



NOTICE  
OF  
MEETING

**BERKSHIRE PENSION FUND PANEL**

will meet on

**MONDAY, 11TH APRIL, 2016**

at

**4.00 pm**

In

**COUNCIL CHAMBER - TOWN HALL,**

TO: MEMBERS OF THE BERKSHIRE PENSION FUND PANEL

COUNCILLORS JOHN LENTON (CHAIRMAN), GEOFF HILL, DAVID HILTON (VICE-CHAIRMAN) AND PHILIP LOVE

ADVISORY MEMBERS: CLLRS DENNIS (READING BOROUGH COUNCIL), BROOKER (SLOUGH BOROUGH COUNCIL), STANTON (WOKINGHAM), WORRALL (BRACKNELL FOREST BOROUGH COUNCIL), LAW (WEST BERKSHIRE COUNCIL), SUE NICHOLLS (UNISON), ASIA ALLISON (GMB), PATRICK FULLER (UNIVERSITY OF WEST LONDON).

SUBSTITUTES: CLLRS ALEXANDER, COLLINS, DUDLEY, KELLAWAY

Karen Shepherd - Democratic Services Manager – Issued: 31/03/2016

Members of the Press and Public are welcome to attend Part I of this meeting.

The agenda is available on the Council's web site at [www.rbwm.gov.uk](http://www.rbwm.gov.uk) or contact the Panel Administrator

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## AGENDA

### PART I

| <u>ITEM</u> | <u>SUBJECT</u>   | <u>PAGE<br/>NO</u> |
|-------------|--|--------------------|
| 1.          | <u>APOLOGIES</u><br><br>To receive any apologies for absence.  |                    |
| 2.          | <u>DECLARATIONS OF INTEREST</u><br><br>To receive any declarations of interest.  | 7 - 8              |
| 3.          | <u>MINUTES</u><br><br>To approve the Part I minutes of the meetings held on 18 <sup>th</sup> January 2016 and 9 <sup>th</sup> February 2016. | 9 - 16             |
| 4.          | <u>CO-HABITING PARTNERS</u><br><br>To consider the report.   | 17 - 20            |
| 5.          | <u>INVESTMENTS - ASSET CLASS LIMITS</u><br><br>To consider the report.   | 21 - 26            |
| 6.          | <u>INVESTMENT GOVERNANCE - DELEGATED POWERS</u><br><br>To consider the report.   | 27 - 32            |
| 7.          | <u>PENSION FUND PANEL WORKING GROUPS</u><br><br>To consider the report.  | 33 - 38            |
| 8.          | <u>COMPOSITION OF THE BERKSHIRE PENSION FUND ADVISORY<br/>PANEL</u><br><br>To consider the report.   | 39 - 44            |
| 9.          | <u>INVESTMENT IN UK INFRASTRUCTURE</u><br><br>To consider the report.  | 45 - 48            |
| 10.         | <u>GLOBAL EQUITY MANDATES</u><br><br>To consider the report.   | 49 - 52            |
| 11.         | <u>GLOBAL CUSTODY</u><br><br>To consider the report.   | 53 - 56            |
| 12.         | <u>STEWARDSHIP REPORT</u>  | 57 - 76            |

|     |   |         |
|-----|---|---------|
|     | To consider the report.   |         |
| 13. | <u>BERKSHIRE PENSION FUND BUSINESS PLAN</u>   | 77 - 94 |
|     | To consider the report.   |         |
| 14. | <u>LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC</u>  |         |
|     | To consider passing the following resolution:-<br>"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 item 9 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1-7 of part I of Schedule 12A of the Act" |         |

## PART II

| <u>ITEM</u> | <u>SUBJECT</u>   | <u>PAGE<br/>NO</u> |
|-------------|--|--------------------|
| 15.         | <u>MINUTES</u><br><br>To approve the Part II minutes of the meetings held on 18th January 2016 and 9th February 2016.<br><br><b><i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)</i></b>                                     | 95 - 100           |
| 16.         | <u>INVESTMENT WORKING GROUP MINUTES</u><br><br>To consider the minutes of the meetings of 24 <sup>th</sup> February 2016 and 24 <sup>th</sup> March 2016.<br><br><b><i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)</i></b> | 101 - 112          |
| 17.         | <u>GLOBAL EQUITY MANDATES - ANNEX 1</u><br><br>To consider the Part II appendix.<br><br><b><i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)</i></b>  | 113 - 114          |
| 18.         | <u>INVESTMENT IN UK INFRASTRUCTURE - ANNEX 1</u><br><br>To consider the Part II appendix.<br><br><b><i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)</i></b>   | 115 - 118          |



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## MEMBERS' GUIDANCE NOTE

### DECLARING INTERESTS IN MEETINGS

#### **DISCLOSABLE PECUNIARY INTERESTS (DPIs)**

DPIs include:

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

#### **PREJUDICIAL INTERESTS**

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

#### **DECLARING INTERESTS**

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

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

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

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# Public Document Pack Agenda Item 3

## BERKSHIRE PENSION FUND PANEL

MONDAY, 18 JANUARY 2016

PRESENT: Councillors Lenton (Chairman), Hilton (RBWM), Tickner (Reading), Stanton (Wokingham), Worrall (Bracknell Forest), Law (West Berks) and Nicholls (Unison).

Independent Adviser to the Panel: Mr Dhingra

Officers: Mr Greenwood, Mr Taylor, Mr Brooker, Mr Pedro, Mr Boyton and Mr Cook.

### APOLOGIES

Apologies for absence were received by Councillors Hill, Love and Brooker.

### DECLARATIONS OF INTEREST

There were no declarations of interest received.

The Panel agreed to vary the running order of the agenda.

### LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

**RESOLVED: 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 items 5-8 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of part I of Schedule 12A of the Act.**

### MINUTES

The Part I minutes of the meeting held on 26 October 2016 were approved as a true and correct record with the alteration of Cllr Worrall's name on page 9.

### PENSIONS ADMINISTRATION

The Deputy Pension Fund Manager informed the Panel that the report under consideration covered the four areas where the administering authority had by statute to have policies; they were:

- Pension Administration Strategy (Annex 1)
- Administering Authority Decisions (Annex 2)
- Risk Assessment and Risk Register (Annex 3)
- Reporting of Breaches of the Law (Annex 4)

With regards to the Pension Administration Strategy the Panel were informed that the Pensions Regulator now had responsibility for ensuring that an Administering Authority of a Local Government Pension Fund was compliant with certain standards relating to all areas of governance and administration. Officers were seeking the approval of the strategy document (Annex 1) to support them in formulating and delivering to scheme employers, training with regard to their statutory obligations contained within the service level agreement.

Councillor Hilton asked for an update to the i-Connect. The Pension Administration Manager informed the Panel that RBWM had agreed to implement the system and inform the Berkshire Treasurers of progress; the Head of Finance informed that this would be done in a couple of weeks. Reading Borough Council was the only authority that had not expressed an interest. The Chairman asked Cllr Tickner if she knew why and was informed that she would make enquiries.

Cllr Law mentioned that the recommendation did not mention that I-Connect was a pilot and by agreeing to the document they would be agreeing to its implementation. Cllr Hilton responded that the policy was supporting the implementation of I-Connect; it would be for the other authorities to decide if they wished to install it.

As the recommendation was for the Panel to approve the strategy for implementation after consultation it was approved to change the recommendation to 'subject to changes made as a consequence of the consultation'.

With regards to Administering Authority Decisions (Annex 2) the Panel were informed that there were many occasions where the administering authority had certain discretion as to how the regulations could be applied.

Annex 2 to the report set out each of the individual regulations where an administering authority decision was required along with a brief explanation of what each regulation meant, policy options and a recommendation as to which policy should be adopted to each regulation.

The Panel considered each option contained in Annex 2 of the report page 39 to 49 of the agenda pack and all the recommended options within the report were approved.

With regards to the Risk Assessment and Risk register (Annex 3) the Panel were informed that the Scheme Manager had a legal duty to establish and operate internal controls and thus was recommending the appendix as an appropriate risk assessment and register. The document was in line with the RBWM register.

Cllr Stanton reported that he welcomed the document and asked if all major pieces of work had been risk assessed. The Panel were informed that they were and that they were being asked if they wished to see risk reported by exception or the whole register.

Cllr Tickner replied that she would like to see just the 'dashboard' for every meeting with further information being supplied on risks reporting 'Red'. The Panel were informed that during the summer consultants were being used to look at risk and get a dashboard focused on the Pension Fund rather than operational risks.

It was noted that 'Pooling' had not been added as a risk as there was insufficient information to put in mitigating actions.

It was agreed that the full list, as appended, would come to Panel for a final decision and that any further comments to be emailed to the Chairman and the Pension Fund Manager.

With regards to reporting breaches of the law (Annex 4) the Panel were informed that the document set out the reporting process. The Annex was noted and the Chairman said that any comments to be sent to the Deputy Pension Fund Manager.

**Resolved unanimously: That the Panel:**

- i. Considered the pension administration strategy at Annex 1 and agreed to its implementation from 1 April 2016 subject to changes made as a consequence of the consultation;**

- ii. **adopted the administering authority decisions matrix as set out in Annex 2;**
- iii. **noted the risk assessment and risk register as set out in Annex 3; and**
- iv. **accepted the guide to reporting breaches of the law including the traffic light framework for reporting breaches as set out in Annex 4.**

## PENSION ADMINISTRATION SOFTWARE TENDER

The Pension Administration Manager introduced the report that informed the Panel of the procurement of pension and payroll administration software.

The Panel were informed that the contract with *Heywood* Limited would end on 15 June 2016. Under the terms of the contract there was an option, at the Council's discretion, to extend for a further period of five years.

Although the functionality of *Heywood* package had served the administration team well for many years it was accepted that there now existed other suppliers that could deliver a software solution capable of administering the LGPS. There was also the issue that due to the number of changes to the LGPS that required software investment the costs had increased from £850k to over £1 million.

It was proposed that the tender criteria would be:

- Matching the Council's Specification
- In-house Demonstration
- Reference Site Visit
- Price

As previously discussed I-Connect was part of the administering authorities plans and thus moving away from *Heywood* would be an unknown that would need to be considered. There remained an option to extend the existing contract for five years.

The Chairman questioned that as there was uncertainty over pension fund pooling if it would be possible to extend the contract by just one or two years. The Panel were informed that this would be a variation in the contract and would require agreement with the supplier.

Cllr Law raised concern that the contract was due to end on 15 June 2016 and he felt there would be insufficient time to carry out the tender process, evaluation and implementation. Cllr Law also recommended seeing if it was possible to extend the contract.

It was agreed that officers would investigate if it was possible to extend the contract outside the permitted five years.

## STEWARDSHIP REPORT

The item was deferred.

## LGPS COLLABORATION

The Pension Fund Manager introduced the report that detailed the discussion on three potential investments pools as required in the Local Government Pension Scheme: Investment Reform Criteria and Guidance published by the Department for Communities and Local Government ("DCLG") in November 2015.

The report detailed the potential pools officers had identified; these were:

- LPFA/LCC

- South West
- Central, East South East
- Midlands
- Northern
- Wales
- Cumbria/Surrey/East Riding
- London Collective Investment Vehicle

The report detailed initial discussions that officers had with the South West Group and the LPFA/LCC Group. It was noted that by the 19<sup>th</sup> February the fund had to give a commitment to pooling and its proposed arrangements.

The Chairman reported that in principal they would say yes, the Panel would look at the proposals and would report back at its next meeting.

INVESTMENT GOVERNANCE

The item was deferred.

DEVELOPING MARKETS INVESTMENT STRATEGY

The item was deferred.

The meeting, which began at 4.00 pm, finished at 6.40 pm

CHAIRMAN.....

DATE.....

# Public Document Pack

## BERKSHIRE PENSION FUND PANEL

TUESDAY, 9 FEBRUARY 2016

PRESENT: Councillors Lenton (Chairman), Hilton (RBWM), Tickner (Reading), Stanton (Wokingham) and Law (West Berks).

Independent Adviser to the Panel: Mr Dhingra

Officers: Mr Greenwood, Mr Taylor, Mr Pedro and Mr Cook.

### APOLOGIES

Apologies for absence were received by Cllr Love, Cllr Hill, Cllr Worrall, Sue Nichols and Asia Allison.

### DECLARATIONS OF INTEREST

There were no declarations of interest received.

(Cllr Tickner joined the meeting)

The Panel agreed to change the agenda running order.

### LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

**RESOLVED: 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 items 5-8 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of part I of Schedule 12A of the Act.**

### INVESTMENT POOLING

The Pension Fund Manager introduced the report that dealt with the Funds initial response to investment pooling.

The Panel were informed that the Department for Communities and Local Government published on 25th November 2015 "Local Government Pension Scheme: Investment Reform Criteria and Guidance" setting out the criteria to be imposed to enforce pooling of investments by Local Government Pension Funds.

The letter, attached as appendix 1, was a short response to the DCLG confirming that the Borough would comply with the directive to pool.

In addition the Borough had informed that officers have held discussions with a number of the nascent pools regarding three key criteria:

- Ability of a pool to deliver the Fund's investment strategy.
- The proposed governance arrangements.
- The quality of management of the pool.

In response to questions the Panel were informed that a more detailed response would be required in July 2015 where objections such as investing into infrastructure projects could be raised.

**Resolved unanimously: That the Panel approve the submission attached at Annex 1 and officers be authorised to submit the response by 19th February 2016.**

## INVESTMENT GOVERNANCE

The Pension Fund Manager introduced the report that sought to clarify the process for making investment decisions for the Fund and requested the Panel to delegate authority to the Investment Working Group and Officers.

The Panel were informed that internal audit had asked for clarity on delegated authority contained in the RBWM Constitution regarding the authorities of the Panel, Investment Working Group and officers.

The report contained a table that detailed the proposed specific delegated authorities and gave the rationale behind them. In short the Panel would be responsible for strategy, the IWG would Review investment opportunities / new managers and officers would undertake the management of the Fund.

During the discussion it was recommended that the IWG terms of reference be amended so that an Advisory Panel member had to be a member of IWG and that a maximum threshold of £20 million for a single investment be added for IWG. It was agreed that the Pension Fund Manager would review the wording of the table following these recommendations and amend accordingly.

**Resolved unanimously: That the table detailing specific delegated authorities be amended and sent to Panel members.**

## DEVELOPING MARKETS INVESTMENT STRATEGY

The Pension Fund Manager introduced the report that recommended the development of a multi-asset approach to investing in Developing Markets.

