

Report for: INFORMATION
Item Number: 7



Contains Confidential or Exempt Information	No - Part I
Title	Stewardship Report
Responsible Officer(s)	Nick Greenwood, Pension Fund Manager, Kevin Taylor, Deputy Pension Fund Manager, Pedro Pardo, Investment Manager, Philip Boyton, Pension Administration Manager
Contact officer, job title and phone number	Nick Greenwood, Pension Fund Manager 01628 796701
Member reporting	n/a
For Consideration By	Pension Fund and Pension Fund Advisory Panels
Date to be Considered	
Implementation Date if Not Called In	n/a
Affected Wards	None
Keywords/Index	Pensions administration, pension fund solvency

<p>Report Summary</p> <ol style="list-style-type: none"> 1. This report deals with the stewardship of the Pension Fund for the period 1 June to 31 August 2015 2. It recommends that Members (and Pension Board representatives) note the Key Financial and Administrative Indicators throughout the attached report. 3. Good governance requires all aspects of the pension fund to be reviewed by the Administering Authority a regular basis 4. There are no financial implications for RBWM in this report

If recommendations are adopted, how will residents, fund members and other stakeholders benefit?	
Benefits to residents, fund members and other stakeholders and reasons why they will benefit	Dates by which they can expect to notice a difference
Efficient management of the pension fund enhances the reputation of the Royal Borough as administering authority for the Fund	On-going

1. Details of Recommendations

RECOMMENDATION: That Panel note:

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



THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

STEWARDSHIP REPORT

QUARTER 2 – 2015/16

1ST JUNE 2015 TO 31ST AUGUST 2015

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1. INVESTMENT PERFORMANCE AND ASSET ALLOCATION

1.1 Pension Fund key financial indicators

Table 1	March 2010	March 2013	August 2015
Asset Value (Smoothed)	£1,307.7m	£1,561.8m	£1,689.8m
Asset Value (Unsmoothed)	£1,319.4m	£1,572.4m	£1,661.8m
Liabilities (Smoothed)	£1,618.4m	£2,088.8m	£2,308.6m
Liabilities (Unsmoothed)	£1,618.4m	£2,107.7m	£2,282.6m
Deficit (Smoothed)	£310.7m	£527.0m	£618.8m
Deficit (Unsmoothed)	£299.0m	£535.3m	£620.8m
Funding Level (Smoothed)	81%	75%	73%
Funding Level (Unsmoothed)	82%	75%	73%
Recovery Period	30 years	27 years	25 years
Nominal Discount Rate	6.8%	6.1%	5.9%
Real Discount Rate	3.3%	3.4%	3.3%
Investment Performance Target (CPI + 4%)	7.0%	6.7%	6.6%
Nominal Earnings Inflation Assumption	4.7%	4.5%	4.4%
Consumer Price Index Inflation Assumption	3.0%	2.7%	2.6%
Employers Contributions – Future Service	12.8%	12.7%	12.4%
Employers Contributions – Past Service Deficit	3.7%	6.9%	9.1%

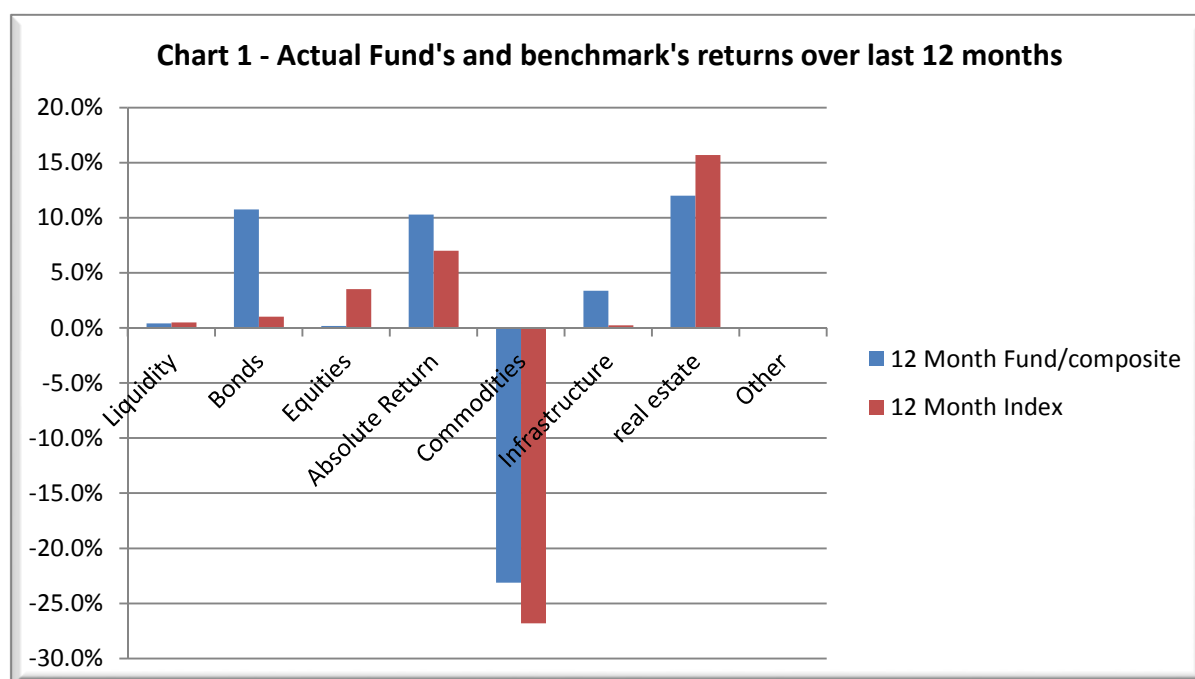
1.2 Change in the smoothed liabilities

Table 2	31 Aug 2015
Liability reconciliation	£m
Disclosed smoothed liability at 31/03/2013	2,088.8
New liabilities (excluding transfers in)	186.2
Liabilities extinguished	-219.4
Net new liabilities from bulk transfers in/out	-79.8
Interest on liabilities	307.4
Change due to discount rate	71.2
Change due to inflation assumption	-49.5
Change in value of longevity insurance contract	3.7
Increase in Liabilities	219.8
Smoothed liability at 31 August 2015	2,308.6

1.3 Market returns

Table 3		3 month	12 month	36 month
Liquidity	Fund	0.1%	0.4%	0.4%
1 Week GBP Libor	Index	0.1%	0.5%	0.5%
	Relative	0.0%	-0.1%	-0.1%
Bonds	Fund	0.2%	10.7%	n/a
Barclays Global Aggregate	Index	1.6%	1.0%	-0.3%
	Relative	-1.4%	9.7%	n/a
Developed Markets Equities	Fund	-7.6%	1.1%	n/a
MSCI Wold	Index	-7.9%	3.5%	12.1%
	Relative	0.3%	-2.4%	n/a
Emerging Markets Equities	Fund	-13.0%	-10.0%	4.5%
MSCI EM Equities	Index	-18.2%	-16.8%	-1.4%
	Relative	5.2%	6.8%	5.9%
Private Equity	Fund	1.5%	14.3%	n/a
9% per annum	Index	2.2%	9.0%	9.0%
	Relative	-0.7%	5.3%	n/a
Total Equities	Fund	-7.4%	0.2%	n/a
MSCI Wold	Index	-7.9%	3.5%	12.1%
	Relative	0.5%	-3.3%	n/a
Absolute Return	Fund	-0.9%	10.3%	n/a
7% per annum	Index	1.7%	7.0%	7.0%
	Relative	-2.6%	3.3%	n/a
Commodities	Fund	0.2%	-23.1%	-13.0%
Custom Equal Weights	Index	-1.9%	-26.8%	-13.0%
	Relative	2.1%	3.7%	0.0%
Infra-structure	Fund	3.2%	3.4%	n/a
FTSE Global Core 50/50	Index	-7.5%	0.2%	10.7%
	Relative	10.7%	13.5%	n/a
Real Estate	Fund	3.1%	12.0%	7.2%
UK IPD	Index	3.5%	15.7%	13.3%
	Relative	-0.4%	-3.7%	-6.0%

