taken into account.

Royal County of Berkshire Pension Fund (RCBPF) Responsible Investment Report – Q1 2023

This report has been prepared by LPPI for Royal County of Berkshire Pension Fund (RCBPF) as a professional client.

1. Introduction

This report on Responsible Investment (RI) is a companion to the LPPI RI Dashboard (Appendix 1) and the Quarterly Active Ownership Report (Appendix 2).

It covers stewardship in the period 1st January - 31st March 2023 plus insights on current and emerging issues for client pension funds.

[R] This symbol indicates a term explained in the reference section at the end of this report.

Key takeaways for the period:

- In Q1 2023 LPPI voted on 94% company proposals, supporting 88% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) have increased to 2.08% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) have increased to 6.96% of the portfolio.
- LPPI has joined the IIGCC's[R] Net Zero Engagement Initiative (NZEI). By expanding the universe of companies engaged beyond the Climate Action 100+[R] focus list, the objective is to help investors align more of their portfolio with the goals of the Paris Agreement[R].
- LPPI has been participating in the FCA-convened Vote Reporting Group. The Group aims to bring together a range of stakeholders with knowledge and interest in good practice vote disclosure to develop a more comprehensive and standardised vote disclosure regime.
- The conclusion of the DLUHC[R] consultation on the introduction of climate risk reporting for LGPS will be delayed, after originally being planned to be in place by April this year. This means that the requirements will not come into place for the 2023/24 financial year.

2. RI Dashboard – Portfolio Characteristics

This section of the report shares key takeaways from the RI Dashboard at Appendix 1.

Asset class metrics (*Dashboard pages 1 & 2*) offer insights on the composition of the portfolio and its general characteristics. See the summary for Q1 2023 outlined below.

The Real-World Outcomes section of the dashboard features examples of socially positive investments and this quarter the focus is on Infrastructure. Pages 6-9 share information on a selection of investments within the RCBPF portfolio which are developing solutions based in the UK and abroad.

Listed equities (Dashboard p1)

Sector Breakdown

Categorised by GICS[R] the largest sectoral exposures for the GEF are Information Tech. (20%), Financials (17%), and Consumer Discretionary (15%).

Comparing the GEF with its benchmark (MSCI ACWI)[R] gives insight into how sector exposures for the fund differ from a global market index. The length of each horizontal bar indicates by how much exposures differ in total (+ or –) compared with the benchmark, which is the outcome of active managers making stock selection decisions rather than passively buying an index.

Top 10 Positions

The top 10 companies (10 largest positions) make up 22% of the total LPPI GEF.

In Q1 2023 Microsoft moved up 2 positions and is now the largest holding in the GEF. Visa and Nestle remain in the top three, with Visa remaining stationary and Nestle moving down by 2 positions. Accenture and Starbucks have moved down 1 and 2 positions respectively, whilst Alphabet and LVMH have both moved up by 1 position. Pepsico, Colgate and Diageo were replaced by Intuit, Rockwell Auto and Apple, which makes up the last positions in the top 10.

Portfolio ESG Score

During a period of ongoing dialogue with our provider related to licensing to publish ESG ratings for the GEF, LPPI has temporarily removed this metric from our reporting. We expect the process to conclude by next quarter and for monitoring of the score to continue. We will communicate details privately until matters have been concluded.

Transition Pathway Initiative (TPI)

Monitoring against TPI[R] Management Quality ratings confirms the GEF continues its relatively low exposure to highly carbon intensive activities with minimal changes in ratings since Q4 2022. By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment has increased from 11.0% to 11.9%, between Q4 and Q1.

The number of GEF companies in scope of TPI scoring has increased by 2 since Q4 2022, changing from 31 to 33. This increase is a result of 3 new assets entering the portfolio from our external managers, which are already part of the TPI universe. One company has dropped out of scope as it is no longer held in the portfolio.

Of the 33 companies in TPI scope:

- 91% (by value) are rated TPI 3 and above – demonstrably integrating climate change into their operational planning (TPI 3) and into their strategic planning (TPI 4). This is down from 92% in Q4 2022, which is a general reflection of mark-to-market changes in the valuations of in scope companies.
- 8 companies are scored below TPI 3 and are under monitoring.

Governance Insights

The following metrics provide insights on governance issues for the GEF using data from ISS DataDesk (Institutional Shareholder Services) our provider of shareholder voting services.

Women on the board: A measure of gender diversity confirming the average proportion of female board members for companies in the GEF (where data is available).

In Q1 2023, an average of 30% of board members were female in the GEF, which is up from 29% in Q4 2022. There was a coverage of 85% data availability (up from 84% in Q4), which was a result of several companies not being in scope of the ISS database.

Board independence: The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence as a route to an appropriate breadth of ideas, skills and experiences being drawn upon.

In Q1 2023, on average 69% of board members were independent in the GEF, which is up from 68% in Q4 2022. There was a coverage of 84% data availability (unchanged from Q4), which was a result of several companies not being in scope of the ISS database.

Say-on-pay: The average level of investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

In Q1 2023, an average of 88% were in support for say on pay (unchanged from Q4), which indicates a high proportion of investors were supportive of the pay policies of investee companies. There was a coverage of 62% data availability (down from 69% in Q4), which was a result of several companies not being in scope of the ISS database.

<u>Other asset classes (Dashboard p2)</u>

Private Equity

The largest sector exposure continued to be in health care, increasing from 37% in Q4 to 39% in Q1 2023. The geographical exposure continued to have a strong presence in the United States (37%), slightly reducing from 40% in Q4 2022.

Infrastructure

The geographical exposures to UK based infrastructure slightly decreased, moving from 48% exposure in Q4 to 46% in Q1 2023. The largest sectoral exposure remained in Traditional Energy, Renewable Energy, Waste, which makes up 41% of the portfolio.

Real Estate

The largest sectoral exposure continued to be industrial assets in Q1 2022, making up 31% of the portfolio. The portfolio continued to be largely deployed in the UK, increasing from 71% in Q4 to 75% in Q1 2023.

Green & Brown Exposures

Calculation of the Fund's exposure to Green and Brown activities focusses specifically on equity assets (Listed Equity, Private Equity, and Infrastructure) plus corporate bonds within Fixed Income. Figures give an indication, rather than a precise measure, as an assistance to reviewing the overall position.

Green activities are those directly contributing to real world decarbonisation, principally through renewable energy generation, but include other activities supporting lower emissions including district heating, and waste management. Brown activities are those directly involved with extracting, transporting, storing, and otherwise supplying fossil fuels, or using them to generate energy.

The dashboard presents information on the trend in Green and Brown exposures (commencing in Q2 2021). Quarterly changes in Green and Brown exposure reflect multiple factors at play including funds reaching maturity, assets being revalued, and investments being made and sold. The total value of the Royal County of Berkshire Pension Fund (RCBPF) portfolio (as the denominator) also affects Brown and Green % shares quarterly.

Compared with Q4 2022, brown exposure has increased from 1.76% to 2.08%. The biggest contribution to this increase was a reduction in the overall portfolio valuation relative to the performance (valuation) of the Brown assets. In real terms, there has been a reduction in the value of Brown infrastructure assets, due to a company leaving the portfolio from an existing fund, an opportunity taken to capitalise on a high MOIC (Multiple on Invested Capital).

Compared with Q4 2022, green activities have increased from 5.01% to 6.96% of the portfolio. The biggest contributor to the increased exposure is from the Infrastructure asset class. The figures reflect one new company being added to an existing fund which has been identified as Green. Infrastructure's contribution also reflects a positive mark-to-market increase, indicating strong performance by Green positions held in portfolio. This has increased infrastructure's Green exposure from 4.72% in Q4 to 6.56% of the portfolio in Q1 2023. Another contributing factor to inflated Green exposure was a decline in the portfolio's overall valuation relative the performance (valuation) of the Green assets.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 61% of total green exposure, and 94% of green exposure is via Infrastructure assets.

3. Core Stewardship

This section of the report gives an overview of stewardship activities in the last quarter. Client pension funds delegate day to day implementation of the Partnership's Responsible Investment approach to Local Pensions Partnership Investments Ltd (LPPI). Ongoing stewardship activities by LPPI include portfolio and manager monitoring and the exercise of ownership responsibilities via shareholder voting, and engagement.