The Panel were informed that IWG had resolved that the Fund should increase its investment in developing markets up to 25% of the Fund's assets. The report provided a proposed approach to creating a multi-asset approach. There were two tables within the report one showing exposure and the other showing what the broad asset allocation would look like.

Cllr Tickner recommended that some Panel and Advisory Panel members may wish to have a training session on investments and investments terminology.

**Resolved unanimously: That the Panel:**

- i. **Approve the Developing Markets Investment Strategy at Annex 1.**
- ii. **Authorise officers to implement the strategy after consultation with the Investment Working Group on specific investment opportunities.**

## STEWARDSHIP REPORT

The Deputy Pension Fund Manager introduced the report that dealt with the stewardship of the Pension Fund for the period 1 September to 31 November 2015. The Panel were informed that the Pension Board had recommended that historical trend analysis be added to the report and where applicable this had been added.

The Independent Advisor questioned what action was being taken about the Amber traffic lights in table 4 and was informed that the IWG would be reviewing convertible bonds, with regards to the IPM Fundamental Umbrella Fund due to continued under performance they will be looking if it was best to remain or move to something else and with regards to the remaining investments they had to retain.

With regards to the notices of unsatisfactory performance it was noted that the issues of receiving the appropriate information would be addressed by I-Connect. RBWM were due to implement I-Connect and inform lessons learnt to the other Berkshire authorities.

**Resolved unanimously: That the Panel note:**

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

The meeting, which began at 4.00 pm, finished at 5.40 pm

CHAIRMAN.....

DATE.....

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Report for: ACTION



|  |   |
|--|---|
| <b>Contains Confidential or Exempt Information</b> | NO - Part I   |
| <b>Title</b>                                       | Payment of a Cohabiting Partner's Pension               |
| <b>Responsible Officer(s)</b>                      | Philip Boyton<br>Pension Administration Manager         |
| <b>Contact officer, job title and phone number</b> | Nick Greenwood<br>Pension Fund Manager<br>01628 796701  |
| <b>Member reporting</b>                            | n/a   |
| <b>For Consideration By</b>                        | Berkshire Pension Fund and Pension Fund Advisory Panels |
| <b>Date to be Considered</b>                       | 11 April 2016   |
| <b>Implementation Date if Not Called In</b>        | Not applicable  |
| <b>Affected Wards</b>                              | None  |

## REPORT SUMMARY

1. This report asks Members to consider a formal request received by Officers for payment of a cohabiting partner's pension of £16,924.90 per annum in respect of a scheme member who died unexpectedly during November 2015.
2. This report is provided to Members in accordance with Section 36 of the Administering Authority's Discretionary Policy Statement where a decision is required regarding a matter deemed to be contentious.

## If recommendations are adopted, how will residents, fund members and other stakeholders benefit?

| Benefits to residents and reasons why they will benefit | Dates by which residents can expect to notice a difference |
|---|--|
| 1. n/a  |  |

## 1. DETAILS OF RECOMMENDATIONS

### RECOMMENDATION: That Panel:

- i. approve the payment of a survivor's pension on sight of a sworn Affidavit made by the deceased's partner.

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

- 2.1 The Local Government Pension Scheme Regulations 2013 (as amended) includes provisions for surviving husbands and wives, civil partners and dependant children to be paid a pension in the event of a scheme member's death. In April 2008 the provisions were extended to also include nominated cohabiting partners.
- 2.2 For an eligible cohabiting partner's pension to be payable, all of the following conditions must apply for a continuous period of at least two years on the date of the scheme member's death:
  - 2.2.1 the scheme member and their cohabiting partner must be free to marry each other or enter into a civil partnership with each other;
  - 2.2.2 the scheme member and their cohabiting partner must be living together, as if husband and wife, or civil partners;
  - 2.2.3 neither the scheme member or their cohabiting partner have been living with someone else as if husband and wife or civil partners; and
  - 2.2.4 either the scheme member's cohabiting partner is, and has been, financially dependent on them or financially interdependent on each other.
- 2.3 Before the 1 April 2014 it was a legal requirement for a scheme member to nominate their cohabiting partner. Since this date it has no longer been a requirement, but all of the conditions outlined above must be satisfied and evidenced to Officers in both instances.
- 2.4 The deceased did not nominate his cohabiting partner of 10 years with whom he began living with at her address following his divorce in 2005. Whilst the partner has been able to provide documents evidencing both lived at the same address the documents do not provide sufficient evidence to satisfy 2.2.4 above. This has proven more difficult because we understand they kept separate bank and building society accounts.

Although, living together the deceased purchased a house that was lived in permanently by one of his children and used by his other two children when visiting. The address of this property was registered as the deceased's place of death because he regularly used it when not working at his office location.

We understand it was their intention to marry during August 2016 and make a joint house purchase. These events would have taken place much earlier but for both of their parents' poor health from 2006 to 2013 and time needed to care for them. This was followed by the deceased's partner suffering a stroke and lengthy recovery during which time she was dependent on the deceased financially.

- 2.5 A child's pension of £8,462.45 per annum is in payment to the deceased's daughter aged 16 until she reaches age 23 at the latest. The amount will increase to £11,283.27 per annum if Members conclude a cohabiting partner's pension is not payable.
- 2.6 A Lump Sum Death Grant of £139,986.00 has been paid equally to the deceased's four children, as his nominated beneficiaries.
- 2.7 Officers having reviewed the evidence provided by the partner and are of the view that Members should exercise its discretion to award a cohabiting partner's pension to her.

| Option  | Comments   |
|---|--|
| Members approve payment of a cohabiting partner's pension.        | Recommendation by Officers subject to a signed Affidavit made by the cohabiting partner. |
| Members do not approve payment of a cohabiting partner's pension. |  |

**3. KEY IMPLICATIONS**

Not applicable.

**4. FINANCIAL DETAILS**

Not applicable.

**5. LEGAL IMPLICATIONS**

Not applicable.

**6. VALUE FOR MONEY**

Not applicable.

**7. SUSTAINABILITY IMPACT APPRAISAL**

Not applicable.

**8. RISK MANAGEMENT**

Not applicable.

**9. LINKS TO STRATEGIC OBJECTIVES**

Not applicable.

**10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION**

Not applicable.

**11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS**

Not applicable.

**12. PROPERTY AND ASSETS**

Not applicable.

**13. ANY OTHER IMPLICATIONS**

Not applicable.

**14. CONSULTATION**

Not applicable.

**15. TIMETABLE FOR IMPLEMENTATION**

Not applicable.

**16. APPENDICES**

Not applicable.

**17. BACKGROUND INFORMATION**

Not applicable.

Report for: ACTION



|  |  |
|--|--|
| <b>Contains Confidential or Exempt Information</b> | NO - Part I  |
| <b>Title</b>                                       | Investments – Asset Class Limits                       |
| <b>Responsible Officer(s)</b>                      | Nick Greenwood, Pension Fund Manager                   |
| <b>Contact officer, job title and phone number</b> | Nick greenwood<br>Pension Fund Manager<br>01628 796701 |
| <b>Member reporting</b>                            | Investment Working Group                               |
| <b>For Consideration By</b>                        | Berkshire Pension and Pension Fund Advisory Panels     |
| <b>Date to be Considered</b>                       | 11 April 2016  |
| <b>Implementation Date if Not Called In</b>        | N/A  |
| <b>Affected Wards</b>                              | None   |

## REPORT SUMMARY

1. This report recommends limits for the maximum proportion of the Fund that can be invested in any one asset class, fund or issue. The Fund will be required to publish an Investment Strategy Statement later in 2016 which, inter-alia, must include asset class limits.

## If recommendations are adopted, how will residents, fund members and other stakeholders benefit?

| Benefits to residents and reasons why they will benefit            | Dates by which residents can expect to notice a difference |
|--|--|
| 1. Compliance with the Local Government Pension Scheme Regulations | Immediate  |

## 1. DETAILS OF RECOMMENDATIONS

**RECOMMENDATION:** That Panel agree the investment limits as set out in Table 1 in this report.

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

- 1.1 On November 25<sup>th</sup> 2015 the Department for Communities and Local Government published a draft of the Local Government Pension Scheme (Management and Investment of funds) 2016 Regulations. Consultation on these regulations closed on 19 February 2016 and it was expected that the regulations would come into force on 1 April 2016. It now looks unlikely that the commencement date objective (! April 2016) due to the huge volume of responses on the requirement for administering authorities to publish an “Environmental, Social and Governance” policy as part of their Investment Strategy Statement.
- 1.2 The regulations will, when they come into force, require administering authorities to publish an Investment strategy Statement which, inter-alia, sets out the maximum percentage of the total value of all fund money that it will invest in particular investments or classers of investments.
- 1.3 The table below sets out the recommendations of the Investment Working Group for these limits:

| <b>Asset Class</b>                        | <b>Current %</b> | <b>Proposed Max %</b> | <b>Single Investment Limit % (of fund)</b>                |
|---|------------------|-----------------------|---|
| <b>Bonds</b>                              | <b>14.5</b>      | <b>35</b>             | <b>n/a</b>  |
| “Conventional” Gilts                      | 0.0              | 25                    | 25% in any single issue                                   |
| “Index-Linked” Gilts                      | 1.4              | 25                    | 25% in any single issue                                   |
| Investment Grade Bonds                    | 0.0              | 25                    | 2% in any single issue                                    |
| Non-investment grade bonds (“High Yield”) | 0.0              | 10                    | 0.5% in any single issue or 5% in any single fund         |
| Private Fixed Interest                    | 9.6              | 20                    | 5% in any single fund                                     |
| Convertible Bonds                         | 3.5              | 10                    | 5% in any single fund                                     |
| <b>Equities</b>                           | <b>43.6</b>      | <b>60</b>             | <b>n/a</b>  |
| Developed World Listed Equities           | 21.6             | 40                    | 5% in any single company                                  |
| Emerging & Frontier Market Equities       | 11.7             | 25                    | 5% in any single fund                                     |
| Private Equity                            | 10.3             | 15                    | 5% in any single fund<br>0.5% in any single co-investment |
| <b>Absolute Return (“Hedge Funds”)</b>    | <b>18.4</b>      | <b>20</b>             | <b>2.5% in any single fund</b>                            |

|  |             |           |                                      |
|--|-------------|-----------|--------------------------------------|
| <b>Infrastructure</b>                  | <b>4.6</b>  | <b>15</b> | <b>n/a</b>                           |
| Global Infrastructure Funds            | 4.6         | 7         | 2.5% in any single fund              |
| UK Infrastructure                      | 0           | 5         | 5% in any single fund                |
| <b>Commodities</b>                     | <b>3.2</b>  | <b>5</b>  | <b>n/a</b>                           |
| Commodity funds                        | 2.1         | 3         | 3% in any single fund                |
| Single Commodity Exchange Traded Funds | 1.1         | 2         | 2% in any single commodity           |
| <b>Property</b>                        | <b>11.3</b> | <b>20</b> | <b>n/a</b>                           |
| UK Funds                               | 3.9         | 5         | 5% in any single fund of funds       |
| Global Funds                           | 7.1         | 10        | 10% in any single fund of funds      |
| Private Rented Residential             | 0.3         | 5         | 3% in any single development         |
| <b>Cash</b>                            | <b>6.0</b>  | <b>15</b> | <b>2% in any single “money fund”</b> |

- 1.4 Members are requested to approve these limits for future incorporation into the Fund’s Investment Strategy Statement which will be submitted to Panel for approval before publication

| <b>Option</b>                      | <b>Comments</b>  |
|------------------------------------|--|
| Approve the proposed limits        | <b>Recommended. It demonstrates good governance of the Fund and will be a legal obligation later in 2016.</b>          |
| Do not approve the proposed limits | Not recommended. As note above later in 2016 it will be a legal requirement for the Fund to have such limits in place. |

### 3. KEY IMPLICATIONS

- 3.1 The Royal Borough as administering authority for the Pension Fund will be required to publish these limits in any case.

### 4. FINANCIAL DETAILS

**There is no financial impact on the budget**

**5. LEGAL IMPLICATIONS**

5.1 Compliance with LGPS Regulations

**6. VALUE FOR MONEY**

6.1 N/A

**7. SUSTAINABILITY IMPACT APPRAISAL**

7.1 None

**8. RISK MANAGEMENT**

8.1 The imposition of asset class limits (even if broadly set) ensures that the Fund's investments will be broadly diversified at all times.

**9. LINKS TO STRATEGIC OBJECTIVES**

9.1 N/A

**10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION**

10.1 None

**11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS**

11.1 None

**12. PROPERTY AND ASSETS**

12.1 None

**13. ANY OTHER IMPLICATIONS**

13.1 None

**14. CONSULTATION**

14.1 Investment Working Group 24 March 2016.

**15. TIMETABLE FOR IMPLEMENTATION**

15.1 Immediate



## 16. APPENDICES

- None

## 17. BACKGROUND INFORMATION

- The Draft Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 published on 25 November 2016 ([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/479562/draft\\_LGPS\\_Investment\\_Regulations\\_2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479562/draft_LGPS_Investment_Regulations_2016.pdf))

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Report for: ACTION



|  |   |
|--|---|
| <b>Contains Confidential or Exempt Information</b> | NO– Part I  |
| <b>Title</b>                                       | Investment Governance                                   |
| <b>Responsible Officer(s)</b>                      | Nick Greenwood<br>Pension Fund Manager                  |
| <b>Contact officer, job title and phone number</b> | Nick Greenwood<br>Pension Fund Manager<br>01628 796701  |
| <b>Member reporting</b>                            | N/A   |
| <b>For Consideration By</b>                        | Berkshire Pension Fund and Pension Fund Advisory Panels |
| <b>Date to be Considered</b>                       | 11 April 2016   |
| <b>Implementation Date if Not Called In</b>        | Immediate   |
| <b>Affected Wards</b>                              | None  |

## REPORT SUMMARY

1. This paper clarifies the Investment Working Group’s authority to authorise Officers to make investments on behalf of the Pension Fund.

## If recommendations are adopted, how will residents, fund members and other stakeholders benefit?

| Benefits to residents and reasons why they will benefit                                  | Dates by which residents can expect to notice a difference |
|--|--|
| 1. A clearly defined investment decision making demonstrates good governance of the Fund | Immediately  |

## 1. DETAILS OF RECOMMENDATIONS

**RECOMMENDATION:** That Panel:

- Agrees the delegated powers as set out in Annex 1**
- Request Council to incorporate these delegated powers within the Council’s Constitution.**

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

At its meeting on 9 February 2016 Panel agreed the delegations as set out in the table below subject to a limit being placed on the Investment Working Group's ability to make investments. During the meeting a limit of £20 million was suggested. Following the meeting the Chairman and Vice Chairman raised a concern that this limit would be too low and not alleviate the Panel of any work. It was suggested that a limit of £50 million or 3% of the Fund's net assets as published in the latest Financial Statements would be more appropriate particularly as the Pension Fund Advisory Panel has two members on the Investment Working Group and therefore the Pension Fund Advisory Panel's views would be represented at Investment Working Group Meetings.