1.4 Fund performance



1.5 Exception Traffic Lights August 2015

Table 4

Traffic Lights August 2015				
Colour		£ m	Fund %	Comment
BONDS				
Convertible Bonds				
Amber	Aviva	34.8	2.1%	Change in management team & weak performance
Amber	Blue Bay Global	27.3	1.6%	Currency volatility has resulted in disappointing GBP returns.
EQUITIES				
Developed World				
Amber	IPM Fundamental Umbrella Fund	165.0	9.9%	Performance remains below target.
Private Equity				
Amber	South East Growth Fund	4.1	0.2%	Terms of additional extension to fund life agreed
Amber	Stafford Sustainable Fund	4.6	0.3%	Disappointing performance. Buyer not found
INFRASTRUCTURE				
Amber	Macquarie SBI Infrastructure Ltd	2.9	0.2%	Performance adversely affected by delays in construction of key assets
COMMODITIES				
Amber	Gresham	41.3	2.5%	Change in ownership. Poor performance continues
Total Fund Valuation (excl prepaid contribs)		1,661.8		

Key

Colour Comment

Red Recommendation that action be taken: following a review by officers.

Amber Performance being reviewed by officers: the fund is not meeting its target return over the medium term (ie over a 1 to 2 year rolling period) or there are adverse material changes to processes/people/the firm.

Green Satisfactory performance: performance at least in line with target return or expectations.

Blank Too early in the life of a fund to comment on performance.

1.6 Asset allocation update

Table 5 Comparison of Strategic Asset Allocation "SSA" changes					
SSA Weights	31/03/2010	31/03/2013	31/08/2015	12 month change	36 month change
Liquidity	7.9%	1.1%	6.1%	0.6%	-1.9%
Investment Grade Debt	20.4%	7.9%	5.0%	-1.3%	-4.9%
Other Debt	11.7%	8.7%	8.3%	0.3%	2.8%
Total Debt	32.1%	16.6%	13.3%	-1.0%	-2.1%
Developed Market Equities	17.3%	17.2%	21.4%	3.0%	8.1%
Developing Market Equities	6.2%	14.7%	11.6%	-2.0%	-1.7%
Private Equity	6.7%	9.2%	9.1%	1.1%	-0.1%
Total Equities	30.2%	41.1%	42.1%	2.1%	6.4%
Absolute Return	9.9%	17.2%	17.7%	1.2%	0.2%
Infrastructure	1.9%	4.7%	4.3%	0.2%	-0.1%
Commodities	8.2%	9.7%	3.4%	-4.5%	-6.1%
Real Estate	7.3%	9.8%	13.1%	1.5%	3.3%
Other	2.5%	-0.3%	0.1%	0.0%	0.4%
Real Assets	19.9%	23.9%	20.8%	-2.8%	-2.5%
Fund Total	100%	100%	100%		