<u>Shareholder Voting - LPPI Global Equities Fund (GEF) *(Dashboard page 3)*</u>

Shareholder voting is overseen centrally by LPPI rather than by individual asset managers. LPPI receives analysis and recommendations from an external provider of proxy voting and governance research. We follow Sustainability Voting Guidelines focussed on material ESG considerations and liaise with providers and asset managers as needed to reach final voting decisions.

Full details of all shareholder voting by LPPI are publicly available from the LPP website within quarterly [shareholder voting reports].

The period 1st January – 31st March 2023 encompassed 49 meetings. LPPI voted at 46 (94%) meetings where GEF shares entitled participation, totalling 460 resolutions voted. LPPI did not vote in three meetings. LPPI was prevented from voting two meetings due to custodian delays during the onboarding of the Baillie Gifford mandate to our proxy voting platform. The operations team will address this issue in the next service review. An expired Power of Attorney precluded voting at a further meeting. The custodian has subsequently rectified this.

Company Proposals

LPPI supported 88% of company proposals in the period.

Voting against management included:

- the election of directors: 33% of votes against (addressing overall board independence, over-boarding, and company specific issues such as diversity).
- compensation: 13% of votes against (addressing inadequate disclosure of underlying performance criteria, use of discretion, and the quantum of proposed rewards).

Case Study – Director Related

LPPI voted against 21 director-related resolutions across nine companies. This was 8% of all director-related votes.

LPPI voted against four directors across four companies due to the lack of diversity on the Board. Results (where disclosed): 9.2%-18.8% Against.

LPPI voted against one director due to overboarding (results: not disclosed)

Case Study – Compensation

LPPI voted against eight compensation resolutions at five companies. This was approximately 13% of compensation-related votes.

At Estun Automation (China: Industrial Machinery), LPPI voted against the stock option incentive plan. This was driven by the potential for conflict of interest by those eligible to receive the stock option plan being involved in its administration. Result: 20.1% Against.

At SimCorp A/S (Denmark: Application Software), LPPI voted against the remuneration report. This was driven by the lack of a rationale behind changes made in flight to LTIP (Long Term Incentive Plan) targets. Result: not disclosed.

At Titan Company Ltd (India: Apparel, Accessories & Luxury Goods), LPPI voted against the Performance Based Stock Unit Scheme. This was driven by the lack of disclosure around performance targets. Result: 7.8% Against.

Shareholder Proposals

LPPI supported 25 out of 38 (66%) shareholder resolutions over the quarter.

At Starbucks Corporation (USA: Restaurants), LPPI supported the resolution requesting the Board "Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining Rights". This follows an uptick in union organising among Starbucks employees in recent years. The vote passed with 52% support.

At Apple Inc. (USA: Technology Hardware, Storage & Peripherals), LPPI supported a shareholder resolution seeking the disclosure of median pay gaps across race and gender, as disclosure could be improved in this area. The vote did not pass, but received support of 33.8%.

At Becton, Dickinson and Company (USA: Health Care Equipment), LPPI supported a shareholder resolution requesting enhanced shareholder say on new severance or termination packages that exceed 2.99x the executive's base salary plus short-term bonus. The vote passed with 61.7% support.

Climate Voting

In line with the updated LPPI Shareholder Voting Guidelines (published December 2022), LPPI rolled out its enhanced climate voting policy, targeting the laggards among the GEF's high impact holdings.

In Q1, meetings of six companies in this population occurred. A vote against management was cast in one instance on climate-related grounds. A second company avoided a vote against management despite its laggard status as no incumbent directors were up for election. Companies avoided votes against management where disclosure has improved or there is evidence of adequate progress.

No CA100+ flagged resolutions took place in Q1 23.

4. Active Ownership

LPPI continually monitors external managers and engages to encourage the evolution of ESG integration practices. The following examples from Private Equity (PE) and GLIL (Infrastructure) indicates positive progress being made.

Case Studies – Manager Engagement

PE

In late 2021 the PE team identified three priority areas for engagement where improvement was required following the underwriting of a manager, these included:

1. No current carbon reporting.
2. Limited resourcing for ESG. Despite positive plans, only 30/40% of an associate's time on ESG was being allocated in a planned manner.
3. Early-stage investment governance framework and processes around ESG portfolio monitoring (including the theoretical framework for ESG ratings for investments / assets).

By engaging with the manager and monitoring their progress, as of February 2023, they have confirmed the following improvements:

1. An annual ESG report is now produced – The report includes firm and fund level proxy carbon reporting and ESG metrics such as turnover rate, manager ESG rating score, and gender diversity. Fund level TCFD[R] reporting is the next focus for 2023.
2. One associate has become fully focused on sustainability, working with other analysts, building and implementing ESG frameworks, and contributing to underwriting.
3. All investments for all funds have now been rated 1-5 on E, S and G risks by the investment leads. Higher ESG risk investments, as part of an ESG watchlist, are discussed in portfolio review committee meetings where they review 2 ratings – the investment rating and the ESG rating. This is also one of the most well attended committees, with IC members and a larger complement of investment staff present than routinely attends IC meetings.

GLIL

Agility Trains East (ATE) has been established to work in partnership with the Department for Transport in developing the Intercity Express Programme (IEP), to replace Britain's ageing fleet of Intercity trains. As an investor, GLIL joined a group of shareholders in a collaborative engagement aimed at developing an ESG survey for ATE to complete. The aim was to develop a survey that is compliant with industry standard ESG initiatives and reporting metrics. ATE first completed the survey in the early months of 2023, covering the 2022 period.

The suggested survey was aligned with metrics monitored under the EU taxonomy, UN Global Compact, PRI[R], TCFD[R], GRESB[R] and NZAMI[R]. Following a successful engagement and joint development, ATE were able to allocate sufficient resource to significantly improve their annual ESG disclosures to GLIL and ultimately identify gaps that can be improved in the coming reporting period.

5. Robeco Summary

<u>Engagement (Public Markets): Robeco *(Dashboard page 4)*</u>

This section of the dashboard outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution). Robeco currently engages with 34 companies in the LPPI Global Equities Fund (GEF) and 10 companies in the LPPI Fixed Income Fund (FIF), accounting for 22.4% and 2.9% of the total portfolios respectively.

Robeco-linked voting is a new section within the engagement activity by topic, which represents the number of companies engaged through the new *AGM engagement 2023 theme* (described below).
<u>Engagement (Public Markets): Robeco *(Dashboard page 5)*</u>

Engagement progress by theme, also shown on page 2 in the Robeco Active Ownership report, summarises their engagement activity for our portfolio over the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %). For this quarter, three themes were removed as they have now been concluded. They include:

- Single Use Plastics (conclusions found in the Q2 2022 Robeco report)
- Digital Innovation in Healthcare (conclusions found in the Q2 2022 Robeco report)
- Social Impact of Artificial Intelligence (conclusions found in the Q4 2022 Robeco report)

Also included in the progress chart is Robeco's new ad hoc engagement metric *AGM engagement 2023*, which is used to formalise Robeco's dialogue with corporates on their voting decisions. Whilst we do not use Robeco for proxy-voting, we value their opinion and expertise, and it will be of interest to track the success of engagement activity indicated by this metric.

The data outlined in our dashboard is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Robeco Active Ownership Report: Content Overview

Lifecycle Management of Mining

Robeco launched an engagement program in 2020 with the objective of encouraging mining companies to mitigate their impacts on the environment. After three years of engagement, Robeco are now closing the program.

From 2020 to 2023, Robeco engaged with 14 mining companies located across four continents. The engagement targeted the largest mining companies and aimed to improve water management, increase the safety management of tailing dams, and improve asset retirement planning, including financial surety, liquidity and accessibility. The dialogues were centred around nine objectives split equally across the three headline objectives.

Of the 14 companies, the engagement with four of them was halted. The Russia-Ukraine conflict prevented Robeco from continuing their engagement with two companies, while one case was transferred to the Controversies Engagement program as a result of a severe environmental breach. The fourth case was transferred to the Sustainable Development Goals theme where the engagement objectives were expanded. Of the 10 remaining companies, Robeco closed 9 cases successfully. Details of the progress seen as a result of the engagement and Robeco's next steps following its conclusion can be found in the attached report.