The amended Powers of Delegation are set out in Annex 1.

| Option  | Comments   |
|---|--|
| That the Investment Working Group's ability to authorise Officers to make investments be limited to the higher of £50 million or 3% of the Fund's last published net asset value in any single or series of investments in any one asset class with any single manager. | <b>Recommended – this limit will reduce the workload of the Panel whilst still providing a clear audit trail.</b>  |
| Impose a lower limit  | Not recommended – most investments made by the Pension Fund are in the order of £30 million or higher so a lower limit will not reduce the workloads of the Panel. |

## 3. KEY IMPLICATIONS

- 3.1 This proposal codifies how investment decisions are made and enables a clear audit trail to be established.

## 4. FINANCIAL DETAILS

None

## 5. LEGAL IMPLICATIONS

- 5.1 None

**6. VALUE FOR MONEY**

6.1 N/A

**7. SUSTAINABILITY IMPACT APPRAISAL**

7.1 N/A

**8. RISK MANAGEMENT**

8.1

| <b>Risks</b>             | <b>Uncontrolled Risk</b> | <b>Controls</b>               | <b>Controlled Risk</b> |
|--------------------------|--------------------------|-------------------------------|------------------------|
| No delegated authorities | Medium                   | Confirm delegated authorities | Low                    |

**9. LINKS TO STRATEGIC OBJECTIVES**

9.1 N/A

**10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION**

10.1 Not required

**11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS**

11.1 None

**12. PROPERTY AND ASSETS**

12.1 N/A

**13. ANY OTHER IMPLICATIONS**

13.1 None

**14. CONSULTATION**

14.1 Chairman, Vice Chairman of Panel, Head of Finance, External Advisers

**15. TIMETABLE FOR IMPLEMENTATION**

15.1 Immediate

**16. APPENDICES**

16.1 None

## 17. BACKGROUND INFORMATION

17.1 None

## Annex 1 – Delegated Powers

31

| Delegator          | Delegated Authority  | Delegatee                | Rationale   |
|--------------------|--|--------------------------|---|
| RBWM               | Set Investment Strategy including asset classes and upper limits for investment in those asset classes (required from 1 Oct 2016 via the Investment Strategy Statement).   | Pension Fund Panel       | Prerogative of the administering authority which has delegated this to the Pension Fund Panel   |
| RBWM               | Award contracts with a value exceeding £50,000 including investment management agreements*   |                          | Prerogative of the administering authority which has delegated this to the Pension Fund Panel   |
| Pension Fund Panel | Recommend changes to the Investment Strategy   | Investment Working Group | A natural function of the IWG; approval of changes will still require Panel approval.   |
| Pension Fund Panel | Set and change asset allocation  |                          | Asset allocation is a “by-product” of investment strategy and should be reviewed regularly. IWG was created to periodically review asset allocation and to review investments |
| Pension Fund Panel | Review investment opportunities/new managers and authorise Officers to make such investments if they comply with the agreed Investment Strategy and do not involve the award of an investment management agreement. There will be a limit of the higher of £50 million or 3% of the net asset value of the Fund as published in the Fund’s latest Financial Statements for any single or series of investments in any one asset class with any single manager. |                          | IWG was created to review investments including new investments. Delegating this function to IWG will allow Panel to focus on the overall stewardship of the Fund.            |
| Pension Fund Panel | Terminate mandates/ redeem holdings in pooled funds and Limited Partnerships   |                          | Delegating this function to IWG will allow Panel to focus on the overall stewardship of the Fund.   |

|                    |  |  |  |
|--------------------|--|--|--|
| Pension Fund Panel | Undertake due diligence on new investments/managers including utilising external resources (e.g. legal assistance) as necessary  | Officers   | Day to day management of the Fund.                                     |
| Pension Fund Panel | Complete documentation for making investments  | Officers   |  |
| Pension Fund Panel | Make “capital actions**” decisions where the Capital value of such a decision does not exceed 0.5% (£8.5 million) of the Fund’s assets. Such decisions to include changes to the Absolute Return Portfolio, capital actions for listed equities, co-investment opportunities in private equity, reinvestment of income and capital proceeds from existing investments. |  |  |
| Pension Fund Panel | Any additional actions that may be required to ensure efficient implementation of the investment strategy or for the efficient management of the Fund. Approval for such actions to be sought from the Chairman or Vice Chairman of the Pension Fund Panel prior to execution.   |  |  |
| Pension Fund Panel | Emergency action to terminate a mandate, redeem a pooled holding or reduce exposure to one or more asset classes and to take any other action necessary to secure/recover Pension Fund Assets  | Chairman and Vice Chairman of the Pension Fund Panel or Leader and Lead member of Finance or two strategic directors of RBWM | Constitutional power to protect the fund in times of financial stress. |

\* An Investment Management Agreement is a contract between a fund manager and the administering authority to manage a pool of assets for the pension fund.

\*\* For the avoidance of doubt “Capital Actions” refers to actions required to ensure the efficient management of the Fund’s assets and does not enable Officers to make investments not previously approved by IWG or Panel.





|                       |
|-----------------------|
| Report for:<br>ACTION |
| Item Number:          |

|  |   |
|--|---|
| <b>Contains Confidential or Exempt Information</b> | NO – Part 1   |
| <b>Title</b>                                       | Pension Fund Panel Working Groups                       |
| <b>Responsible Officer(s)</b>                      | Nick Greenwood  |
| <b>Contact officer, job title and phone number</b> | Nick Greenwood<br>Pension Fund Manager<br>01628 796701  |
| <b>Member reporting</b>                            | n/a   |
| <b>For Consideration By</b>                        | Berkshire Pension Fund and Pension Fund Advisory Panels |
| <b>Date to be Considered</b>                       | 11 April 2016   |
| <b>Implementation Date if Not Called In</b>        | n/a   |
| <b>Affected Wards</b>                              | None  |
| <b>Keywords/Index</b>                              | <i>Insert relevant key words</i>                        |

|   |
|---|
| <p><b>Report Summary</b></p> <p>1. In July 2015 the Pension Fund Panel confirmed the terms of reference of its three working groups drawn from members of the Pension Fund Panel and Advisory Panel. These terms of reference did not specify quorums for the working groups .</p> <p>2. This paper addresses that shortfall and recommends quorums for the three working groups.</p> |
|---|

|   |   |
|---|---|
| <b>If recommendations are adopted, how will residents, fund members and other stakeholders benefit?</b> |   |
| Benefits to residents, fund members and other stakeholders and reasons why they will benefit            | Dates by which they can expect to notice a difference |
| I. Better governance of the Pension Fund  | On-going  |

## 1. Details of Recommendations

### RECOMMENDATION: That:

- i. Panel reaffirm the quorums of the three working groups

## 2. Reason for Recommendation(s) and Options Considered

The Pension Fund Panel established an Investment Working Group in 2008, a Liability Management Working Group in 2009 and a Covenant Assessment Working Group in 2015. The terms of reference for each working group are appended to this report.

Officers recommend that the quorum for the Investment Working Group is set at not less than four members and for the Liability Management and Covenant Assessment Working Groups it be set at not less than three members. In each case a meeting shall be inquorate if no members of the Pension Fund Panel are present even though there would otherwise be sufficient members present to make the meeting quorate.

## **Royal County of Berkshire Pension Fund**

### **Investment Working Group**

#### **Terms of Reference**

The Royal County of Berkshire Pension Fund Investment Working Group (“IWG”) will be a Working Group of the Berkshire Pension Fund Panel.

The Investment Working Group will consist of the Chairman and/or Vice-Chairman of the Berkshire Pension Fund Panel and up to three other members of the Berkshire Pension Fund and Pension Fund Advisory Panels.

The Investment Working Group will meet at least quarterly and on an ad-hoc basis as required. At least 10 days notice of a meeting will be given for each meeting. The Working Group may meet “electronically” if required. In such a circumstance it will be made clear by what date members are required to respond.

All decisions or recommendations made by the Working Group will be reported to the Pension Fund and Pension Fund Advisory Panel.

The role of the Working Group is to review and recommend appropriate policies/actions to the Pension Fund Panel and Advisory Panel in respect of the following:

1. The Strategic Asset Allocation of the Fund
2. The investment performance of the Fund
3. New investment products/mandates and their suitability for investment by the Fund
4. To interview potential managers for the Fund
5. To recommend the appointment or termination of investment mandates
6. Such other matters as may be relevant to managing the investments of the Fund and implementing decisions of the Pension Fund Panel

Quorum: Four members of whom at least two shall be members of the Pension Fund Panel and include the Chairman and/or the Vice Chairman of the Panel.

## **Royal County of Berkshire Pension Fund**

### **Liability Management Working Group**

#### **Terms of Reference**

The Royal County of Berkshire Pension Fund Liability Management Working Group will be a Working Group of the Berkshire Pension Fund Panel.

Membership of the Working Group will consist of a minimum of 3 members of the Berkshire Pension Fund and Berkshire Pension Fund Advisory Panels, at least two of whom will be drawn from the Berkshire Pension Fund Panel.. The Working Group will be chaired by the Chairman and/or the Vice Chairman of the Berkshire Pension Fund Panel.

The Working Group will meet on an ad-hoc basis as required. At least 10 days notice of a meeting will be given for each meeting. The Working Group may meet “electronically” if required. In such a circumstance it will be made clear by what date members are required to respond.

The role of the Working Group is to review and recommend appropriate policies/actions to the Pension Fund Panel and Advisory Panel in respect of the following:

1. Proposals for longevity risk management.
2. Proposals for hedging inflation and interest rate risks.
3. Proposals for establishing platforms for collateral management.
4. Other existing and new liability hedging and risk management products.
5. The costs/benefits of hedging longevity, interest rate and inflation risks.
6. Such other matters as may be relevant to Liability Management that the Pension Fund Panel Chairman or Vice Chairman may approve.

Quorum: Two members of whom at least one shall be a the Chairman or the Vice Chairman of the Pension Fund Panel.

**Royal County of Berkshire Pension Fund**  
**Employer Covenant Assessment Working Group**

**Terms of Reference**

The Royal County of Berkshire Pension Fund Employer Covenant Assessment Working Group will be a Working Group of the Berkshire Pension Fund Panel.

Membership of the Working Group will consist of a minimum of 3 members of the Berkshire Pension Fund and Berkshire Pension Fund Advisory Panels, at least two of whom will be drawn from the Berkshire Pension Fund Panel, together with the Pension Fund Manager and Deputy Pension Fund Manager. The Working Group will be chaired by the Chairman or the Vice Chairman of the Berkshire Pension Fund Panel.

The Working Group will meet on an ad-hoc basis as required. At least 10 days notice of a meeting will be given for each meeting. The Working Group may meet “electronically” if required. In such a circumstance it will be made clear by what date members are required to respond.

Neither the Pension Fund Manager nor the Deputy Pension Fund Manager shall have any voting rights. All decisions will be on a simple majority with the Chairman of the Working Group having a casting vote. All decisions or recommendations made by the Working Group will be reported as soon as possible to the Chairman and Vice Chairman of the Pension Fund Panel and to the next meeting of the Pensions Fund Panel.

The role of the Working Group is to review and recommend appropriate policies/actions to the Pension Fund Panel and Advisory Panel in respect of the following:

1. Reviewing the strength of individual employer’s covenant.
2. Recommending action to be taken in an attempt to strengthen individual employer’s covenant.
3. Authorise Officers to negotiate with individual employers as necessary.
4. Review the covenant of employers seeking admission to the Fund and approve any action needed to strengthen the covenant.
5. Review any mitigating strategies that may be appropriate (for instance credit insurance).
6. Such other matters as may be relevant to managing employer covenant risk that the Pension Fund Panel Chairman or Vice Chairman may approve.

Quorum: Two members of whom at least one shall be the Pension Fund Panel Chairman or Vice Chairman .

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Report for: ACTION



|  |  |
|--|--|
| <b>Contains Confidential or Exempt Information</b> | <i>NO - Part I</i>                                       |
| <b>Title</b>                                       | Composition of the Berkshire Pension Fund Advisory Panel |
| <b>Responsible Officer(s)</b>                      | Nick Greenwood, Pension Fund Manager                     |
| <b>Contact officer, job title and phone number</b> | Nick Greenwood<br>Pension Fund Manager<br>016258 796701  |
| <b>Member reporting</b>                            | Cllr J Lenton  |
| <b>For Consideration By</b>                        | Berkshire Pension Fund and pension Fund Advisory Panels  |
| <b>Date to be Considered</b>                       | 11 April 2016  |
| <b>Implementation Date if Not Called In</b>        | N/A  |
| <b>Affected Wards</b>                              | None   |

## REPORT SUMMARY

1. This report notes that Thames Valley Probation Trust is no longer an employer within the Fund and hence can not have representation on the Berkshire Pension Fund Advisory Panel.
2. It reviews the number of members within the largest non-local authority employers and recommend that the composition of the Advisory Panel is amended as set out in Section 2.

## If recommendations are adopted, how will residents, fund members and other stakeholders benefit?

| Benefits to residents and reasons why they will benefit   | Dates by which residents can expect to notice a difference |
|---|--|
| 1. Having an Advisory Panel membership that is representative of the Fund's membership shows good governance of the pension Fund. | Immediate  |

## 1. DETAILS OF RECOMMENDATIONS

**RECOMMENDATION:** That Panel:

**i. recommends to Council that the composition of the Berkshire Pension Fund Advisory Panel be amended to that shown in Section 2.6 of this report.**

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

2.1 RBWM's constitution states the Advisory Panel membership shall comprise of:

- The Pension Fund Panel (5 administering authority Members)
- 5 representatives from the unitary authorities (1 each)
- 2 employer representatives namely
  - University of West London
  - Thames Valley Probation Trust
- 2 employee representatives namely
  - UNISON
  - GMB
- A Pensioner Member and an Active Member representative

2.2 Thames Valley Probation Trust is no longer an employing body in the Fund (having transferred to Greater Manchester Pension Fund) and is consequently not eligible for representation on the Pension Fund Advisory Panel.