1.7 Solvency

Chart 2

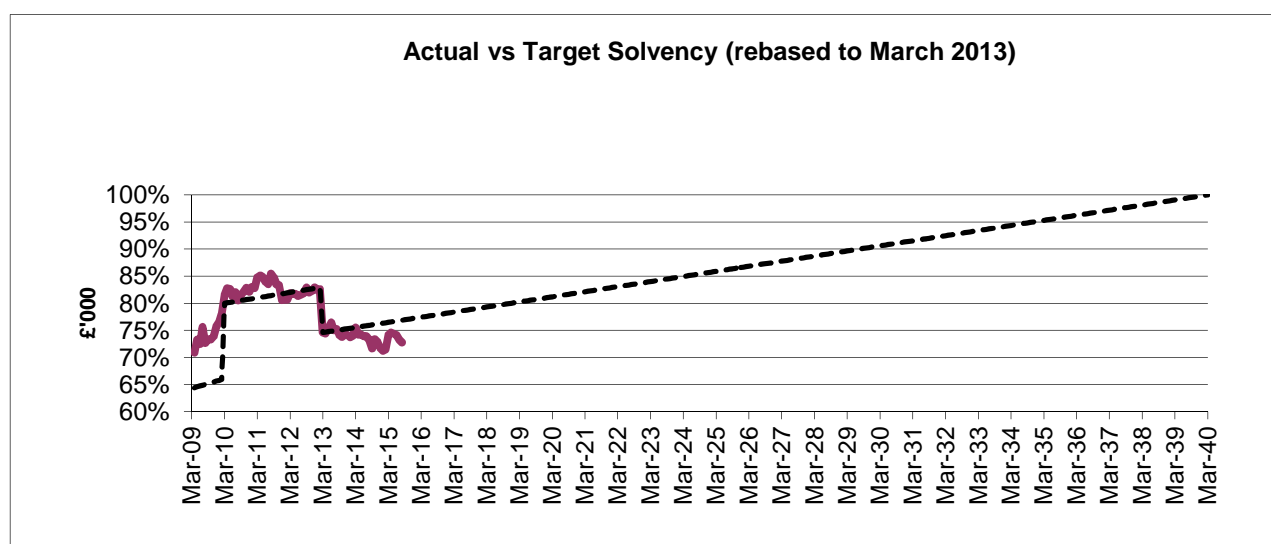
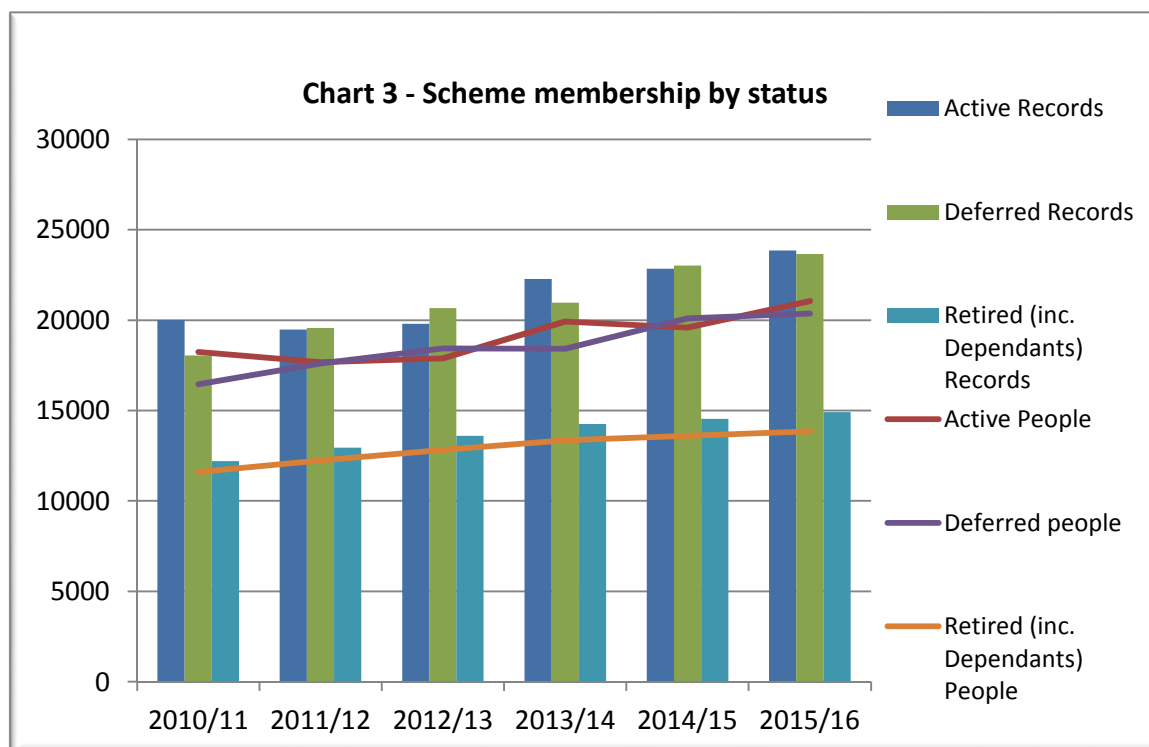
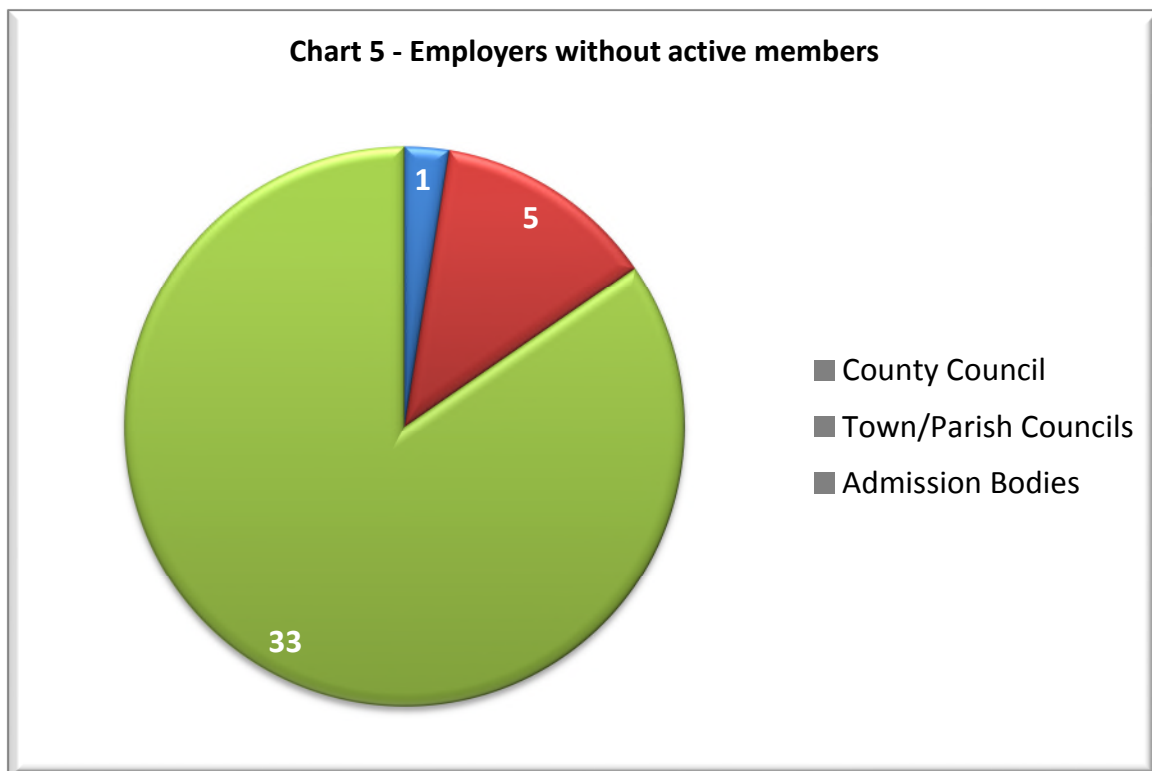
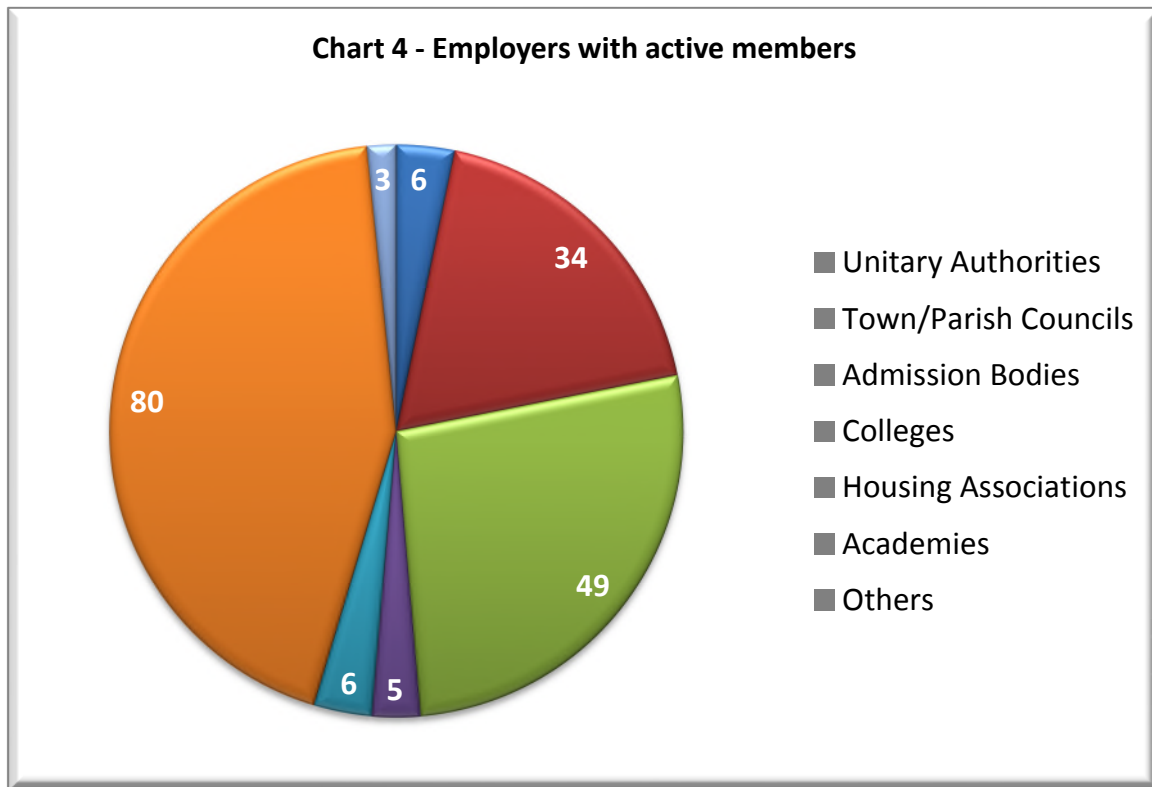