Proxy Voting – Market Insight

Investors are increasingly looking beyond balance sheets to understand a company's 'double materiality' impact on the wider world. To reinforce this, regulators worldwide are tightening their requirements for disclosure on ESG issues.

2022 saw the SEC adopt a host of new rules which will improve the quality of US companies' disclosure and enhance a board's accountability to shareholders. A selection of the key changes and Robeco's view is below:

1. SEC's adoption of new rules requiring the use of 'universal proxy cards' (UPCs) for any meetings involving contested elections.

The new rules strengthen the means by which shareholders can hold companies accountable for poor governance by placing investors voting in person and by proxy on an equal footing.

2. SEC proposed changes to the process by which shareholder proposals are included in a company's proxy statement. Under rule 14a-8, a company may omit a shareholder proposal from its proxy statement if it falls within one of 13 substantive bases for exclusion.

Robeco view the shareholder proposal process as being one of the most important means of engagement between companies and shareholders, and believe that an effective process is crucial in ensuring that a variety of ESG issues reach ballots.

Labour Practices in a Post Covid-19 World

The pandemic put frontline workers and their labour conditions at the centre of public attention. In many cases, the labour issues that surfaced were an amplification of existing, yet often hidden industry characteristics, from seasonal demand spikes at hotels and low wages at food retailers, to unprotected worker contracts within the online food delivery sector. While the world seems to have moved on, the aftermath of the global lockdown and the labour issues they highlighted continue to mark low-wage earners' lives, especially as costs of living are rising.

In 2021, Robeco launched their engagement on 'Labour practices in a post Covid-19 world', focusing on those sectors where working conditions were put into the spotlight throughout the pandemic, whether due to extreme pressures on them, or a complete halting of operations. As such, they began to engage with companies from across the hotel, food retail and online food delivery sectors to encourage them to address the systemic labour risks highlighted throughout the times of crisis. So far, out of the 7 companies Robeco engaged with, 3 have shown positive progress on 'Wages and benefits'.

Walmart Case Study:

US food retail company Walmart Inc. has for a long time been under severe scrutiny for its low starting wages. Robeco focused its dialogue with the company on conducting a living wage assessment and adapting minimum wages appropriately, which has resulted in positive progress. Over the last year, Walmart has engaged in simple payment restructuring following employee feedback, such as integrating bonus pay-outs in hourly pay instead of quarterly pay-outs, as well as raised minimum wages by 17%, from USD 12 to USD 14 per hour in March 2023. While not yet meeting living wages and continuing to fall behind peers, these amendments do showcase first considerations towards helping to meet employees' rising cost of living.

6. Collaborations and Partnerships

LPPI participates in a range of investor groups and partnerships which provide opportunities for shared learning and a platform for collective action. The following are headlines for Q1 2023.

Institutional Investor Group on Climate Change's (IIGCC) Net Zero Engagement Initiative

Following application, LPPI has joined the IIGCC's[R] Net Zero Engagement Initiative (NZEI). By expanding the universe of companies engaged beyond the Climate Action 100+[R] focus list, including those across the demand side, the objective is to help investors align more of their portfolio with the goals of the Paris Agreement[R] as set out by investor net zero commitments, such as the Net Zero Asset Managers initiative. The central ask of investor engagement via NZEI is a corporate net zero transition plan. 107 focus companies have been sent letters from a total of 93 investors outlining their expectations for a net zero transition plan. LPPI is due to find out during Q2 whether or not we will lead engagements with companies in this group, as the next steps depend on company responses to the initial letter.

Global Plastics Treaty

In early 2022, LPPI signed up to The Business Call for a UN Treaty on Plastic Pollution, in alignment with the Internal Equity engagement theme on packaging and waste. The initial coalition can be considered a success, following agreement at the March 2022 UN Environmental Assembly to develop a binding treaty to end plastic pollution by 2024. The group has evolved into a new body, the Business Coalition for A Global Plastics Treaty (still convened by the Ellen MacArthur Foundation and WWF[R]), which seeks to ensure the binding treaty developed is an ambitious and effective international policy framework. LPPI has re-affirmed our commitment to these aims by signing up as a supporter to the Business Coalition for A Global Plastics Treaty.

Workforce Disclosure Initiative (WDI)

The WDI released their 2022 dataset in Q1, which contains in-depth insights into workforce practices. As an investor signatory to the WDI, LPPI supports efforts to enhance corporate disclosure on workforce practices. During the 2022 engagement cycle, LPPI contacted six companies to encourage participation in the survey. Following engagement, three out of the six companies targeted responded to the survey, providing us with enhanced insights on their workforce management.

FCA – Vote Reporting Group

LPPI has been participating in the FCA-convened Vote Reporting Group. The Group aims to bring together a range of stakeholders, such as pension funds, insurers, investment consultants, asset managers, proxy advisors, issuers and civil society groups, with knowledge and interest in good practice vote disclosure to develop a more comprehensive and standardised vote disclosure regime. The Group met roughly monthly in the six months from October 2022. The FCA plans to launch a public consultation on the Group's output in H2 2023.

Local Government Chronicle Investment Seminar

LPPI's Head of RI was a panellist at the LGC Investment Seminar at Carden Park in Cheshire (30/31 March 2023).

Panel members shared their insights on ESG challenges in a session called "ESG - the good, the bad, and the ugly" which incorporated three different perspectives, those of LPPI as an LGPS pool, Quinbrook as an infrastructure manager, and Accounting for Sustainability (A4S) as an advocate for a global sustainable financial system.

Noting considerable progress made and that ESG has become mainstream, challenges include a lack of consistent definitions and universally applicable frameworks to give assurance about rigour and comparability and the need for broader disclosure by companies. The panel noted that regulators are increasingly acting to address these issues in efforts to tackle greenwashing and expand information available to investors.

The politicisation of ESG in the USA where it is polarising positions and producing rhetoric which misrepresents what ESG is (a lens for assessing sustainability) was noted as ugly. Anti ESG measures in some states suggest traction is being achieved. However, an alternative perspective is that unsustainable business practices (including reliance on fossil fuels) are increasingly being brought into question, triggering reaction and backlash from sectors, industries, communities, and economies directly affected. The scale of the shift implied by the goal of a net zero emissions world economy by 2050 will inevitably create risks and losses as well as opportunities and wins.

7. Other News and Insights

Net Zero Update

This year LPPI are working towards bringing real estate and corporate fixed income into scope of net zero target setting. In preparation, work has begun on establishing the baseline for emissions data and in particular working with our provider, KFIM (Knight Frank Investment Management), on a detailed net zero strategy for the individual assets within the direct portion of the real estate portfolio. Monitoring and implementation of LPPI's existing targets is also underway. LPPI have received the first round of enhanced engagement reporting from external managers within the GEF and will be discussing responses over the next month to understand the methods managers are using to track and monitor their climate related engagements. Work is also underway by the Risk team who are undertakingon a data scoping exercise across the portfolio in preparation for bringing all asset classes into scope of TCFD[R] reporting by June 2024.

DLUHC

The conclusion of the DLUHC[R] consultation on the introduction of climate risk reporting for LGPS will be delayed, after originally being planned to be in place by April this year. This means that the requirements will not come into place for the 2023/24 financial year. Whilst awaiting the delayed regulations expected to be in place by April 2024, LPPI will align TCFD[R] preparations with the FCA requirements on asset managers combined with the draft DLUHC requirements set out in the consultation in order to best prepare for the eventual requirements.

UK Green Finance Update

In March 2023, the UK released an update to its 2019 Green Finance Strategy, found here. The report sets out how continued UK leadership on green finance will cement the UK's place at the forefront of the growing global market, and how it will mobilise the investment needed to meet the UK's climate and nature objectives. This is important because it indicates the shape of the policy context which will have an influence on investment opportunities going forward.