2.3 The table below shows (as at 31 December 2015) the number of members (Actives, Deferreds, Pensioners and Dependents) of the top 10 non-unitary authority employers:

| <b>EMPLOYER</b>               | <b>Active</b> | <b>Deferred</b> | <b>Pensioner</b> | <b>Dependent</b> |       | <b>% of Total</b> |
|-------------------------------|---------------|-----------------|------------------|------------------|-------|-------------------|
| Thames Valley University      | 28            | 334             | 315              | 30               | 707   | 1.15              |
| Bracknell & Wokingham College | 177           | 195             | 119              | 6                | 497   | 0.81              |
| Newbury College               | 134           | 230             | 72               | 7                | 443   | 0.72              |
| Berks College of Agriculture  | 152           | 208             | 61               | 5                | 426   | 0.69              |
| Berkshire Fire & Rescue       | 169           | 92              | 75               | 4                | 340   | 0.55              |
| Mary Hare Grammar School      | 179           | 104             | 45               | 5                | 333   | 0.54              |
| Reading Buses                 | 20            | 29              | 152              | 45               | 246   | 0.40              |
| Optalis                       | 107           | 68              | 32               | 0                | 207   | 0.34              |
| Legacy Leisure                | 187           | 16              | 0                | 0                | 203   | 0.33              |
| Maiden Erlegh School          | 134           | 55              | 6                | 0                | 195   | 0.32              |
| Academies                     | 3,337         | 1,179           | 299              | 16               | 4,831 | 7.87              |

Table 1 – Principal non-local authority employers within the Berkshire Pension Fund



- 2.4 There are over 240 non-unitary authority employers in the Fund but as can be seen from the table above the majority have fewer than 200 members (out of a total of over 63,000). On the other hand we now have 89 Academies as employers in the Fund as the table above shows they represent almost one eighth of the Fund’s membership.
- 2.5 The Chairman and Pension Fund Manager recommend that an Advisory Panel seat is offered to one of the largest employers identified in Table 1 and to a representative from the Academies.
- 2.6 Officers recommend that the composition of the Pension Fund Advisory Panel is amended in RBWM’s Constitution as follows:

The Berkshire Pension Fund Advisory Panel membership shall comprise of:

- The Pension Fund Panel (5 administering authority Members)
- 5 representatives from the unitary authorities (1 each)
- 3 employer representatives namely
  - University of West London
  - An employer with a minimum of 200 members within the Fund
  - A representative from an Academy (to represent all academies within the Fund).
- 2 employee representatives namely
  - UNISON
  - GMB
- A Pensioner Member and an Active Member representative

| <b>Option</b>   | <b>Comments</b>   |
|---|---|
| Agree the composition of the Pension Fund Advisory Panel as in 2.6 above  | <b>Recommended by the Chairman and Pension Fund Manager</b>   |
| Request RBWM to amend its Constitution to reflect the new composition of the Pension Fund Advisory Panel        | <b>Recommended by the Chairman and Pension Fund Manager</b>   |
| Do not agree the recommended changes in the composition of the Advisory Panel                                   | Not recommended the composition does not reflect the membership of the Fund                                 |
| Do not request RBWM to amend its Constitution to reflect the new composition of the Pension Fund Advisory Panel | Not recommended – the composition of the Pension Fund Advisory Panel must be in the Borough’s Constitution. |

### 3. KEY IMPLICATIONS

- 3.1 The proposed changes will ensure that the major employers in the Fund will be represented at Advisory Panel meetings.

#### **4. FINANCIAL DETAILS**

##### **Financial impact on the budget**

4.1 None

#### **5. LEGAL IMPLICATIONS**

5.1 The Borough's Constitution must state who is eligible for membership of the Berkshire Pension Fund Advisory Panel

#### **6. VALUE FOR MONEY**

6.1 N/A

#### **7. SUSTAINABILITY IMPACT APPRAISAL**

7.1 N/A

#### **8. RISK MANAGEMENT**

8.1 None

#### **9. LINKS TO STRATEGIC OBJECTIVES**

9.1 None

#### **10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION**

10.1 None

#### **11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS**

11.1 None

#### **12. PROPERTY AND ASSETS**

12.1 None

#### **13. ANY OTHER IMPLICATIONS**

13.1 None

#### **14. CONSULTATION**

14.1 N/A

#### **15. TIMETABLE FOR IMPLEMENTATION**

15.1 Immediate

**16. APPENDICES**

None

**17. BACKGROUND INFORMATION**

N/A

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Report for: ACTION



|  |  |
|--|--|
| <b>Contains Confidential or Exempt Information</b> | NO - Part I<br>Part II – Appendix A                    |
| <b>Title</b>                                       | Investment in UK Infrastructure                        |
| <b>Responsible Officer(s)</b>                      | Nick Greenwood, Pension Fund Manager                   |
| <b>Contact officer, job title and phone number</b> | Nick Greenwood<br>Pension Fund Manager<br>01628 796701 |
| <b>Member reporting</b>                            | Investment Working Group                               |
| <b>For Consideration By</b>                        | Berkshire Pension Fund and Pension Fund Panels         |
| <b>Date to be Considered</b>                       | 11 April 2016  |
| <b>Implementation Date if Not Called In</b>        | N/A  |
| <b>Affected Wards</b>                              | None   |

## REPORT SUMMARY

1. This report recommends that the Fund commits £50 million to mid-market UK Infrastructure projects via a Managed Account with Ancala Partners LLP.

## If recommendations are adopted, how will residents, fund members and other stakeholders benefit?

| Benefits to residents and reasons why they will benefit   | Dates by which residents can expect to notice a difference |
|---|--|
| 1. Investment in mid-market UK Infrastructure projects should produce returns commensurate with the Fund's investment objectives. | 1 April 2017   |

## 1. DETAILS OF RECOMMENDATIONS

**RECOMMENDATION:** That Panel approves the commitment of £50 million to an account managed by Ancala Partners LLP to invest in mid-sized UK Infrastructure Projects

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

There is an increasing desire from politicians that Local Government Pension Schemes should invest in Infrastructure particularly in the UK. This has led to discussions regarding the creation of a National LGPS Infrastructure Pool. The Investment Working Group are concerned that the sheer size of such a pool will lead to investment in large infrastructure projects where returns may not meet those required by the Fund. Members were of the view that the Fund should look to invest in smaller Infrastructure projects where better returns may be achieved.

Ancala Partners are a specialist Infrastructure Investment firm whose specialism lies in finding infrastructure deals “off-market” – that is deals that are not being subject to competitive bids – thereby enabling higher returns to be achieved.

At its January meeting the Investment Working Group considered a paper on investment in Infrastructure. In February they met with Ancala Partners and at their meeting on 24 March 2016 agreed to recommend to Panel that the Fund makes a £50 million commitment to invest in a Managed Account with Ancala to invest in UK mid-sized infrastructure investments. The advantage of having a Managed Account is that the Fund will be able to review each investment recommendation and choose which ones it wishes to invest in. The Fund will also have flexibility over when to sell its investments.

| Option   | Comments  |
|--|---|
| Commit £50 million to a managed account with Ancala Partners | <b>Recommended</b>  |
| Do not invest with Ancala Partners                           | Not recommended – Officers are not aware of any other managers offering the flexibility that Ancala is. |

## 3. KEY IMPLICATIONS

| Defined Outcomes  | Unmet                 | Met                  | Exceeded                | Significantly Exceeded      | Date they should be delivered by |
|-------------------|-----------------------|----------------------|-------------------------|-----------------------------|----------------------------------|
| Return Target Met | Returns <9% per annum | Returns 9% per annum | Returns 9-11% per annum | Returns above 11% per annum | 31 March 2024                    |

## 4. FINANCIAL DETAILS

Investment of £50 million over three years.

## **5. LEGAL IMPLICATIONS**

5.1 Investment in Infrastructure is being encouraged by the Government

## **6. VALUE FOR MONEY**

6.1 The returns achievable by investing in mid-sized infrastructure projects are greater than those achieved from larger projects where more capital for investment is available driving down expected returns.

## **7. SUSTAINABILITY IMPACT APPRAISAL**

7.1 None

## **8. RISK MANAGEMENT**

8.1 Infrastructure forms part of the Fund's highly diversified portfolio.

## **9. LINKS TO STRATEGIC OBJECTIVES**

9.1 Investment in Infrastructure is within the Fund's investment strategy

## **10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION**

10.1 N/A

## **11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS**

11.1 None

## **12. PROPERTY AND ASSETS**

12.1 None

## **13. ANY OTHER IMPLICATIONS**

13.1 N/A

## **14. CONSULTATION**

14.1 Investment Working Group (18 Jan 2016, 24 Feb 2016, 24 March 2016)

## **15. TIMETABLE FOR IMPLEMENTATION**

15.1 Immediate

## **16. APPENDICES**

## 17. BACKGROUND INFORMATION



Report for: ACTION



|  |  |
|--|--|
| <b>Contains Confidential or Exempt Information</b> | <i>NO - Part I</i>                                     |
| <b>Title</b>                                       | Global Equity Mandates                                 |
| <b>Responsible Officer(s)</b>                      | Nick Greenwood   |
| <b>Contact officer, job title and phone number</b> | Nick Greenwood<br>Pension Fund Manager<br>01628 796701 |
| <b>Member reporting</b>                            | Investment Working Group                               |
| <b>For Consideration By</b>                        | Pension Fund and Pension Fund Advisory Panels          |
| <b>Date to be Considered</b>                       | 11 April 2016  |
| <b>Implementation Date if Not Called In</b>        | None   |
| <b>Affected Wards</b>                              | None   |

## REPORT SUMMARY

1. This report recommends that the holding in the IPM RAFI Enhanced Index Fund be redeemed and then proceeds invested equally between RWC and Kames Capital in their dividend growth strategies.

## If recommendations are adopted, how will residents, fund members and other stakeholders benefit?

| Benefits to residents and reasons why they will benefit   | Dates by which residents can expect to notice a difference |
|---|--|
| 1. The income produced by investing in the RWC and Kames Capital dividend growth strategies will assist in meeting the gap between contributions received and benefits paid thereby reducing any need to sell assets to pay benefits. | On-going   |

## 1. DETAILS OF RECOMMENDATIONS

### RECOMMENDATION: That Panel

- i. confirms the redemption of the Fund's holding in the IPM RAFI Enhanced Index Fund

ii. agrees that the proceeds of that redemption be proceeds invested equally between RWC and Kames Capital in their dividend growth strategies.

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

- 1.1 The Fund's holding in the IPM RAFI Enhanced Index fund has been on "amber" for a considerable period of time. The investment in this fund was originally made in 2008; the investment thesis being that weighting holdings of stocks in a portfolio according to the relative size of fundamental items such as sales and cash-flow rather than by market capitalisation would add value (relative to an index) as there would be a tendency to "buy low" and "sell high". Unfortunately this has failed to add value over the past 7 years and the holding has been on amber watch for the majority of the past 3 years.
- 1.2 The Investment Working Group reviewed the holding at its January meeting and opined that sufficient time had elapsed for the original investment thesis to either work or not work; unfortunately with a total return performance tracking the market capitalisation index it was agreed that it had not worked.
- 1.3 The Investment Working Group aware of the Fund's requirement of a growing income to meet any shortfall between contributions received and benefits payable unanimously agreed to recommend to Panel that the holding in the IPM fund (value approximately £170 million) be redeemed and the proceeds divided equally between RWC and Kames Capital (approximately £85 million each) for reinvestment in the equity dividend growth portfolios maintained by these managers for the Fund.
- 1.4 The Investment Working Group recommend that the holding in the IPM RAFI Enhanced Index fund be redeemed and the proceeds invested equally between the RWC and Kames Capital equity dividend growth portfolios.

| Option  | Comments   |
|---|--|
| Redeem the IPM RAFI Enhanced Index Holding  | <b>Recommended by the Investment Working Group</b>   |
| Invest the redemption proceeds equally between the RWC and Kames Capital equity dividend growth portfolios        | <b>Recommended by the Investment Working Group</b>   |
| Do not redeem the IPM RAFI Enhanced Index fund holding  | Not recommended due to continuing disappointing performance  |
| Do not invest the redemption proceeds equally between the RWC and Kames Capital equity dividend growth portfolios | Not recommended – the holding represents around 10% of the Fund's assets and the proceeds should be redeployed in global equity investments. |

### 3. KEY IMPLICATIONS

3.1

| Defined Outcomes                     | Unmet                   | Met                      | Exceeded                 | Significantly Exceeded | Date they should be delivered by |
|--------------------------------------|-------------------------|--------------------------|--------------------------|------------------------|----------------------------------|
| Growth in investment income received | £4 -6 million per annum | £6 – 7 million per annum | £7 – 8 million per annum | >£ 8 million per annum | 31 March 2018                    |

### 4. FINANCIAL DETAILS

### 5. LEGAL IMPLICATIONS

5.1 None

### 6. VALUE FOR MONEY

6.1 The revised fees on a pro-rata basis are lower than for the existing RWC and Kames Capital mandates

### 7. SUSTAINABILITY IMPACT APPRAISAL

7.1 None.

### 8. RISK MANAGEMENT

8.1 The investments form part of a diversified portfolio

### 9. LINKS TO STRATEGIC OBJECTIVES

9.1 The proposed investments are in-line with the Fund's stated objective of growing investment income.

### 10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION

10.1 None

### 11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS

11.1 None

### 12. PROPERTY AND ASSETS

12.1 None

### 13. ANY OTHER IMPLICATIONS

13.1 N/a

**14. CONSULTATION**

14.1 Investment Working Group January 2016

**15. TIMETABLE FOR IMPLEMENTATION**

15.1 Immediate

**16. APPENDICES**

None

**17. BACKGROUND INFORMATION**

None

Report for: **ACTION**



|  |   |
|--|---|
| <b>Contains Confidential or Exempt Information</b> | <i>NO - Part I</i>                                |
| <b>Title</b>                                       | Global Custody                                    |
| <b>Responsible Officer(s)</b>                      | Nick Greenwood                                    |
| <b>Contact officer, job title and phone number</b> | Pedro Pardo<br>Investment Manager<br>01628 796704 |
| <b>Member reporting</b>                            | Not applicable                                    |
| <b>For Consideration By</b>                        | Pension Fund and Pension Fund Advisory Panels     |
| <b>Date to be Considered</b>                       | 11 April 2016                                     |
| <b>Implementation Date if Not Called In</b>        | Not Applicable                                    |
| <b>Affected Wards</b>                              | None  |

## REPORT SUMMARY

1. This report seeks approval for the continuation of the Pension Fund's contract with JP Morgan Security Services for the provision of custodial services to the Pension fund.