Table 6 - Cashflow	Year to 31/03/2014 (actual) £'000's	Year to 31/03/15 (actual) £'000's	Year to 31/03/16 (forecast) £'000's
Contributions	81,272	87,691	93,700
Transfers received	5,924	1,916	1,900
Employers' early retirement payments	2,602	1,400	3,000
Investment income via Custodian	15,928	23,762	17,000
Pension paid (gross)	-70,625	-73,625	-74,400
Retirement lump sums	-16,818	-18,045	-17,300
Transfers paid	-5,641	-67,201	-1,900
Investment management costs	-2,694	-3,654	-3,700
Employee costs	-824	-693	-700
Other costs	-978	-1,106	-700
Net cash flow	8,147	-49,555	16,900

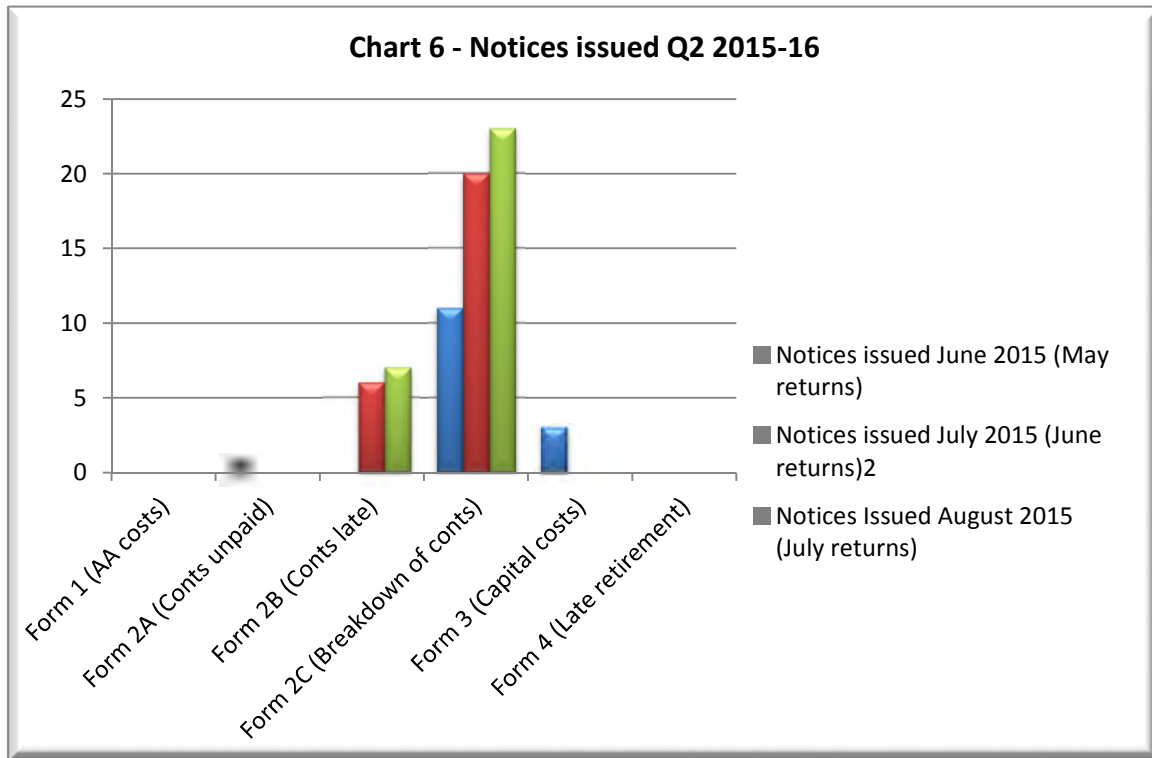
2 GOVERNANCE AND ADMINISTRATION

2.1 Scheme membership



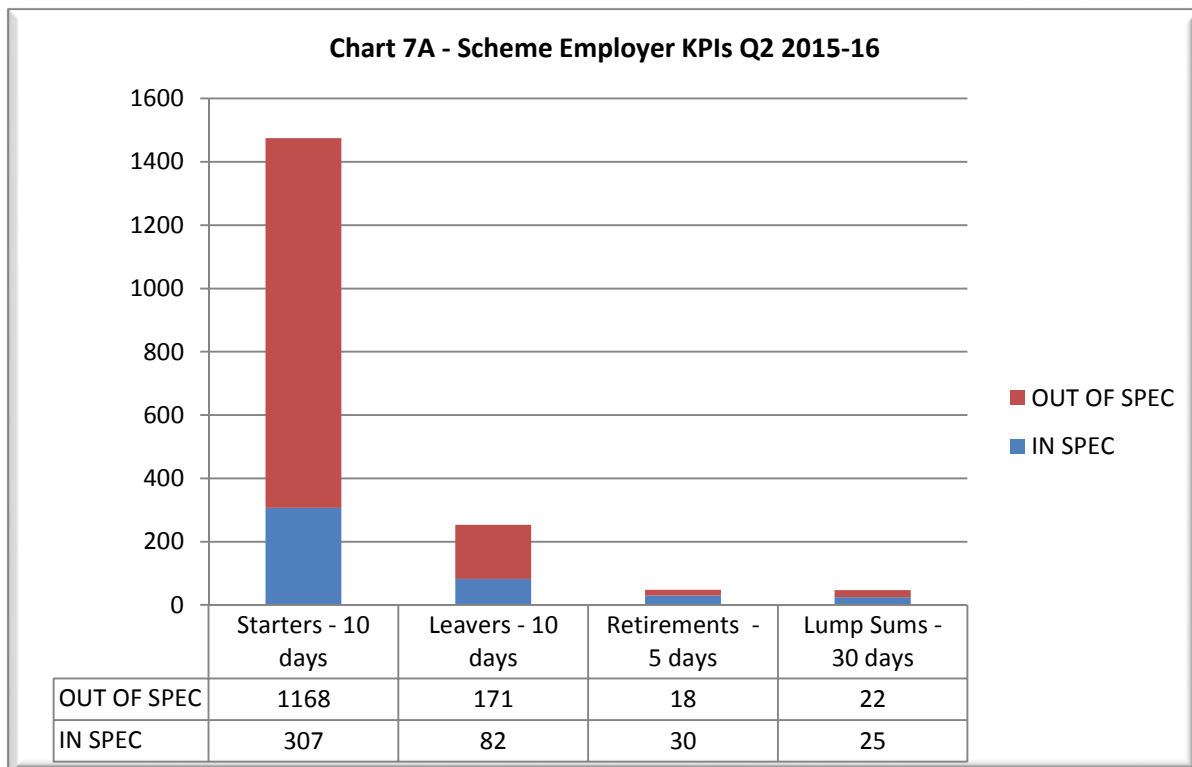


2.3 Notices of unsatisfactory performance

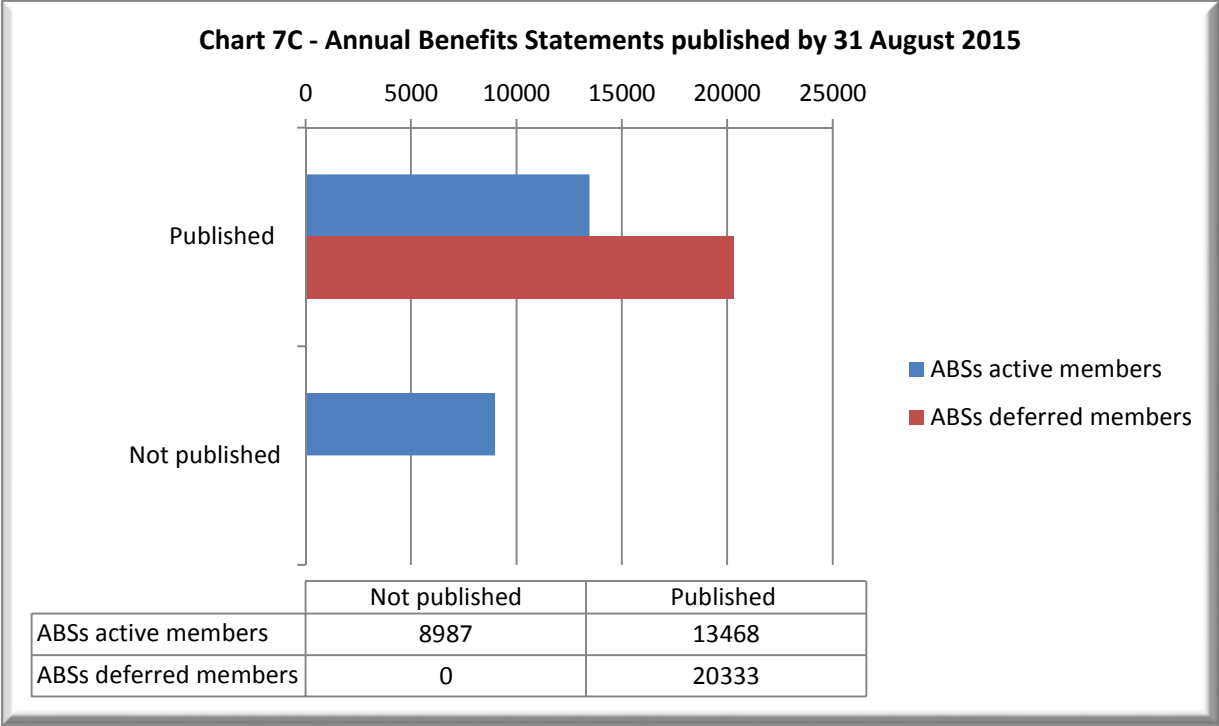
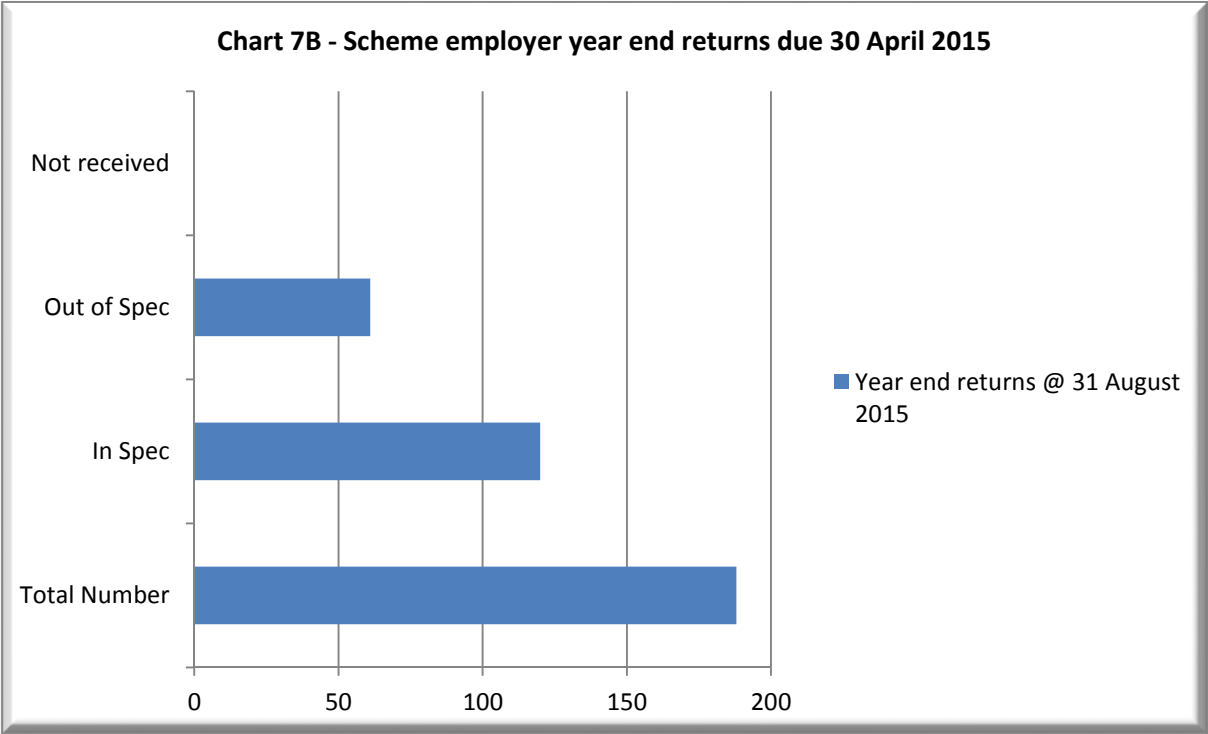


A summary of cases can be found at Annex 1 to this report

2.4 Scheme Employer Key Performance Indicators



A summary of cases in respect of the largest scheme employers can be found in Annex 2 to this report