The strategy aims to reinforce and expand the UK's position as a world leader on green finance and investment, hoping to deliver on its five key objectives:

1. UK financial services growth and competitiveness
2. Investment in the green economy
3. Financial stability
4. Incorporation of nature and adaptation
5. Alignment of global financial flows with climate and nature objectives

The structure of the report focuses on three key pillars, with each outlining the UK's detailed approach to help achieve the objectives set out above.

Three key pillars:

- Foundations – UK approach to green finance.
- Align – Enabling the market to align with UK climate and environmental goals.
- Invest – Mobilising and creating opportunities for green investment.

For Reference

GICS - Global Industry Classification System
The most widely used approach to categorising activities into industry sectors. The main standard in use for public markets with growing use for other asset classes. For more information on GICS and the activities that fall into each sector, please see:
https://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook_2018_v3_letter_digitalspreads.pdf

Climate Action 100+
Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Paris Agreement
The Agreement is a legally binding international treaty to tackle climate change and its negative impacts. The Agreement includes commitments from all countries to reduce their emissions and work together to adapt to the impacts of climate change. It entered into force on 4 November 2016.

The Agreement sets long-term goals to guide all nations to:

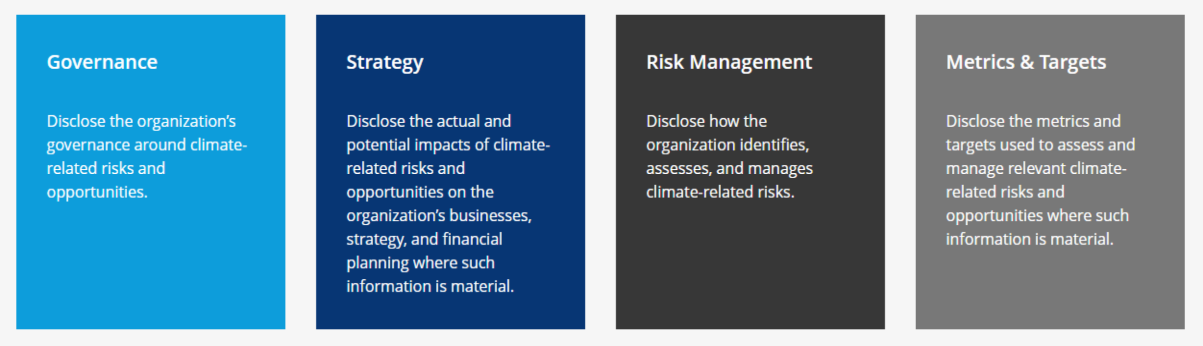
- substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees,
- review countries' commitments every five years,
- provide financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts.

https://www.un.org/en/climatechange/paris-agreement

MSCI ACWI - MSCI All Country World Index
A stock index designed to track broad global equity-market performance. The LPPI Global Equity Fund's benchmark.

MSCI - **Morgan Stanley Capital International**
A global index provider.

TCFD - Taskforce on Climate Related Financial Disclosure
The Financial Stability Board created the Task Force on Climate-related Financial Disclosure (TCFD) to improve and increase reporting of climate-related financial information by companies and investors.
Recommendations include annual disclosure under 4 pillars:



TPI - Transition Pathway Initiative https://www.transitionpathwayinitiative.org/
The TPI assesses the highest emitting companies globally on their preparedness for a transition to a low carbon economy. 368 companies are rated TPI 0-4* for Management Quality based on 19 separate datapoints. TPI Management Quality scores provide an objective external measure of corporate transition readiness.

NZAMI – Net Zero Asset Managers Initiative https://www.netzeroassetmanagers.org/
The Net Zero Asset Managers Initiative launched in December 2020 and aims to galvanise the asset management industry to commit to a goal of net zero emissions.

IIGCC
Institutional Investor Group on Climate Change. LPPI is a member.

PRI - Principles for Responsible Investment https://www.unpri.org/
A United Nations-supported international network of financial institutions working together to implement its six aspirational principles, often referenced as "the Principles"

GRESB - https://www.gresb.com/nl-en/
GRESB is an independent organization providing validated ESG performance data and peer benchmarks for investors and managers to improve business intelligence, industry engagement and decision-making.

WWF - World Wide Fund for Nature https://www.wwf.org.uk/

DLUHC - Department for Levelling Up, Housing & Communities

Responsible Investment Dashboard Q1 2023

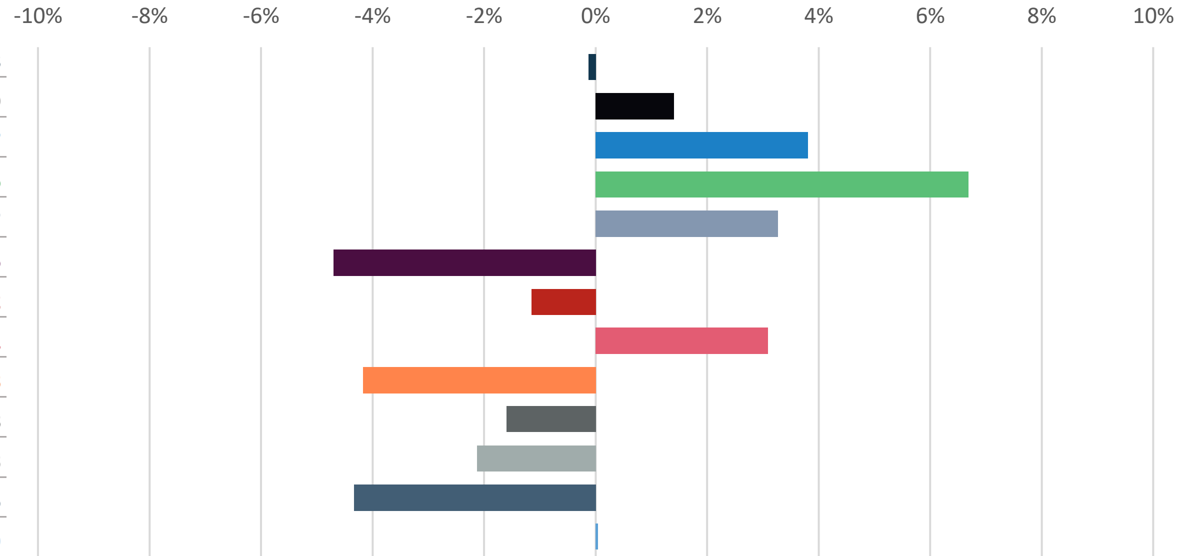
1. Portfolio Insights

Listed Equities (LPPI Global Equities Fund)

Sector Breakdown (%)

Information Tech.	20.3
Financials	17.0
Consumer Discretionary	14.7
Consumer Staples	14.5
Industrials	13.7
Health Care	7.6
Communication Services	6.2
Cash	3.1
Energy	0.8
Real Estate	0.8
Utilities	0.8
Materials	0.6
Others	0.0

LPPI Global Equities Fund Sector Weights vs MSCI ACWI ND



Top 10 Positions

	Portfolio (%)
1. Microsoft Corp	3.1
2. Visa Inc	3.0
3. Nestle	3.0
4. Alphabet Inc	2.3
5. Accenture Plc	2.2
6. LVMH Moet Hennessy	2.0
7. Intuit Inc	1.7
8. Starbucks Corp	1.7
9. Rockwell Auto Inc	1.6
10. Apple Inc	1.6

Governance Insights (ISS DataDesk)

Women on the Board (Average)

30%

Coverage of GEF

85%

Board Independence (Average)

69%

Coverage of GEF

84%

Support for Say on Pay (Average)

88%

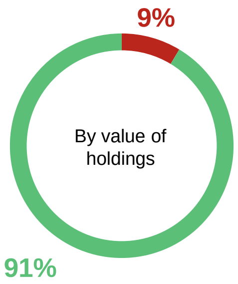
Coverage of GEF

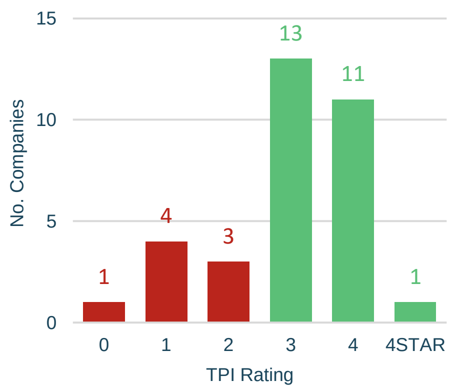
62%

Transition Pathway Initiative – Management Quality Headlines

11.9%

GEF covered by TPI analysis (Q1 2023)