## If recommendations are adopted, how will residents, fund members and other stakeholders benefit?

| Benefits to residents and reasons why they will benefit  | Dates by which residents can expect to notice a difference |
|--|--|
| 1. Safekeeping of the Pension Fund's assets is essential | On-going   |

## 1. DETAILS OF RECOMMENDATIONS

### RECOMMENDATION: That Panel

- i. confirms that the custody contract with JP Morgan continues until a custody review is undertaken once investment pooling arrangements with other Local Government Pension Scheme funds have been finalised.

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

Five years ago, JP Morgan was appointed global custodian to the Fund for an initial period of 5 years commencing 1 April 2011 with the potential, subject to satisfactory performance by J P Morgan, to extend for a further period of 5 years at the Council's option.

JP Morgan currently provides accounting, valuations and performance measurement independently from the Fund. They ensure that all payments, fund subscriptions and redemptions are authorised, settled and executed in a timely manner with appropriate segregation of duties, audit trail and reporting. JP Morgan also manage all ad-hoc cash-flows for private market investments where managers call down or distribute cash as required, for instance private equity, infrastructure and global property funds. Over the last five years, all pooled funds, hedge funds and limited partnerships were re-registered in the name of the Custodian, who carried out all purchases and sales on our behalf alleviating various operational risks.

Among recent enhancements to the service, they undertook a full review of the Fund's private markets data since inception. In the process, some historical entries were corrected and a more standard classification of the various data items enabled more accurate and comparable performance measurement. They also enhanced their portal to make it more integrated and allow user interaction, access to the various platforms and corresponding reports from a single website. JP Morgan also acquired Burgiss, whose suite of software, tools and data service solutions will significantly enhance performance/risk reporting and benchmarking efforts for private market investments.

### Conclusion

The overall performance of JP Morgan over the last five years has been satisfactory and tendering the contract at this time would be costly and distracting in a period of likely significant change in the context of LGPS pooling. Therefore, Officers recommend that the custody contract with JP Morgan be continued until a custody review is undertaken once the final arrangements for investment pooling with other Local Government Pension Scheme funds are finalised.

| Option                                      | Comments   |
|---|--|
| <b>Continue the contract with JP Morgan</b> | <b>Recommended</b>   |
| Re-tender contract                          | Not recommended. The appropriate time for reviewing custody arrangements will be when arrangements for the pooling of investment assets have been finalised. |

### 3. KEY IMPLICATIONS

| Defined Outcomes  | Unmet                 | Met                         | Exceeded | Significantly Exceeded | Date they should be delivered by |
|---|-----------------------|-----------------------------|----------|------------------------|----------------------------------|
| Assets of the Pension Fund are held securely by a third party | No custodian in place | Assets held in safe custody |          |                        | On-going                         |

### 4. FINANCIAL DETAILS

#### Financial impact on the budget

- 4.1 Custody costs are borne by the Pension Fund and amounted to £283,000 in 2015/16

### 5. LEGAL IMPLICATIONS

- 5.1 None

### 6. VALUE FOR MONEY

- 6.1 The contract was tendered in 2011 and will be reviewed in 2018 once final investment pooling arrangements have been finalised.

### 7. SUSTAINABILITY IMPACT APPRAISAL

- 7.1 None

### 8. RISK MANAGEMENT

- 8.1 Loss/ misappropriation of assets causing loss to the Pension Fund

| Risks            | Uncontrolled Risk                                   | Controls                   | Controlled Risk                           |
|------------------|---|----------------------------|---|
| Loss of assets   | Loss of assets causing a financial loss to the Fund | Appoint a global custodian | Assets are held securely by a third party |
| Misappropriation | Misappropriation                                    | Appoint a global           | Assets are held                           |

| <b>Risks</b> | <b>Uncontrolled Risk</b>                     | <b>Controls</b> | <b>Controlled Risk</b>    |
|--------------|--|-----------------|---------------------------|
| of assets    | of assets causing financial loss to the Fund | custodian       | securely by a third party |

## **9. LINKS TO STRATEGIC OBJECTIVES**

9.1 Not Applicable

## **10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION**

10.1 Not Applicable

## **11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS**

11.1 None

## **12. PROPERTY AND ASSETS**

12.1 Pension Fund assets to be held securely by an independent global custodian in-line with recognised best practice.

## **13. ANY OTHER IMPLICATIONS**

13.1 None

## **14. CONSULTATION**

14.1 Not Applicable

## **15. TIMETABLE FOR IMPLEMENTATION**

15.1 Not Applicable

## **16. APPENDICES**

- None

## **17. BACKGROUND INFORMATION**

- Not Applicable



|                            |
|----------------------------|
| Report for:<br>INFORMATION |
|                            |



|  |   |
|--|---|
| <b>Contains Confidential or Exempt Information</b> | No - Part I   |
| <b>Title</b>                                       | Stewardship Report  |
| <b>Responsible Officer(s)</b>                      | Nick Greenwood, Pension Fund Manager, Kevin Taylor, Deputy Pension Fund Manager, Pedro Pardo, Investment Manager, Philip Boyton, Pension Administration Manager |
| <b>Contact officer, job title and phone number</b> | Nick Greenwood, Pension Fund Manager<br>01628 796701  |
| <b>Member reporting</b>                            | n/a   |
| <b>For Consideration By</b>                        | Pension Fund and Pension Fund Advisory Panels   |
| <b>Date to be Considered</b>                       | 11 April 2016   |
| <b>Implementation Date if Not Called In</b>        | n/a   |
| <b>Affected Wards</b>                              | None  |

|  |
|--|
| <p><b>Report Summary</b></p> <ol style="list-style-type: none"> <li>1. This report deals with the stewardship of the Pension Fund for the period 1 December 2015 to 31 January 2016 (amended to 29 February 2016 for most up to date investment figures)</li> <li>2. It recommends that Members (and Pension Board representatives) note the Key Financial and Administrative Indicators throughout the attached report.</li> <li>3. Good governance requires all aspects of the pension fund to be reviewed by the Administering Authority a regular basis</li> <li>4. There are no financial implications for RBWM in this report</li> </ol> |
|--|

|   |   |
|---|---|
| <b>If recommendations are adopted, how will residents, fund members and other stakeholders benefit?</b>                       |   |
| 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

Please note that in future a Stewardship Report will be provided to each quarter end date (30 June, 30 September, 31 December and 31 March) and presented at each Panel meeting subsequent to those dates.

## **2. Reason for Recommendation(s) and Options Considered**

The Pension Panels have a duty in securing compliance with all governance and administration issues.

## **3. Key Implications**

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**

Not applicable.

## **5. Legal Implications**

None.

## **6. Value For Money**

Not relevant.

## **7. Sustainability Impact Appraisal**

There are no known implications.

## **8. Risk Management**

None.

## **9. Links to Strategic Objectives**

Linked to strategic objectives of the Pension Fund in accordance with overriding pension scheme regulations.

## **10. Equalities, Human Rights and Community Cohesion**

There are no known implications.

**11. Staffing/Workforce and Accommodation implications:**

None.

**12. Property and Assets**

None.

**13. Any other implications:**

None.

**14. Consultation**

Not applicable.

**15. Timetable for Implementation**

Not applicable.

**16. Appendices**

None.

**17. Background Information**

None.





THE ROYAL COUNTY OF  
**BERKSHIRE**  
PENSION FUND

**STEWARDSHIP REPORT**

**QUARTER 4 – 2015/16**

**1 DECEMBER 2015 TO 31 JANUARY 2016  
(29 FEBRUARY 2016 for investment figures)**

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## 1. INVESTMENT PERFORMANCE AND ASSET ALLOCATION

### 1.1 Pension Fund key financial indicators

| Table 1  | March 2010 | March 2013 | February 2016 |
|--|------------|------------|---------------|
| Asset Value (Smoothed)                         | £1,307.7m  | £1,561.8m  | £ 1,682.0m    |
| Asset Value (Unsmoothed)                       | £1,319.4m  | £1,572.4m  | £ 1,695.8m    |
| Liabilities (Smoothed)                         | £1,618.4m  | £2,088.8m  | £ 2,309.7m    |
| Liabilities (Unsmoothed)                       | £1,618.4m  | £2,107.7m  | £ 2,328.9m    |
| Deficit (Smoothed)                             | £310.7m    | £527.0m    | £627.7m       |
| Deficit (Unsmoothed)                           | £299.0m    | £535.3m    | £ 633.1m      |
| Funding Level (Smoothed)                       | 81%        | 75%        | 73%           |
| Funding Level (Unsmoothed)                     | 82%        | 75%        | 73%           |
| Deficit Recovery Period                        | 30 years   | 27 years   | 24 years      |
| Nominal Discount Rate                          | 6.8%       | 6.1%       | 5.8%          |
| Real Discount Rate                             | 3.3%       | 3.4%       | 3.4%          |
| Investment Performance Target (CPI + 4%)       | 7.0%       | 6.7%       | 7.1%          |
| Nominal Earnings Inflation Assumption          | 4.7%       | 4.5%       | 4.2%          |
| Consumer Price Index Inflation Assumption      | 3.0%       | 2.7%       | 2.4%          |
| Employers Contributions – Future Service       | 12.8%      | 12.7%      | 12.2%         |
| Employers Contributions – Past Service Deficit | 3.7%       | 6.9%       | 8.1%          |

The employers' contribution rate is set by a number of factors including expected future investment returns, hence it is feasible that if asset values fall the employer's contribution rate may also fall.

### 1.2 Change in the smoothed liabilities

| Table 2   | 29 Feb 2016    |
|---|----------------|
| Liability reconciliation                        | £m             |
| Disclosed smoothed liability at 31/03/2013      | 2,088.8        |
| New liabilities (excluding transfers in)        | 228.3          |
| Liabilities extinguished                        | -267.7         |
| Net new liabilities from bulk transfers in/out  | -79.8          |
| Interest on liabilities                         | 372.2          |
| Change due to discount rate                     | 77.5           |
| Change due to inflation assumption              | -113.2         |
| Change in value of longevity insurance contract | 3.6            |
| <b>Increase in Liabilities</b>                  | <b>220.9</b>   |
| <b>Smoothed liability at 29 February 2016</b>   | <b>2,309.7</b> |

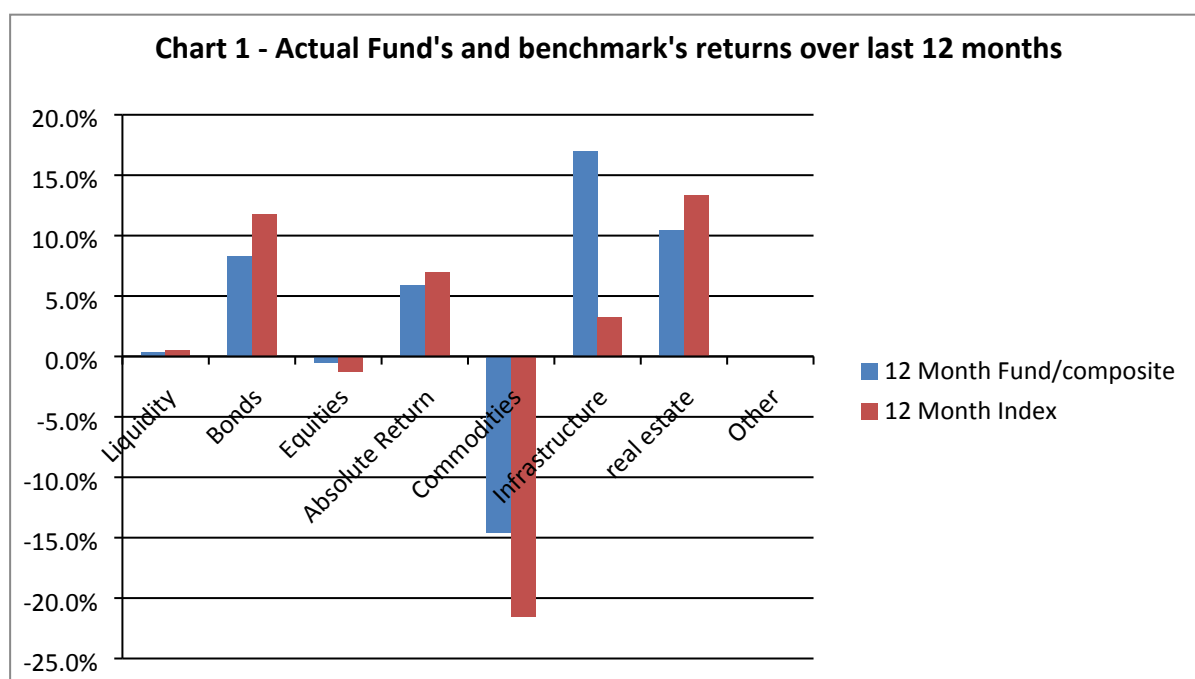
NOTE: The actuary smooths liabilities by taking the average liability figure over the last 6 months.