2.5 Administration – Key Performance Indicators

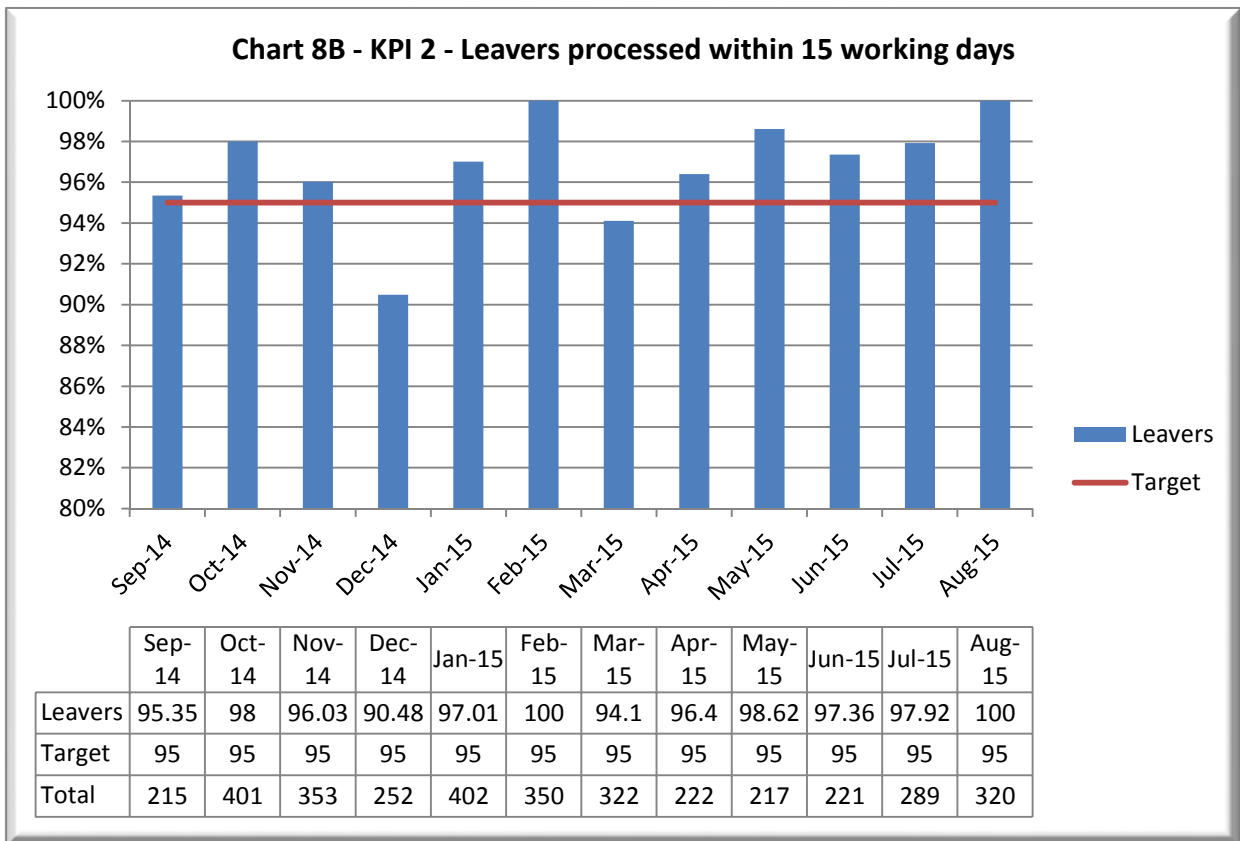
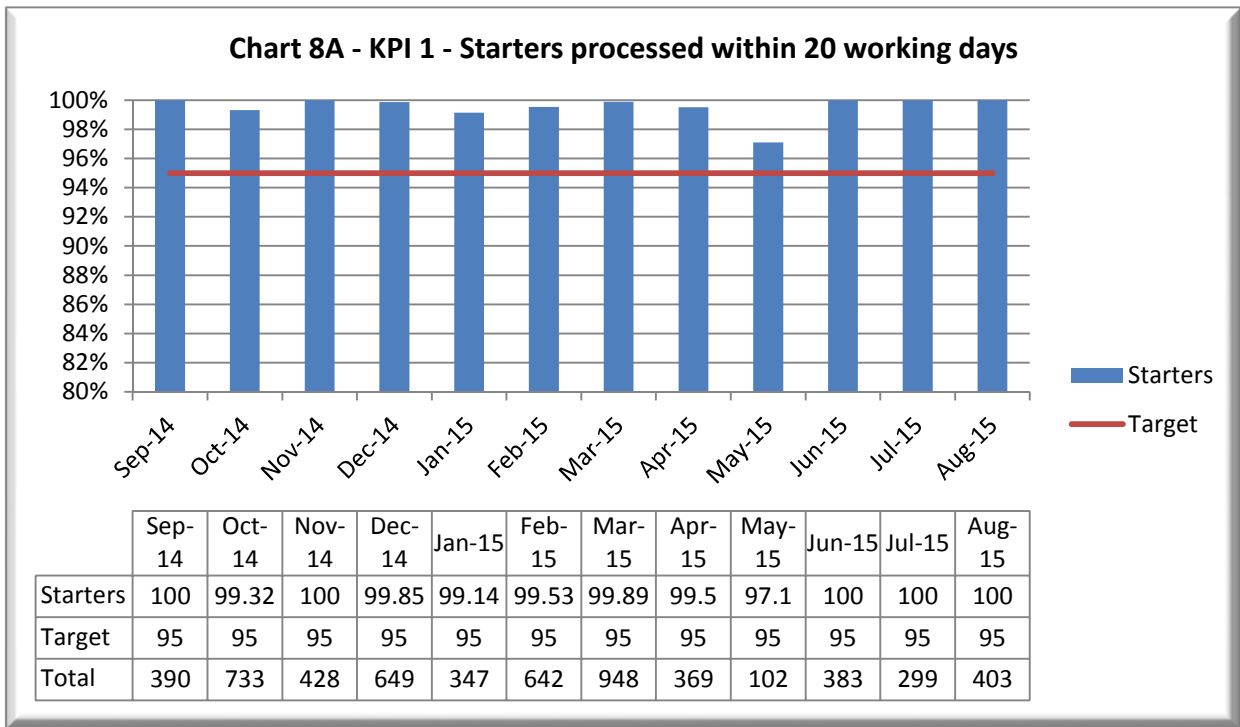
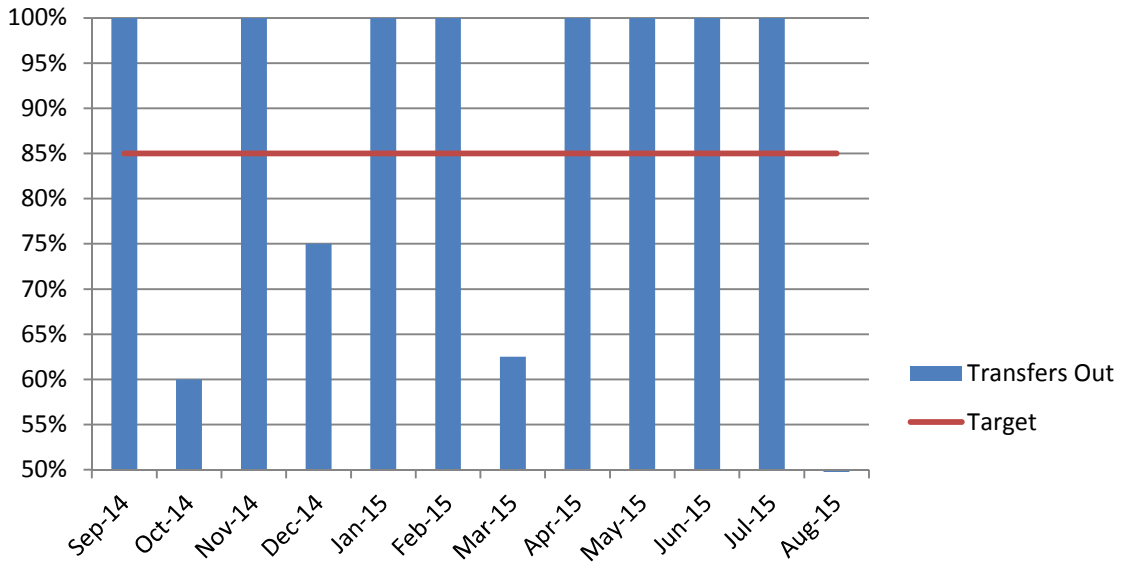
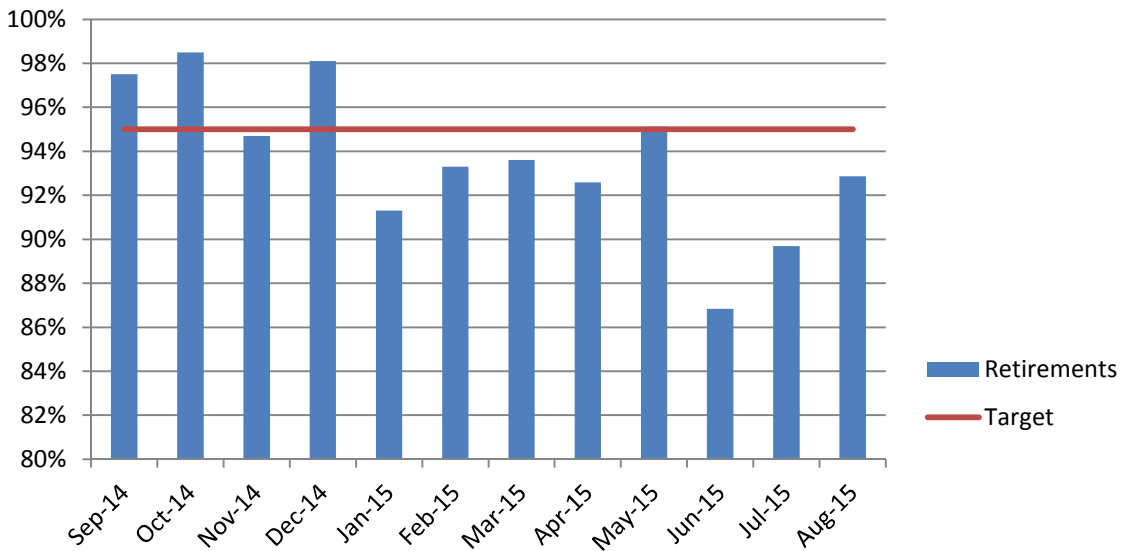