TPI Management Quality Ranking

0 - Unaware
1 - Aware
2 - Building capacity
3 - Integrated into operational decisions
4 - Strategic assessment

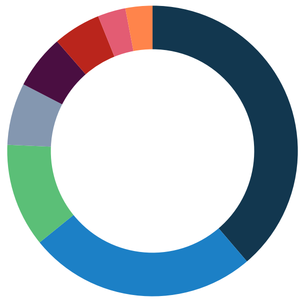
Responsible Investment Dashboard Q1 2023

1. Portfolio Insights

Other asset classes

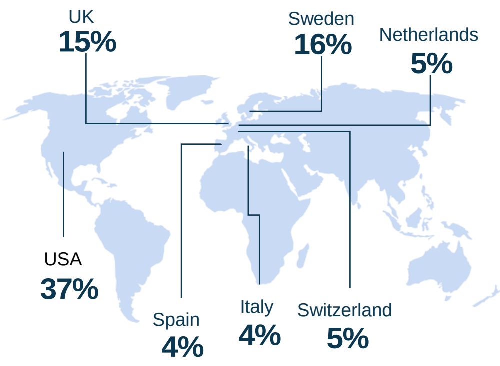
Private Equity

Industry Breakdown (%)



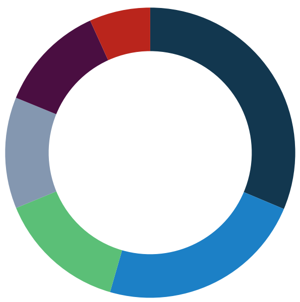
Health Care	39	Remaining Industries	5
Information Technology	25	Consumer Staples	3
Industrials	12	Communication Services	3
Consumer Discretionary	7	Financials	0
Other	6		

Region Breakdown (%)



Real Estate (LPPI Real Estate Fund)

Sector Breakdown (%)

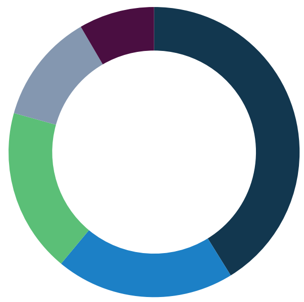


Industrial	31	Alternative	12
Living	23	Retail	12
Office	14	Agriculture	7

Geographical Exposure (NAV %)

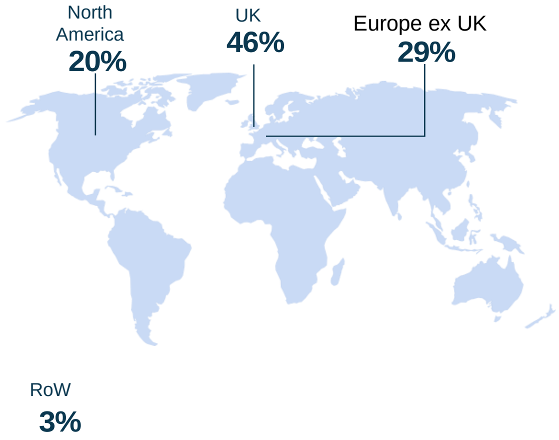
Infrastructure (LPPI Global Infrastructure Fund)

Industry Breakdown (%)



Traditional Energy, Renewable Energy, Waste	41	Social (incl PFI)	18
Transport and Distribution	20	Other	12
		Regulated Assets	8

Region Breakdown (%)



Green & Brown Exposure

Green

Investments in businesses directly contributing to the global transition to a lower carbon economy, expressed as a % of the total value of the pension fund.

6.96% of portfolio

0.10% Green Bonds · 0.30% Private Equity · 6.56% Infrastructure

0.10% Public Markets · 6.86% Private Markets

4.22% Renewable Energy Generation

0.53% Solar · 3.30% Wind · 0.16% Hydro · 0.23% Other Generation

2.75% Other "Green"

0.60% Clean Tech Funds · 2.15% Decarbonisation

Brown

Investments in traditional energy (based on fossil fuels) expressed as a % of the total value of the Pension Fund.

2.08% of portfolio

0.49% Listed Equity · 0.02% Fixed Income · 0.35% Private Equity · 1.22% Infrastructure

0.51% Public Markets · 1.57% Private Markets

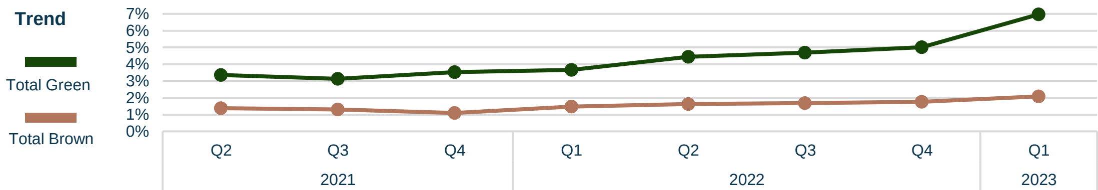
1.84% Energy

0.30% Upstream · 0.65% Midstream · 0.50% Downstream · 0.40% Integrated

0.23% Generation

0.23% Energy Generation

Trend



The above Green and Brown metrics apply to parts of the portfolio which have exposure to a specific set of activities as per our definition of Green and Brown, and which are quantifiable at the time of publication (please see appendix). LPPI's Responsible Investment team endeavours to provide clients with the most expansive picture of exposure possible.

Responsible Investment Dashboard Q1 2023

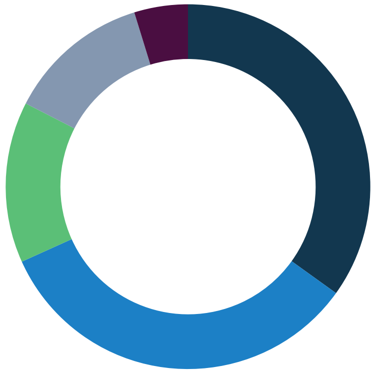
2. Stewardship Headlines

Shareholder Voting

Shareholder Voting Statistics (LPPI Global Equities Fund)

Headlines

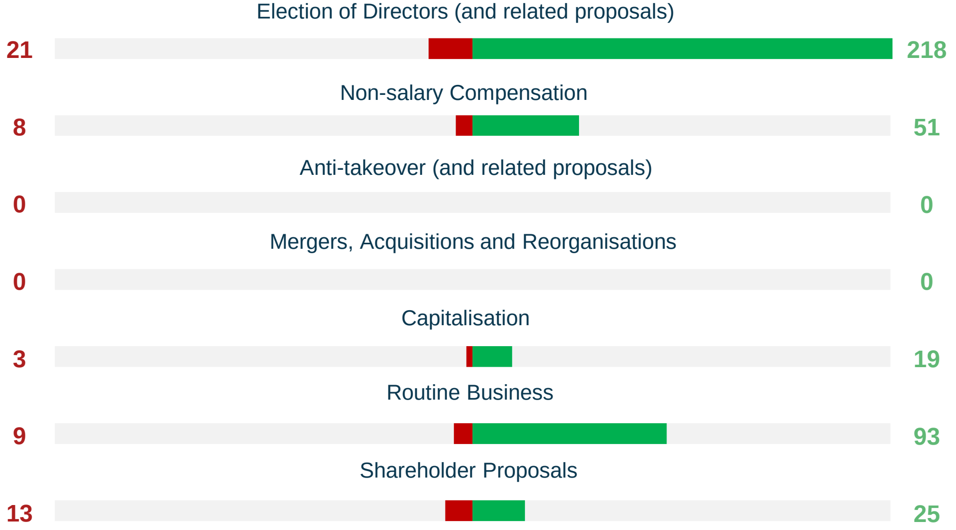
		Supported 88%	Supported 66%	
46	**460**	**422**	**38**	**48%**
Meetings Voted	Proposals Voted	Company Proposals	Shareholders Proposals	Meetings with a vote against Management