### 1.3 Market returns

| Table 3   |                 | 3 month       | 12 month     | 36 month     |
|---|-----------------|---------------|--------------|--------------|
| <b>Liquidity</b>                                  | <b>Fund</b>     | 0.09%         | 0.35%        | 0.36%        |
| 1 Week GBP Libor                                  | <b>Index</b>    | 0.12%         | 0.49%        | 0.48%        |
|   | <b>Relative</b> | -0.03%        | -0.13%       | -0.12%       |
| <b>Bonds</b>                                      | <b>Fund</b>     | 2.96%         | 8.31%        | 8.60%        |
| Barclays Global Aggregate                         | <b>Index</b>    | 11.97%        | 11.82%       | 2.78%        |
|   | <b>Relative</b> | -9.01%        | -3.50%       | 5.82%        |
| <b>Developed Markets Equities</b>                 | <b>Fund</b>     | -3.36%        | -4.07%       | n/a          |
| Morgan Stanley Capital International (MSCI) World | <b>Index</b>    | -0.97%        | -1.31%       | n/a          |
|   | <b>Relative</b> | -2.38%        | -2.76%       | n/a          |
| <b>Emerging Markets Equities</b>                  | <b>Fund</b>     | -0.73%        | -9.73%       | -0.31%       |
| Morgan Stanley Capital International EM Equities  | <b>Index</b>    | -1.40%        | -15.07%      | -6.27%       |
|   | <b>Relative</b> | 0.68%         | 5.34%        | 5.97%        |
| <b>Private Equity</b>                             | <b>Fund</b>     | 10.23%        | 23.20%       | n/a          |
| 9% per annum                                      | <b>Index</b>    | 2.18%         | 9.00%        | n/a          |
|   | <b>Relative</b> | 8.05%         | 14.20%       | n/a          |
| <b>Total Equities</b>                             | <b>Fund</b>     | 0.32%         | -0.51%       | 6.57%        |
| Morgan Stanley Capital International World        | <b>Index</b>    | -0.97%        | -1.31%       | 8.36%        |
|   | <b>Relative</b> | 1.29%         | 0.80%        | -1.80%       |
| <b>Absolute Return</b>                            | <b>Fund</b>     | 3.43%         | 5.94%        | n/a          |
| 7% per annum                                      | <b>Index</b>    | 1.70%         | 7.00%        | n/a          |
|   | <b>Relative</b> | 1.73%         | -1.06%       | n/a          |
| <b>Commodities</b>                                | <b>Fund</b>     | 4.38%         | -14.57%      | -13.20%      |
| Custom Equal Weights                              | <b>Index</b>    | -2.47%        | -21.54%      | -15.20%      |
|   | <b>Relative</b> | 6.84%         | 6.97%        | 2.00%        |
| <b>Infra-structure</b>                            | <b>Fund</b>     | 12.43%        | 16.97%       | 7.18%        |
| FTSE Global Core 50/50                            | <b>Index</b>    | 7.65%         | 3.27%        | 8.41%        |
|   | <b>Relative</b> | 4.78%         | 13.71%       | -1.23%       |
| <b>Real Estate</b>                                | <b>Fund</b>     | 3.40%         | 10.48%       | 8.23%        |
| UK Investment Property Databank                   | <b>Index</b>    | 2.43%         | 13.35%       | 14.84%       |
|   | <b>Relative</b> | 0.97%         | -2.86%       | -6.61%       |
| <b>Total Fund Nominal</b>                         | <b>Fund</b>     | <b>0.44%</b>  | <b>1.04%</b> | <b>4.76%</b> |
| UK CPI  | <b>Index</b>    | <b>-0.34%</b> | <b>0.36%</b> | <b>0.70%</b> |
| Total Fund Real                                   | <b>Relative</b> | <b>0.79%</b>  | <b>0.67%</b> | <b>4.03%</b> |



## 1.4 Fund performance



## 1.5 Exception Traffic Lights February 2016

**Table 4**

| <b>Traffic Lights February 2016</b> |  |                |               |  |
|-------------------------------------|--|----------------|---------------|--|
| <u>Colour</u>                       |  | <u>£ m</u>     | <u>Fund %</u> | <u>Comment</u>   |
|                                     | <b><u>BONDS</u></b>  |                |               |  |
|                                     | <b><u>Convertible Bonds</u></b>                            |                |               |  |
| <b>Amber</b>                        | Aviva  | 33.8           | 2.0%          | Change in management team & weak performance                           |
| <b>Amber</b>                        | Blue Bay Global  | 25.6           | 1.5%          | Currency volatility has resulted in disappointing GBP returns.         |
|                                     | <b><u>EQUITIES</u></b>                                     |                |               |  |
|                                     | <b><u>Developed World</u></b>                              |                |               |  |
| <b>Red</b>                          | IPM Fundamental Umbrella Fund                              | 149.7          | 8.8%          | To be sold, due to continued poor performance.                         |
|                                     | <b><u>Emerging Markets</u></b>                             |                |               |  |
| <b>Amber</b>                        | Stewart Investors Global Em Mkts Fund                      | 48.1           | 2.8%          | Changes to management team.  |
|                                     | <b><u>Private Equity</u></b>                               |                |               |  |
| <b>Amber</b>                        | South East Growth Fund                                     | 4.1            | 0.2%          | Terms of additional extension to fund life agreed                      |
| <b>Amber</b>                        | Stafford Sustainable Fund                                  | 4.8            | 0.3%          | Disappointing performance. Buyer not found                             |
|                                     | <b><u>Absolute Return</u></b>                              |                |               |  |
| <b>Amber</b>                        | Grosvenor  | 306.0          | 18.0%         | Disappointing performance  |
|                                     | <b><u>INFRASTRUCTURE</u></b>                               |                |               |  |
| <b>Amber</b>                        | Macquarie SBI Infrastructure Ltd                           | 3.3            | 0.2%          | Performance adversely affected by delays in construction of key assets |
|                                     | <b><u>COMMODITIES</u></b>                                  |                |               |  |
| <b>Red</b>                          | Gresham  | 35.5           | 2.1%          | To be sold, due to continued poor performance.                         |
|                                     | <b><u>Total Fund Valuation (excl prepaid contribs)</u></b> | <b>1,695.8</b> |               |  |

**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.

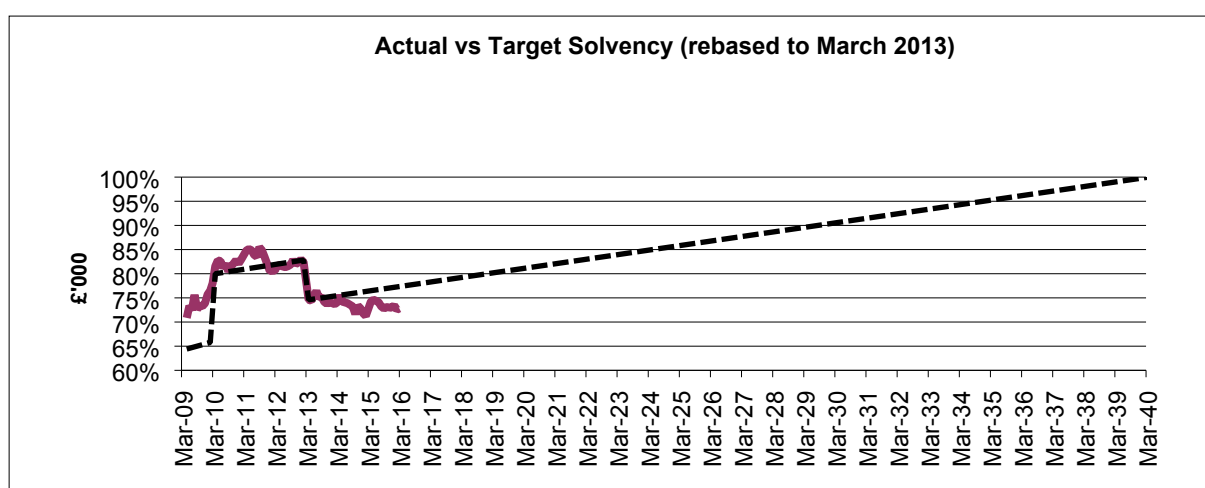
**Blank** Too early in the life of a fund to comment on performance.

## 1.6 Asset allocation update

| Table 5 Comparison of Strategic Asset Allocation "SSA" changes |              |              |              |                 |                            |
|--|--------------|--------------|--------------|-----------------|----------------------------|
| SSA Weights  | 31/03/2010   | 31/03/2013   | 29/02/2016   | 12 month change | Change since 31 March 2013 |
| <b>Liquidity</b>   | <b>7.9%</b>  | <b>1.1%</b>  | <b>6.2%</b>  | <b>4.8%</b>     | <b>5.1%</b>                |
| Investment Grade Debt  | 20.4%        | 7.9%         | 4.9%         | -0.2%           | -3.0%                      |
| Other Debt   | 11.7%        | 8.7%         | 9.6%         | 0.3%            | 0.9%                       |
| <b>Total Debt</b>  | <b>32.1%</b> | <b>16.6%</b> | <b>14.5%</b> | <b>0.2%</b>     | <b>-2.1%</b>               |
| Developed Market Equities                                      | 17.3%        | 17.2%        | 21.5%        | -1.4%           | 4.3%                       |
| Developing Market Equities                                     | 6.2%         | 14.7%        | 11.9%        | -1.6%           | -2.8%                      |
| Private Equity   | 6.7%         | 9.2%         | 10.4%        | 1.3%            | 1.2%                       |
| <b>Total Equities</b>  | <b>30.2%</b> | <b>41.1%</b> | <b>43.8%</b> | <b>-1.7%</b>    | <b>2.7%</b>                |
| <b>Absolute Return</b>   | <b>9.9%</b>  | <b>17.2%</b> | <b>18.0%</b> | <b>-0.6%</b>    | <b>0.8%</b>                |
| Infrastructure   | 1.9%         | 4.7%         | 4.8%         | 0.6%            | 0.1%                       |
| Commodities  | 8.2%         | 9.7%         | 3.3%         | -0.4%           | -6.4%                      |
| Real Estate  | 7.3%         | 9.8%         | 11.3%        | -1.0%           | 1.5%                       |
| Other  | 2.5%         | -0.3%        | -1.9%        | -1.9%           | -1.6%                      |
| <b>Real Assets</b>   | <b>19.9%</b> | <b>23.9%</b> | <b>17.5%</b> | <b>-2.7%</b>    | <b>-6.4%</b>               |
| <b>Fund Total</b>  | <b>100%</b>  | <b>100%</b>  | <b>100%</b>  |                 |                            |

## 1.7 Solvency

Chart 2

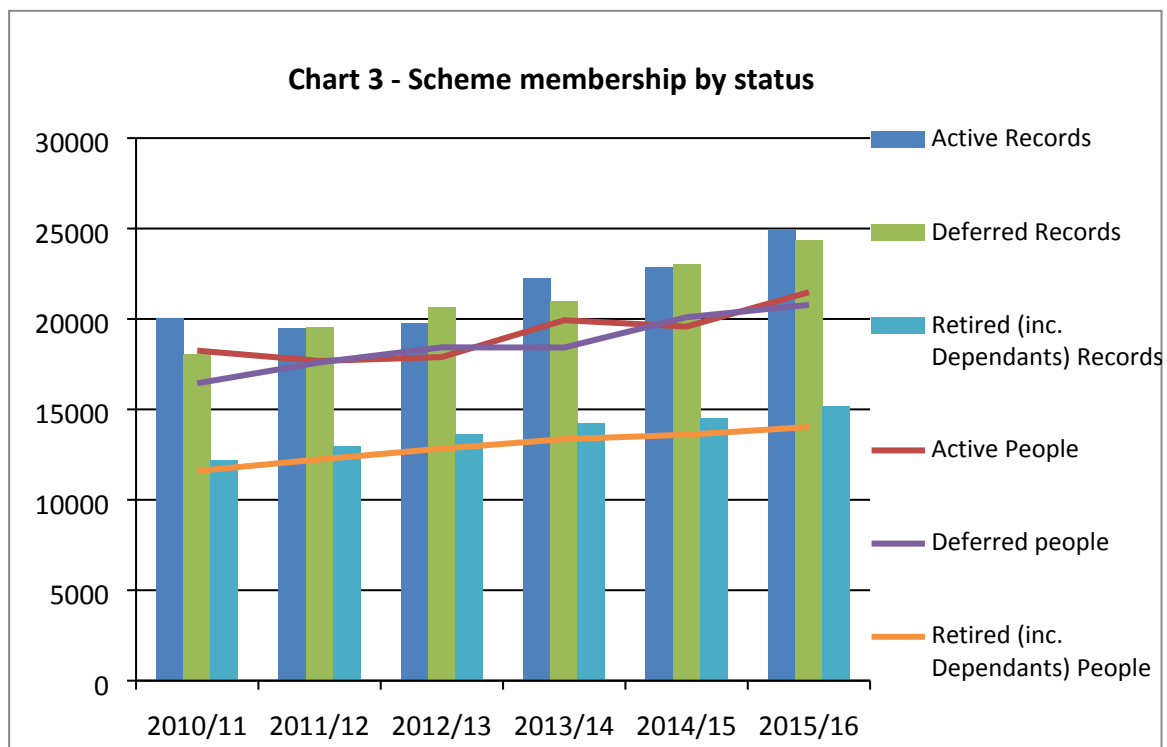


| Table 6 - Cashflow                   | Year to 31/03/2014 (actual) £'000's | Year to 31/03/15 (actual) £'000's | Year to 31/03/16 (forecast) £'000's |
|--------------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| 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                                |
| <b>Net cash flow</b>                 | <b>8,147</b>                        | <b>-49,555</b>                    | <b>16,900</b>                       |

NOTE: Transfers paid during year to 31 March 2015 were inflated by the statutory transfer of Thames Valley Probation staff to the Greater Manchester Pension Fund.  
Why swing in Investment Income?