Chart 8C - KPI 3 - Transfers out processed within 15 working days



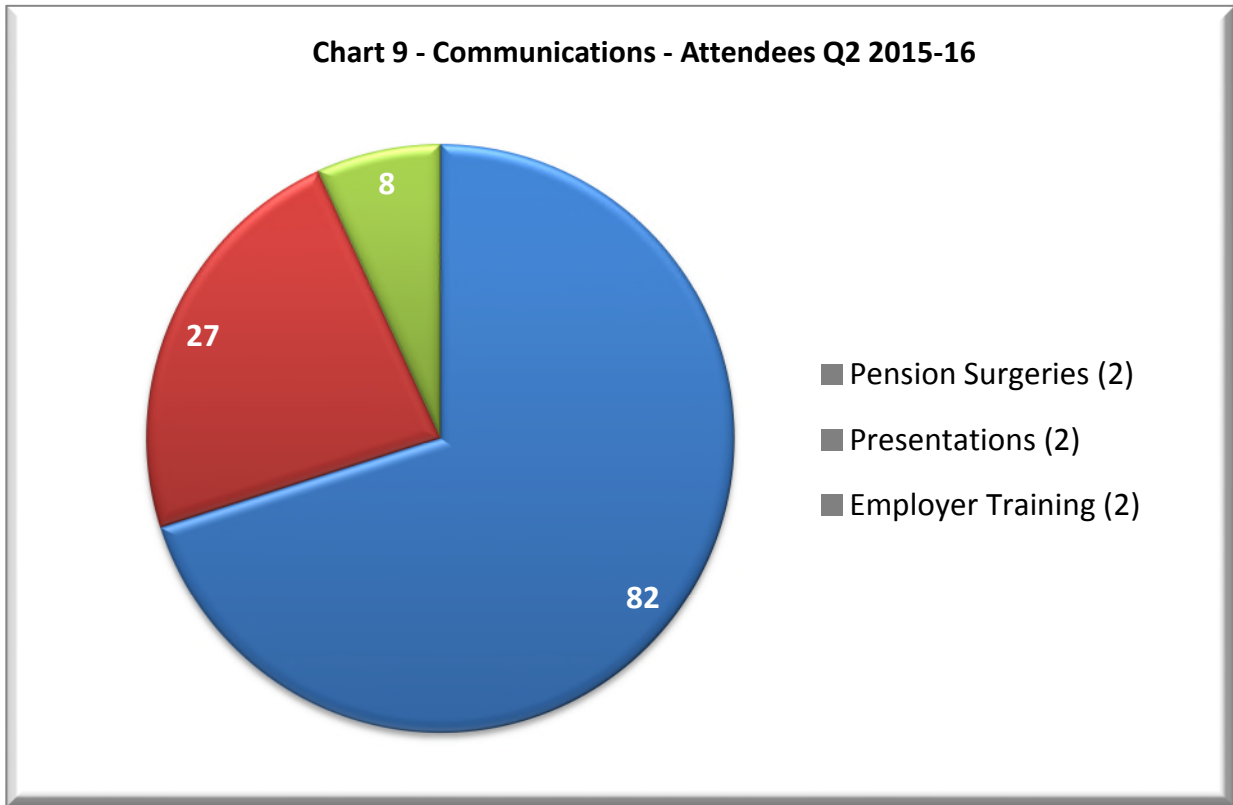
	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
Transfers Out	100	60	100	75	100	100	62.5	100	100	100	100	0
Target	85	85	85	85	85	85	85	85	85	85	85	85
Total	6	5	5	4	3	3	5	1	5	3	3	1

Chart 8D - KPI 4 - Retirements processed within 7 working days

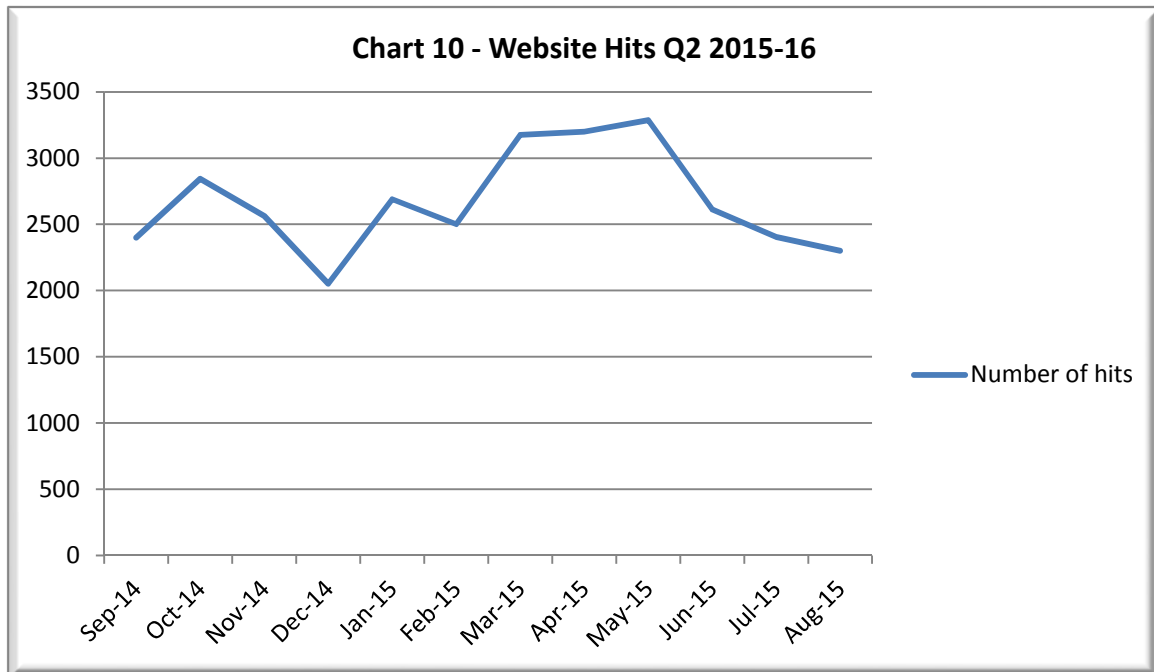


	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
Retirements	97.5	98.5	94.7	98.1	91.3	93.3	93.6	92.59	95.12	86.84	89.69	92.86
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	81	71	75	53	92	75	94	222	41	76	97	98