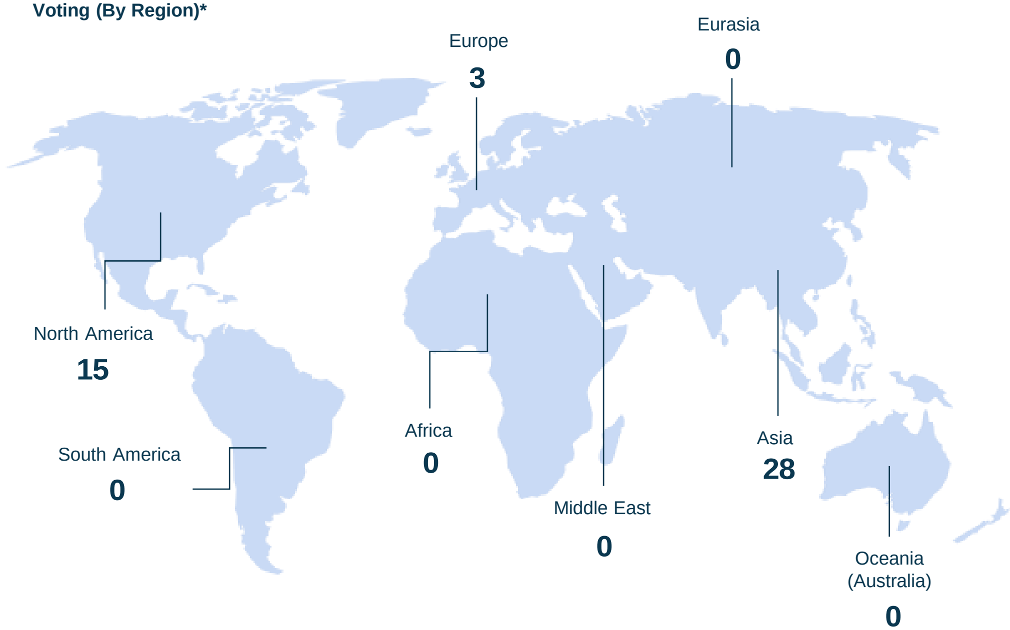
Votes Against Management (By theme)

Shareholder Resolutions	22
Election of Directors (and related)	21
Routine Business	9
Non-salary Compensation	8
Capitalisation	3
Anti-takeover (and related proposals)	0
Mergers, Acquisitions and Reorganisations	0

Voting (By Theme)



Voting (By Region)*



*Total votable meetings

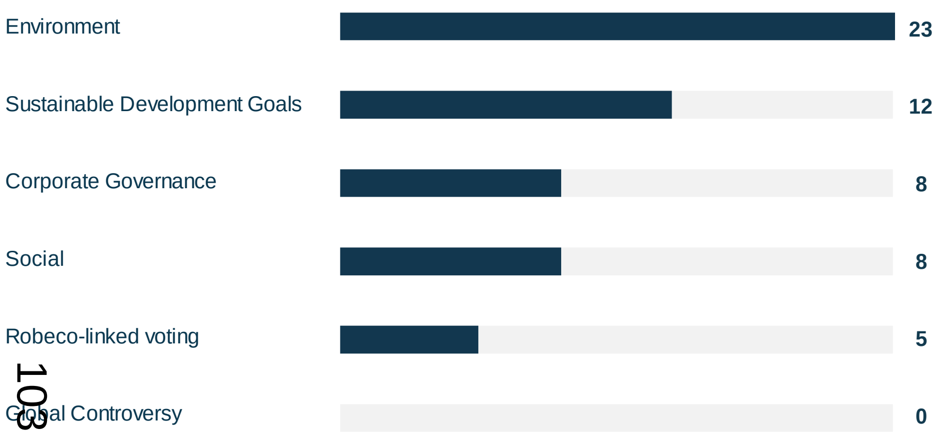
Responsible Investment Dashboard Q1 2023

2. Stewardship Headlines

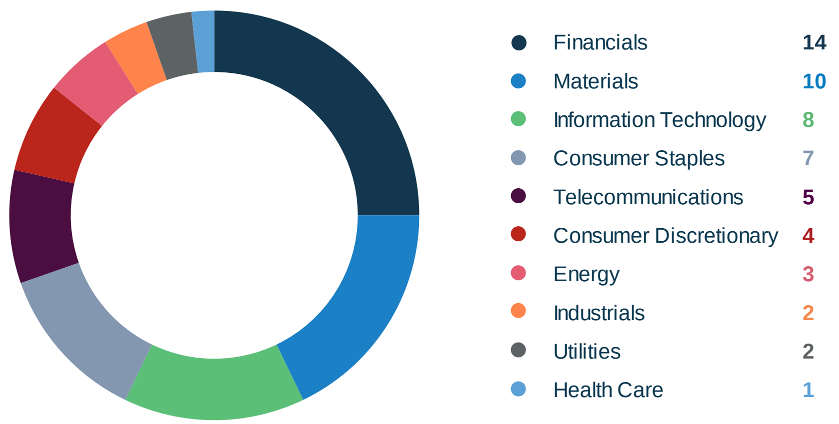
Engagement (Public Markets): Robeco

The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

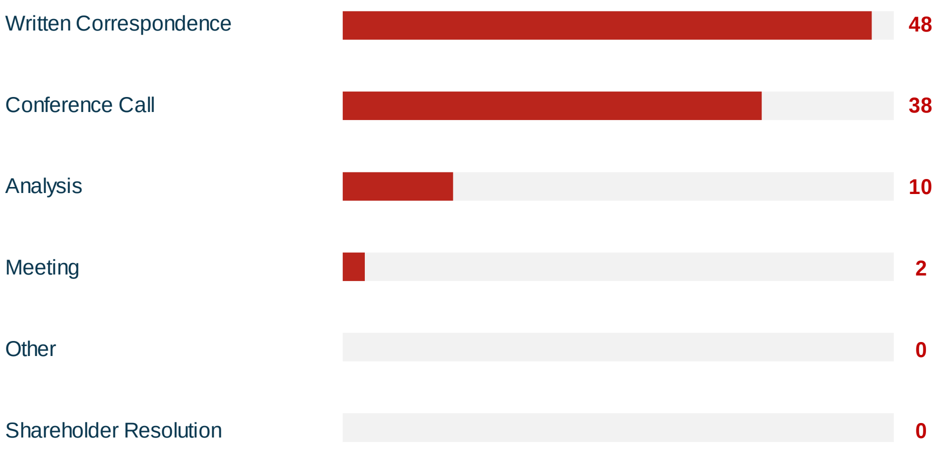
Activity (By Topic)



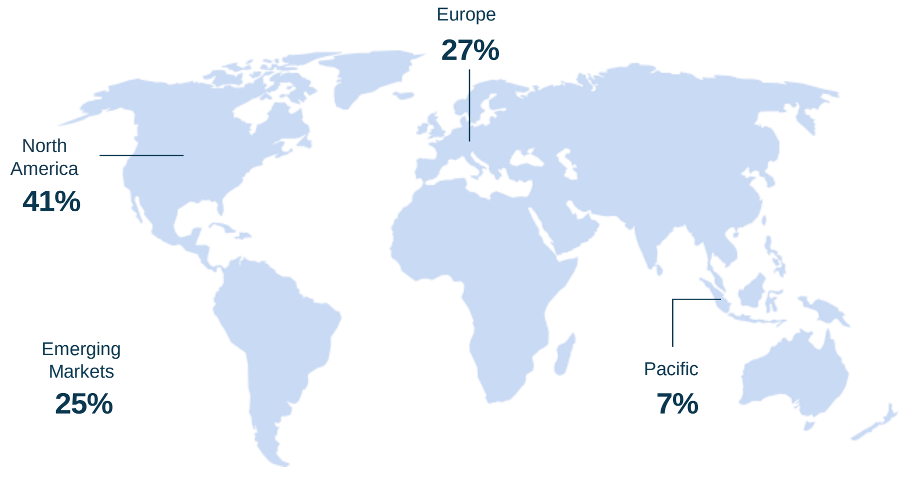
Activity (By Sector)



Activity (By Method)



Activity (By Region) (%)