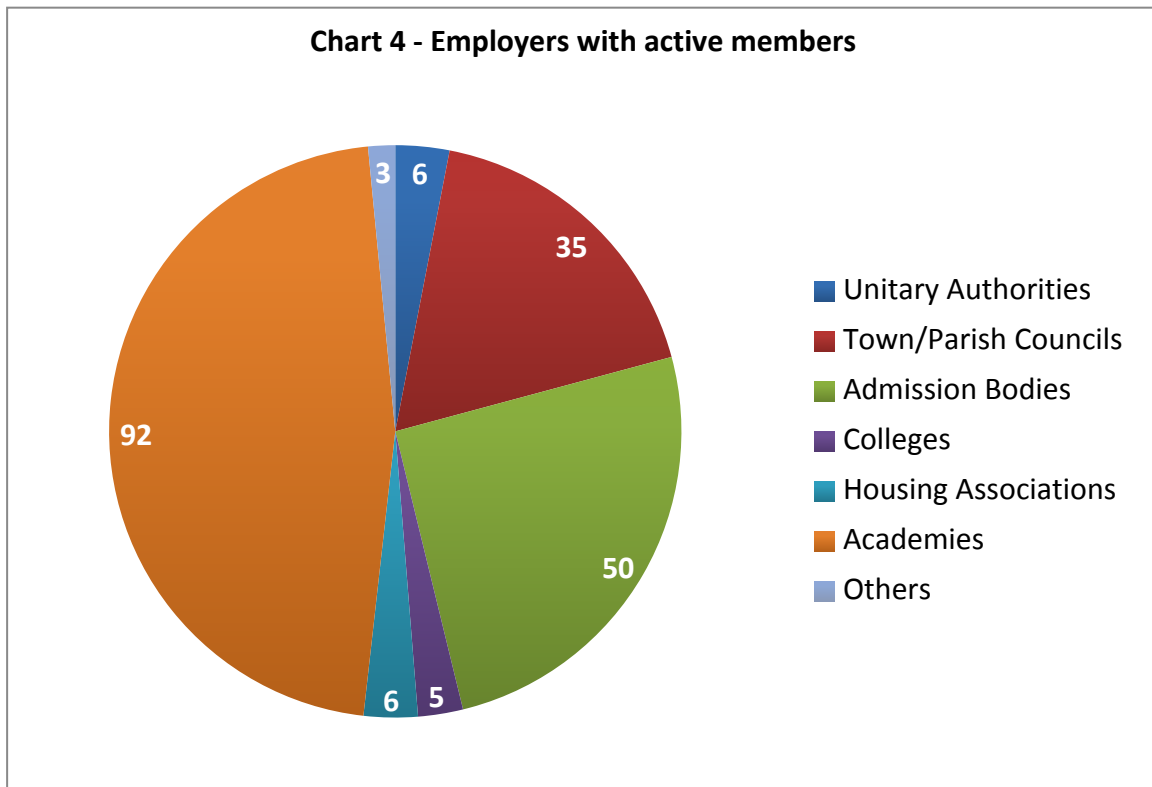
## 2 GOVERNANCE AND ADMINISTRATION

### 2.1 Scheme membership

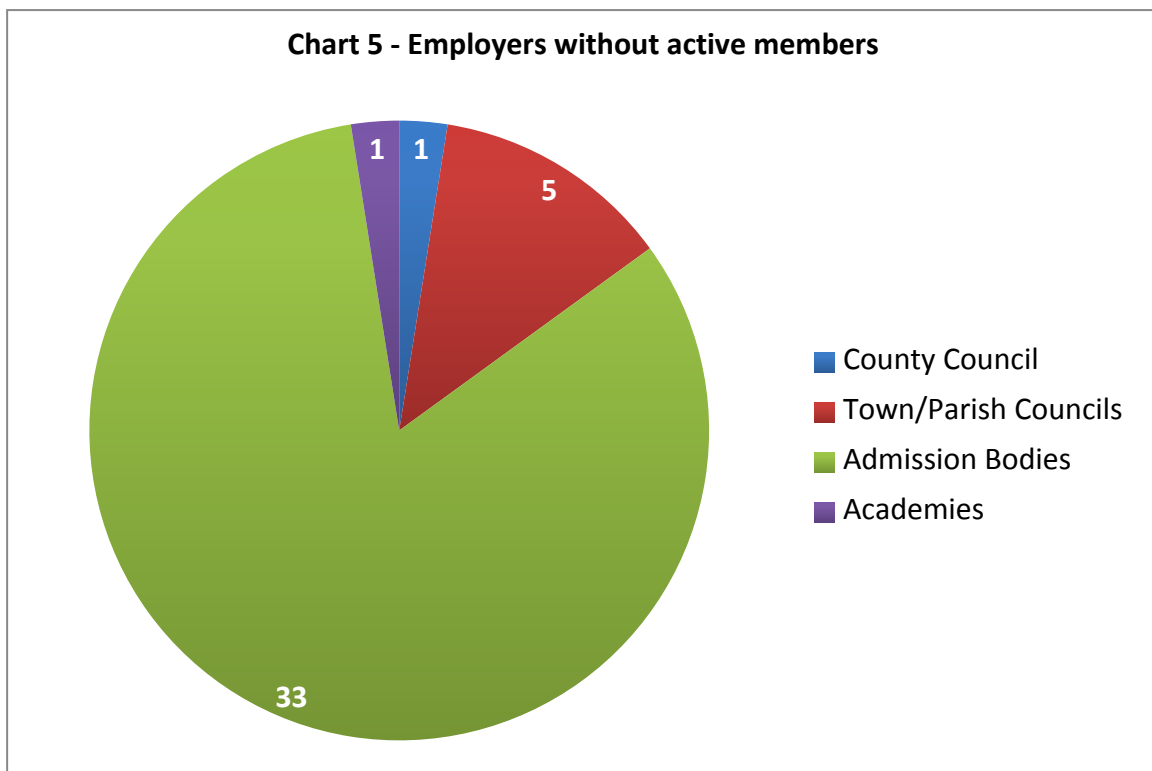


| TOTAL MEMBERSHIP |              |                 |              |
|------------------|--------------|-----------------|--------------|
| Active Records   | 24484        | Active People   | 21401        |
| Deferred Records | 24293        | Deferred People | 20670        |
| Retired Records  | 15098        | Retired People  | 13996        |
| <b>TOTAL</b>     | <b>63875</b> | <b>TOTAL</b>    | <b>56067</b> |

2.2 Scheme Employers

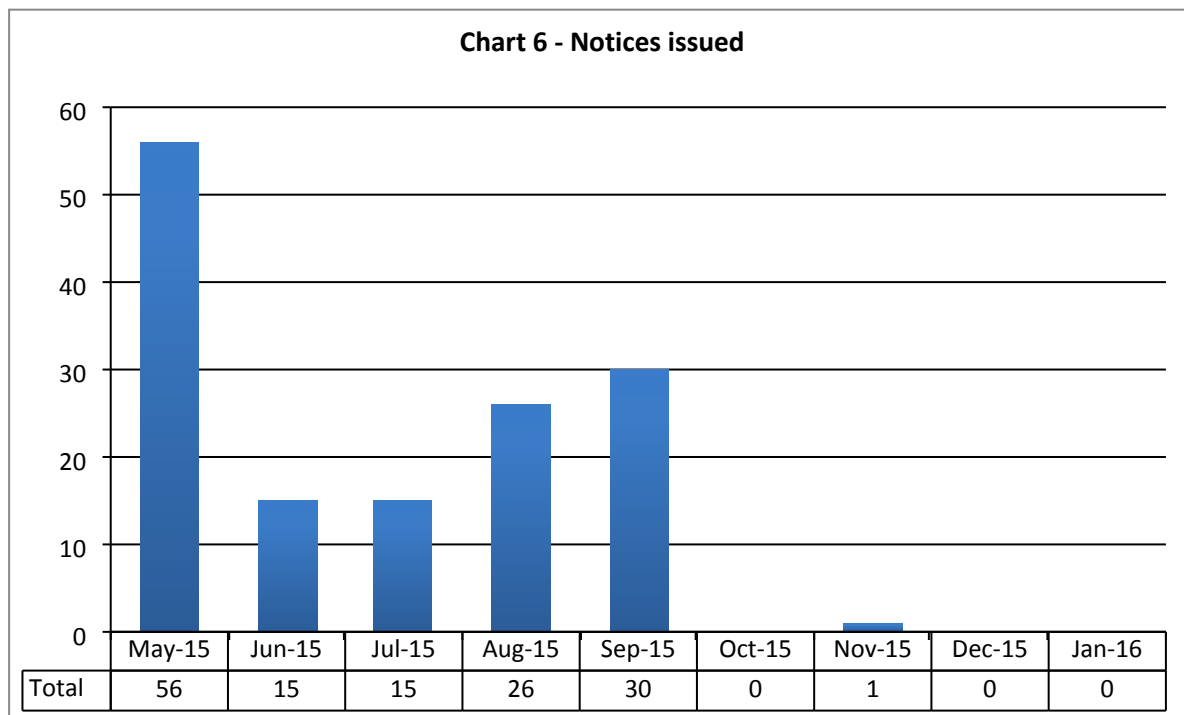


New employers since last report: Eton Porny CE First School (Academy); Wraysbury Parish Council (Town/Parish Councils); Maiden Erlegh School Reading (Academy).



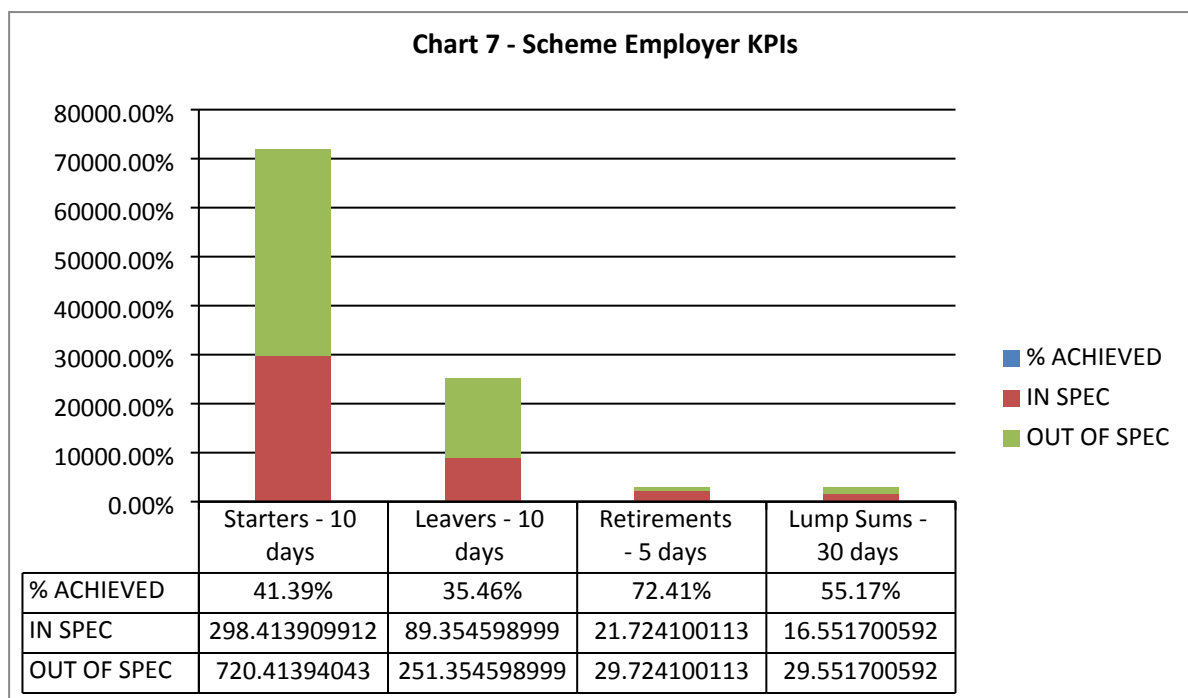
No changes made since last report

## 2.3 Notices of unsatisfactory performance



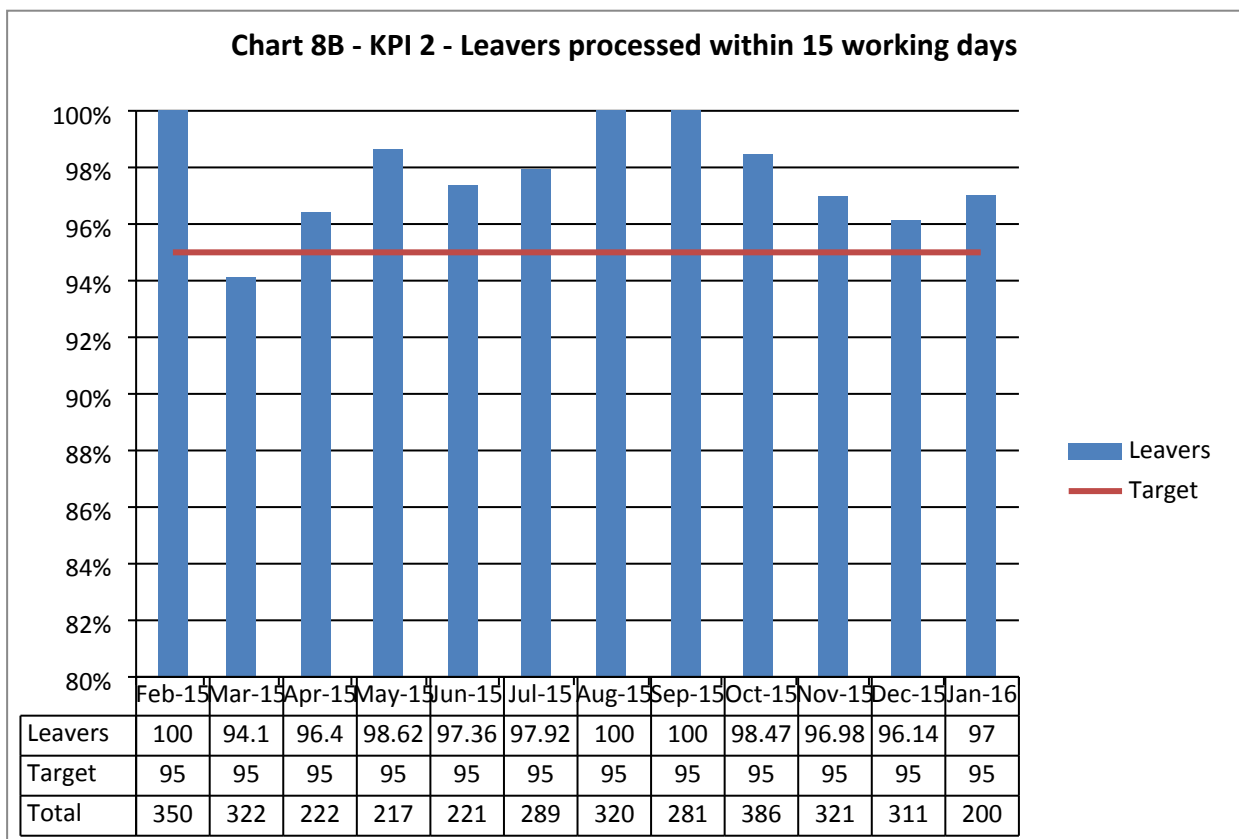
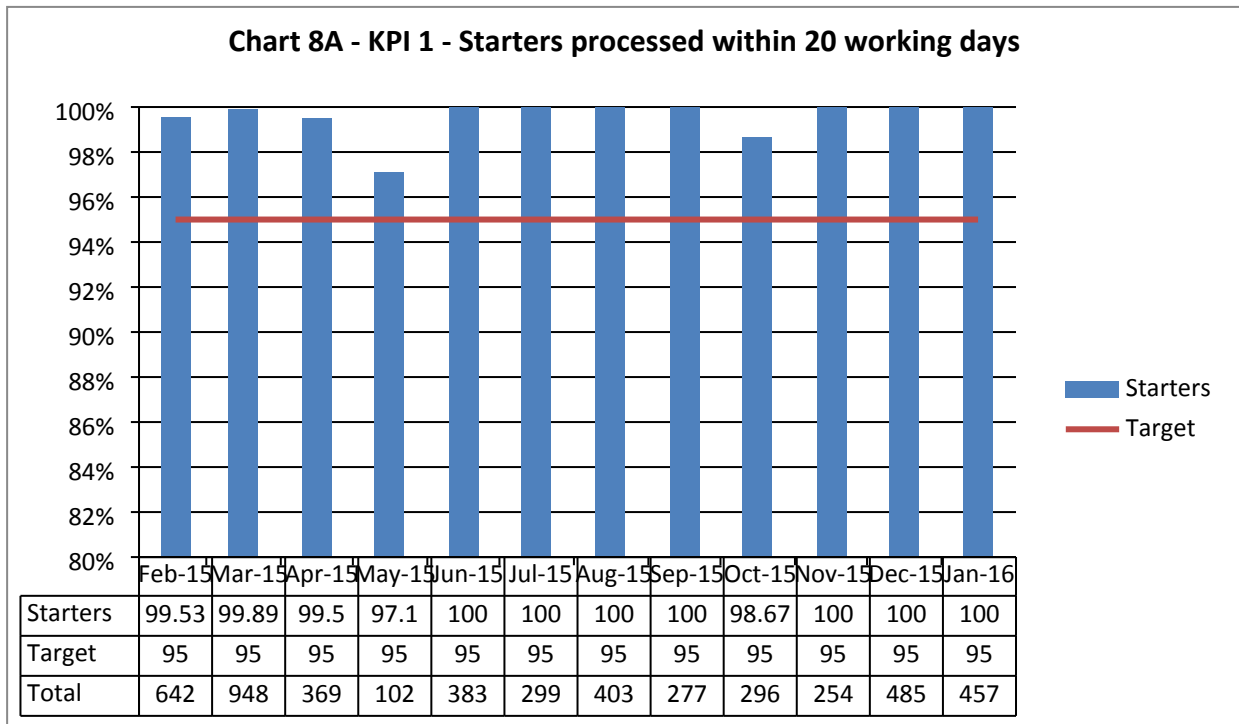
NOTE: No cases have been deemed to be of material significance and so have not been reported to the Pensions Regulator. A summary of cases can be found at Annex 1 to this report