2.6 Administration - Communications



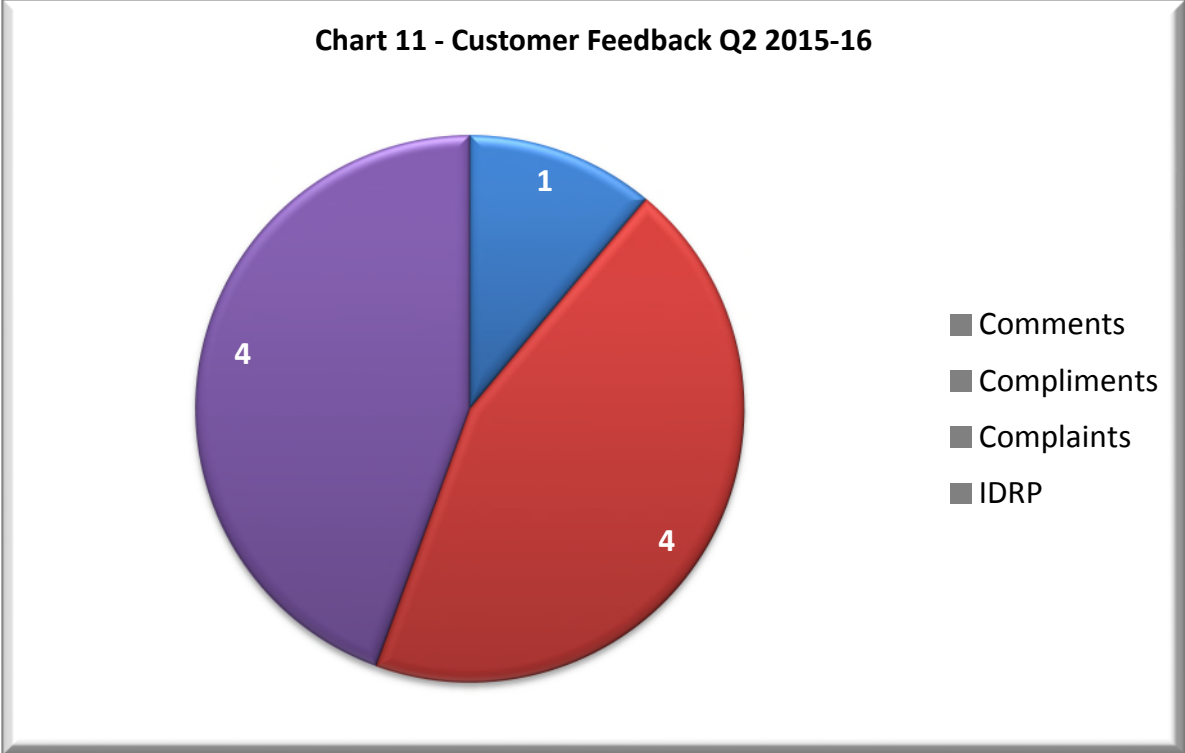
2.7 Website hits



2.8 Special projects

- GMP reconciliation
- i-Connect
- PASA

2.9 Comments, compliments and complaints



A summary of cases can be found in Annex 4 to this report

Annex 1 – Notices of unsatisfactory performance where materially significant

Form	Issue Date	Scheme Employer	Contribution Due By	Date Contributions Received	Contribution Amount	Number of Days Late	Interest
2A	22/07/2015	Library Services (Slough)	19/07/2015	22/07/2015	£6,647.66	3	£1.91

Note: No interest has been charged.

Form	Issue Date	Scheme Employer	Invoice Number	Amount Due	Date Payment Due	Date Payment Received	Days Late	Interest
3	22/09/2015	Desborough College	IX0462042	£10,008.91	01/09/2015	22/09/2015	21	£8.64
3	22/09/2015	Desborough College	IX0435533	£12,771.59	06/08/2015	22/09/2015	47	£24.67
3	22/09/2015	Desborough College	IX0462050	£5,212.68	01/09/2015	22/09/2015	21	£4.50

Note: No interest has been charged.

Annex 2 - Summary of employer KPIs

Starters received within specification - Year to date

Employer	IN	OUT	Total	% IN
Bracknell Forest Council	123	53	176	69.89%
Slough BC	56	63	119	47.06%
Wokingham BC (Selima)	12	41	53	22.64%
Wokingham BC	62	236	298	20.81%
West Berkshire Council	93	386	479	19.42%
RBWM	46	250	296	15.54%
Reading BC	21	154	175	12.00%
Academies	50	405	455	10.99%
University of West London	0	0	0	0.00%

Leavers received within specification - Year to date

Employer	IN	OUT	Total	% IN Spec
University of West London	2	0	2	100.00%
West Berkshire Council	93	56	149	62.42%
Slough BC	44	31	75	58.67%
Bracknell Forest Council	61	63	124	49.19%
RBWM	50	67	117	42.74%
Reading BC	25	66	91	27.47%
Academies	23	121	144	15.97%
Wokingham BC	4	52	56	7.14%
Wokingham BC (Selima)	2	39	41	4.88%

Retirements not notified within 5 days from retirement date - Q1 2015-16

Employer	Member	Days Over 5
Bracknell Forest Council	BMB	6
Bracknell Forest Council	KMD	14
Bracknell Forest Homes	RDP	20
Desborough College	CEL	27
Mott MacDonald	AMH	25
RBWM	GK	21
RBWM	JAF	23
RBWM	LAW	7
Reading BC	MAM	13
Reading BC	MJL	17
Reading BC	PAS	33
West Berkshire Council	ESAB	9
West Berkshire Council	JAM	3
West Berkshire Council	VPA	14
West Berkshire Council	WH	24
Wokingham BC	BAJ	14
Wokingham BC	PEA	37
Wokingham BC	RF	28

Lump sums paid >30 days after retirement date

Employer	Member	Days Over 30	Interest	Reason
Bracknell & Wokingham College	PS	18	£42.47	2
Bracknell Forest Council	BMB	9	£4.45	2
Bracknell Forest Council	KMD	2	£0.00	1
Bracknell Forest Homes	RDP	18	£61.91	1,2,3
Desborough College	CEL	12	£23.42	1
Mott MacDonald	AMH	1	£5.01	2
RBWM	GK	7	£316.25	1
RBWM	JAF	28	£58.88	1
Reading BC	MAM	12	£22.54	1,2
Reading BC	MJL	11	£2.33	1
Reading BC	PAS	7	£12.39	1
Slough BC	AC	23	£76.20	2
West Berkshire Council	JAM	17	£23.43	2
West Berkshire Council	WH	20	£19.36	1
Wokingham BC	BAJ	14	£101.51	1,2
Wokingham BC	JKT	5	£13.13	2
Wokingham BC	PEA	56	£9.09	1
Wokingham BC	RF	12	£2.32	1

NOTE: All interest paid by the pension fund.

Reason key:

- 1 Scheme employer delay in sending leaver from
- 2 Member delay in returning retirement forms
- 3 Pension Fund delay in calculation and/or making payment