Source: Robeco Active Ownership Report Q1 2023

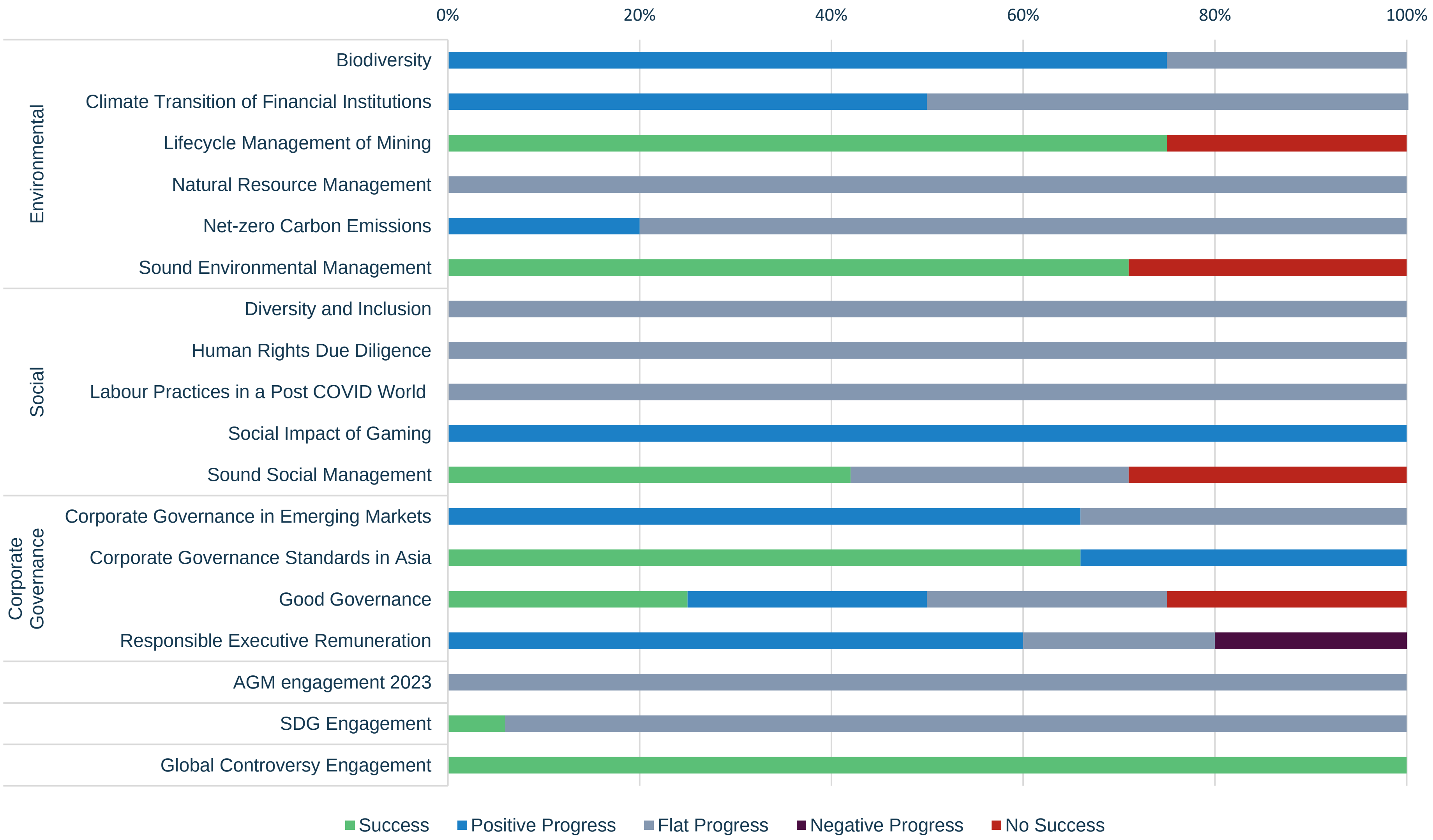
Responsible Investment Dashboard Q1 2023

2. Stewardship Headlines

Engagement (Public Markets): Robeco

The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Engagement Results (by Theme)



Source: Robeco Active Ownership Report Q1 2023

104

energia group

Energia is an integrated energy company with thermal generation, renewables and supply operating across Northern Ireland and the Republic of Ireland.

A leading player in renewable production, Energia has invested in many renewable assets, primarily in wind. It is responsible for approximately 25% of existing wind power capacity installed on the island.

Positive energy investment program

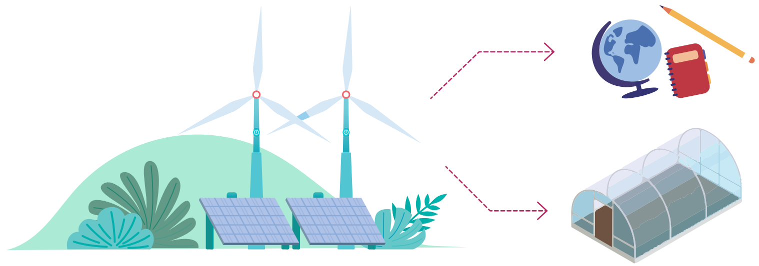
Energia launched its **positive energy investment program** in 2019 and committed to **investing €3 billion** in Irish renewable energy generation/related systems over the next five years.

- In 2021 the company set a medium-term target to reduce the carbon intensity of its electricity generation by **50% by 2030.**
- As of the beginning of 2022, the company had **14 operational wind farms (309MW) and a pipeline of almost 3,000MW** of new renewable energy projects across offshore wind, onshore wind and solar.

New ESG governance structure

In 2021/22, Energia established a new ESG governance structure, creating an ESG steering group to help implement an **ESG strategy**, ensure accountability and improve its overall monitoring.

- The **ESG steering group is chaired by the chief financial officer**, who is responsible for its continued development and implementation.
- The group is also responsible for ensuring **all ESG related matters are represented at management, board and executive board levels.**



Supporting local communities

Energia supports local communities in the process of constructing and operating wind farms. They have contributed over **€3 million to local communities in the past six years and continue to provide around €600,000 a year.**

Meenadreen Wind Farm Fund, Co. Donegal

- In addition to allocating community project grants, the annual €90,000 fund operates a local bursary scheme, covering higher education tuition fees for a small number of local students.

Tyrone Three Combined Fund, Co. Tyrone

- Grants are available for local community projects within a five-mile radius of wind farms.
- Cooley Primary School and Nursery Unit used their grant to install a polytunnel in a new outdoor learning area.

Source: energiagroup.com

ExteNet is a provider of distributed network systems (DNS) and other wireless communication infrastructure in the US and Canada. It designs, builds, owns and operates distributed networks for use by mobile service providers and indoor venue owners (for example, sports and entertainment venues, commercial real estate and healthcare). Its networks enhance coverage and enable wireless service in both outdoor and indoor environments.

ExteNet has proactively looked to better understand its environmental impact and implement the right practices; it has made strides in engaging with its employees and continues to improve its workplace environment; and has engaged with NAVEX Global to implement a standardised governance, risk, and compliance framework.

106

Greenhouse gas emissions audit

ExteNet has engaged with Natural Capital Partners to assess and audit the company's current **greenhouse gas emissions profile. Audits and assessments are expected to begin in H1 2023.**

Diversity, equity, and inclusion committee

The diversity, equity and inclusion committee, formed in 2020, aims to help increase the proportion of underrepresented groups in management roles. As of Q4 2021 they have a **50% gender diversity in executive leadership positions.**

Diversity, equity and inclusion training program

In 2022 the diversity, equity and inclusion training program saw **100% participation from full time employees and contractors.**

Cubico, is a leading Independent Power Producer (IPP). The portfolio has been operational for more than three years and comprises over 250MW of onshore wind and solar projects at 18 sites across the UK.

Cubico sustainable investments have funded and backed various local community projects covering basic needs, education, infrastructure, and the environment in 2022.

A key supporter to the Kelmarsh wind farm community benefit charity

Cubico is a key supporter of the Kelmarsh wind farm community benefit charity, which supports community organisations near to the Kelmarsh Wind Farm.

- Support has been given to the local school in Kelmarsh, which **helped to provide materials for their design and technology curriculum** during a time of increased financial pressure.
- Additional support also covered the Naseby Battlefield Project, which aims to **educate the public on local history during the 17th century by helping to improve their digital communication and education facilities.**

Purchasing IT equipment

Similar initiatives were hosted in Middlewick where Cubico **purchased IT equipment for a scout group** to enable full access to digital activities for beavers, cubs, and scouts.

Tackling UK food poverty

Cubico and GLIL Infrastructure donated more than **£100,000 to help tackle UK food poverty,** donating to 11 food banks local to its wind farm and solar projects.

Funding costs for community sites

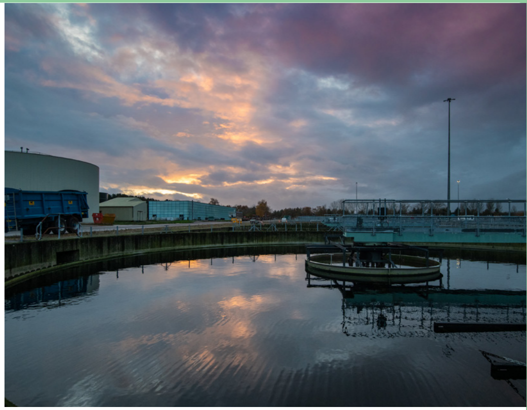
Further funding **covered maintenance and repair costs for sports centres** and various local community sites in the UK.

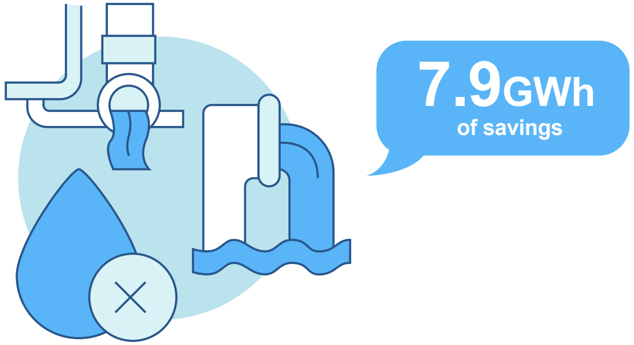
Source: cubicoinvest.com

Anglian Water Group

Anglian Water Services Limited (Anglian), provides water and wastewater services to more than six million customers in the east of England. Anglian is the largest water and sewerage company in England and Wales by geographic area, and the fourth largest water company as measured by Regulated Capital Value (RCV).

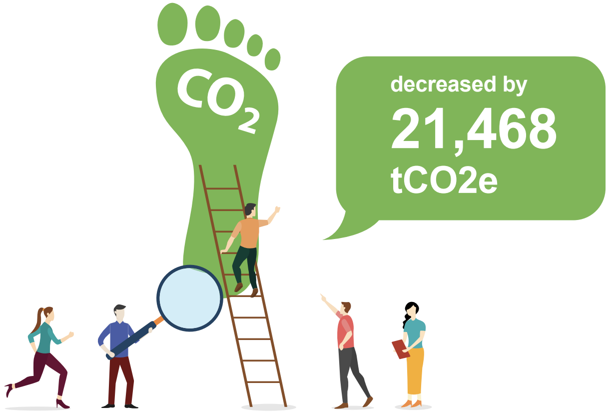
For the 2021/22 reporting year, Anglian implemented an efficient emissions optimisation programme. The company reports both location and market-based methodologies. Location-based reporting uses UK average emissions for energy, whereas market-base uses the emissions from specific suppliers.





Net zero status by 2030

Anglian has incorporated an optimisation programme to help meet their **net zero status by 2030**. The programme looks to optimise all areas of the business, including key areas such as reducing leakage in the water system and improving their wastewater treatment facilities. **As of 2021/22, the programme delivered 7.9 GWh (full year effect) of savings, equating to 1,826 tCO2e.**



Gross annual emissions decreased

Anglian's gross annual emissions have **decreased by 21,468 tCO2e between 2021 and 2022.**

In the same period the national grid **decarbonised by 9%**, with renewables an increasing amount of the UK energy mix, and Anglian purchased **22.5GW of green electricity.**

Source: awg.com

Portfolio Insights (Pages 1 - 2)

Sector Breakdown (%)

- Identifies the Global Equities Fund's ("GEF") sector breakdown and their proportions.

GEF Sector Weights

- Comparison of sector weights against their benchmark.
- The larger the bar the bigger the difference between GEF and benchmark weightings.
- Where a positive number is shown, this indicates the GEF is overweight to a sector.
- Where a negative number is shown, this indicates the GEF is underweight to a sector.

Top 10 Positions

- The top 10 GEF companies as a % of the asset class portfolio.

Governance Insights

- **Women on the board:** A measure of gender diversity based on the average proportion of female board members for companies in the GEF.
- **Board independence:** The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence.
- **Say-on-pay:** The average investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

Portfolio ESG Score

- During a period of ongoing dialogue with our provider related to licensing to publish ESG ratings for the GEF, LPPI has temporarily removed it from our reports. We expect the process to conclude by next quarter and for monitoring of the score to continue.
- We will communicate details privately until matters have been concluded.

Portfolio Insights (Pages 1 - 2)

Transition Pathway Initiative (TPI) Headlines

- TPI assess how well the largest global companies in high carbon emitting sectors are adapting their business models for a low carbon economy.
- The % of GEF covered by TPI shows the portfolio exposure to high emitting companies.
- The number/proportion of companies with top scores (TPI 3 and 4) is a measure of the quality of transition management by the high emitting companies held within the GEF.
- Detailed TPI methodology can be found through the following link: https://www.transitionpathwayinitiative.org/methodology

Private Market Asset Classes

- These metrics indicate the industry sector and regional breakdown as a % of the asset class for Private Equity, Infrastructure and Real Estate investments.

Green & Brown

- These metrics indicate the Pension Fund's total portfolio exposure (%) to green and brown assets. Current coverage extends to: Listed Equities, Fixed Income, Green Bonds, Private Equity, and Infrastructure.
- These are further broken down into their sectors/activities related to green and brown.
- Please be aware that due to rounding within the different breakdowns the totals may not sum correctly.

Green

These are investments in renewable energy and sectors/activities assisting in renewable energy generation, low carbon tech and wider decarbonising activities.

Brown

Investments in energy and power generation based on fossil fuel activities, including: extracting (upstream), transporting (midstream), refining (midstream), supplying (downstream), or some energy companies that legitimately span all aspects (integrated). Fossil fuels used to generate energy is part of electricity generation.

Stewardship Headlines (Pages 3 - 5)

Shareholding Voting

- Key shareholder voting metrics for LPPI's GEF.
- The Headline section provides insight into the scope of voting activity, including how votes against management is concentrated.
- LPPI is responsible for voting on each decision taken, working in partnership with Institutional Shareholder Services to best inform views prior to taking action.
- The map of votes per region is included because different jurisdictions have different voting seasons. This provides context to the reporting of voting statistics quarter to quarter as votes take place in batches depending on the companies domicile at different points throughout the year.

Engagement (Public Markets)

- Engagement is an active, long-term dialogue between investors and companies on environmental, social and governance factors, which can be executed through a variety of channels.
- LPPI has engaged an external provider (Robeco Active Ownership Team) to supplement dialogue underway by LPPI and external delegate managers.
- This section outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution).
- "Activity by method" summarises engagements by category / method and can include multiple inputs from the same company.
- The updated Robeco Active Ownership report summarises our engagement activities for the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %).
- Page 9 of the Robeco stewardship policy outlines further details of their process: https://www.robeco.com/docm/docu-robeco-stewardship-policy.pdf

Real World Outcomes (Pages 6 - 8)

- This section provides real world ESG case studies, relevant to the Pension Fund's holdings, which rotate between asset classes each quarter.
- The focus of the real world outcomes rotates between asset classes for each quarter in the following pattern:
  - Q1 – Infrastructure
  - Q3 – Real Estate
  - Q3 – Private Equity
  - Q4 – GEF
- The case studies are an in-depth review of positive ESG practices for current investments within the portfolio over the past year.

112

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of the Local Government Act 1972.

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