## 2.4 Scheme Employer Key Performance Indicators

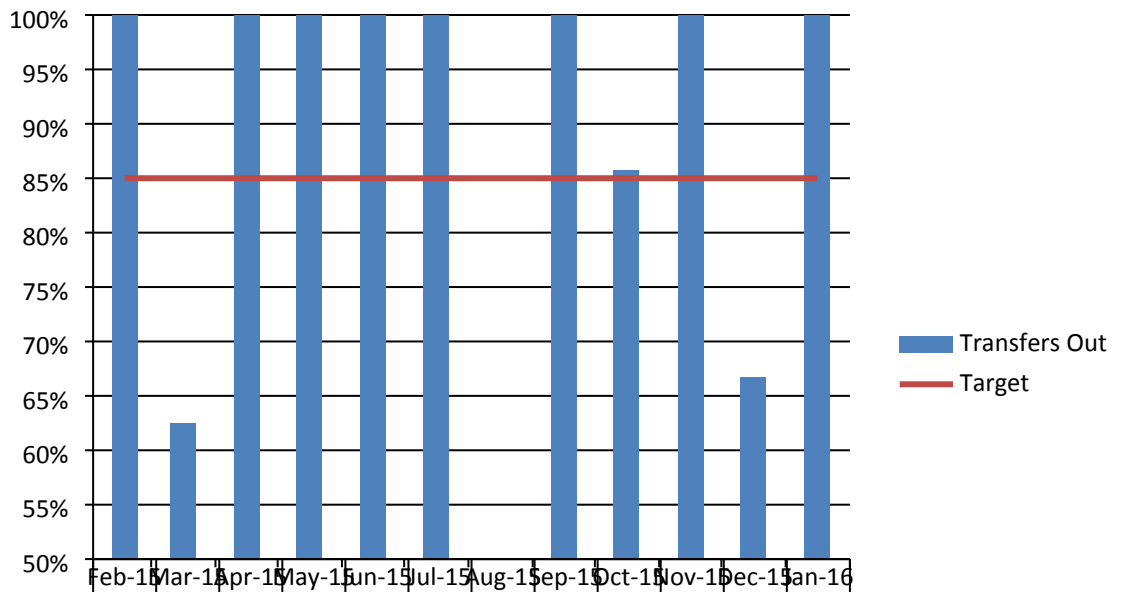


| <b>Table 8</b> | <b>TREND</b>      | <b>STARTERS</b> | <b>LEAVERS</b> | <b>RETIREMENTS</b> | <b>LUMP SUMS</b> |
|----------------|-------------------|-----------------|----------------|--------------------|------------------|
| 2015-16        | Q3 - OUT          | 148             | 653            | 7                  | 7                |
|                | Q3 - IN           | 529             | 529            | 28                 | 28               |
|                | <b>% ACHIEVED</b> | <b>78.14%</b>   | <b>44.75%</b>  | <b>80.00%</b>      | <b>80.00%</b>    |
| 2015-16        | Q2 - OUT          | 1168            | 171            | 18                 | 22               |
|                | Q2 - IN           | 307             | 82             | 30                 | 25               |
|                | <b>% ACHIEVED</b> | <b>20.81%</b>   | <b>32.41%</b>  | <b>62.50%</b>      | <b>53.19%</b>    |
| 2015-16        | Q1 - OUT          | 593             | 477            | 8                  | 8                |
|                | Q1 - IN           | 212             | 262            | 6                  | 6                |
|                | <b>% ACHIEVED</b> | <b>26.34%</b>   | <b>35.45%</b>  | <b>42.86%</b>      | <b>42.86%</b>    |

2.5 Administration – Key Performance Indicators

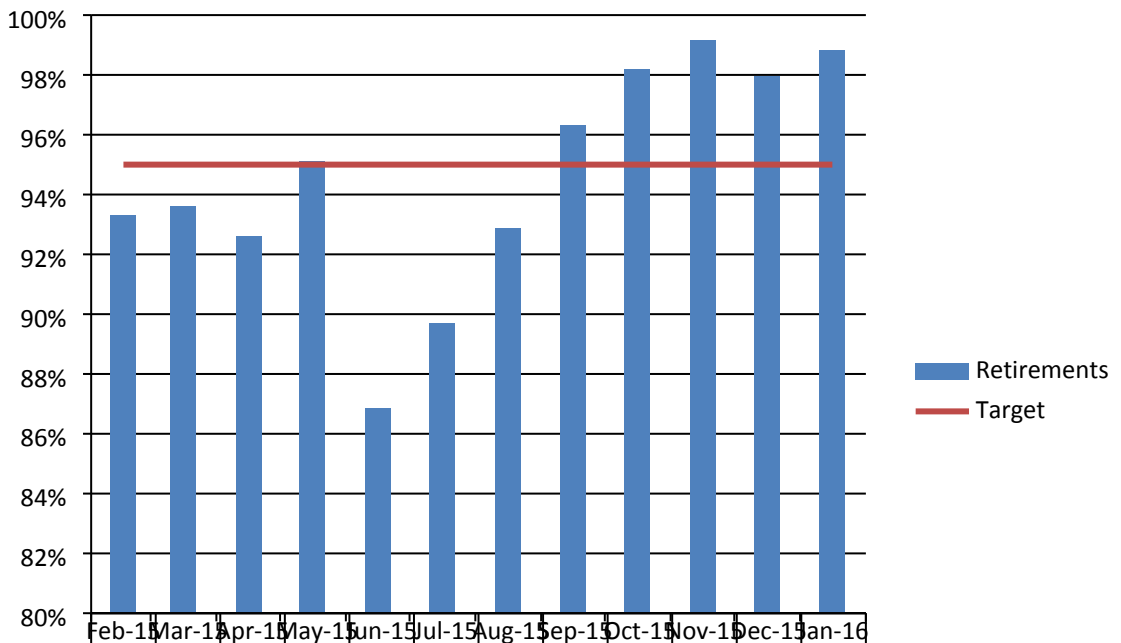


**Chart 8C - KPI 3 - Transfers out processed within 15 working days**



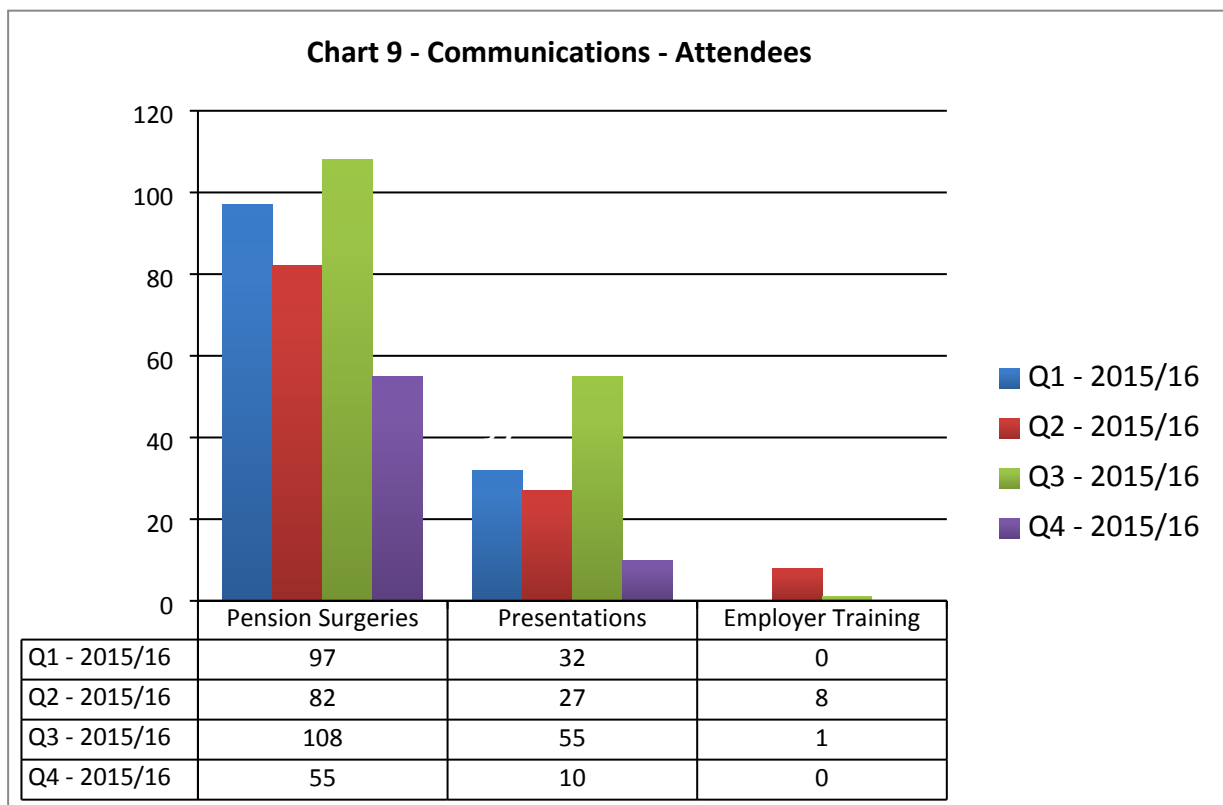
|               |     |      |     |     |     |     |    |     |       |     |       |     |
|---------------|-----|------|-----|-----|-----|-----|----|-----|-------|-----|-------|-----|
| Transfers Out | 100 | 62.5 | 100 | 100 | 100 | 100 | 0  | 100 | 85.71 | 100 | 66.67 | 100 |
| Target        | 85  | 85   | 85  | 85  | 85  | 85  | 85 | 85  | 85    | 85  | 85    | 85  |
| Total         | 3   | 5    | 1   | 5   | 3   | 3   | 1  | 7   | 6     | 3   | 3     | 5   |

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

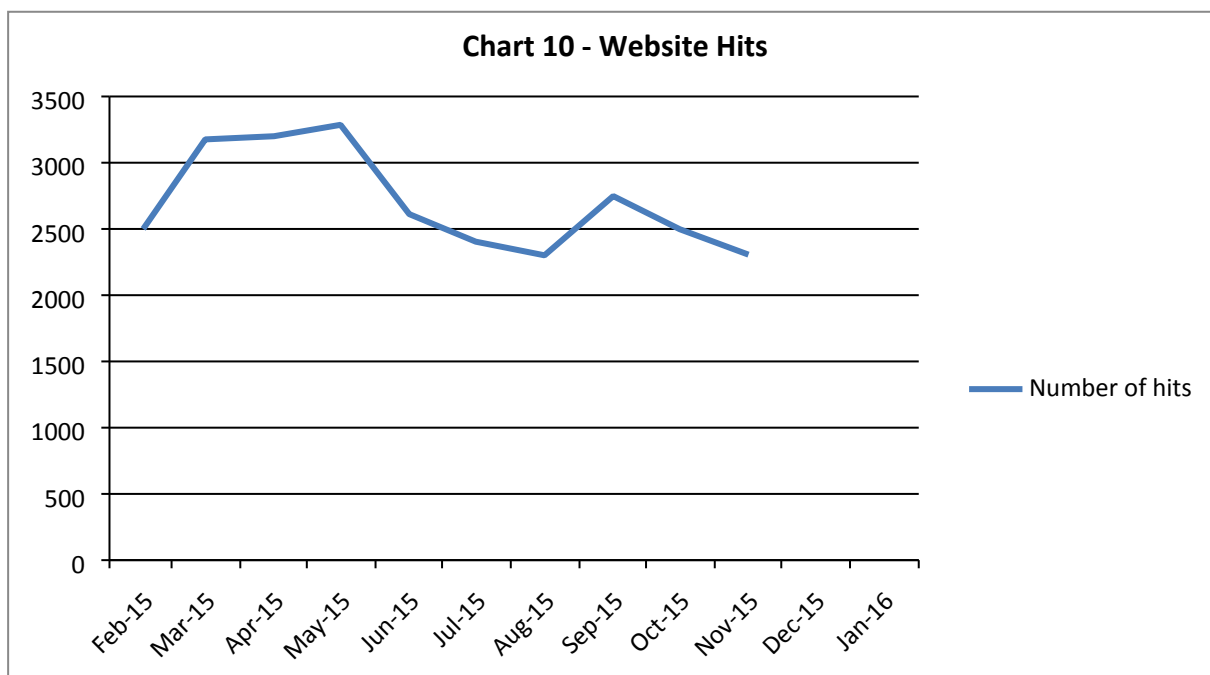


|             |      |      |       |       |       |       |       |      |       |       |       |       |
|-------------|------|------|-------|-------|-------|-------|-------|------|-------|-------|-------|-------|
| Retirements | 93.3 | 93.6 | 92.59 | 95.12 | 86.84 | 89.69 | 92.86 | 96.3 | 98.18 | 99.15 | 97.96 | 98.81 |
| Target      | 95   | 95   | 95    | 95    | 95    | 95    | 95    | 95   | 95    | 95    | 95    | 95    |
| Total       | 75   | 94   | 222   | 41    | 76    | 97    | 98    | 104  | 108   | 116   | 49    | 84    |

## 2.6 Administration - Communications



## 2.7 Website hits



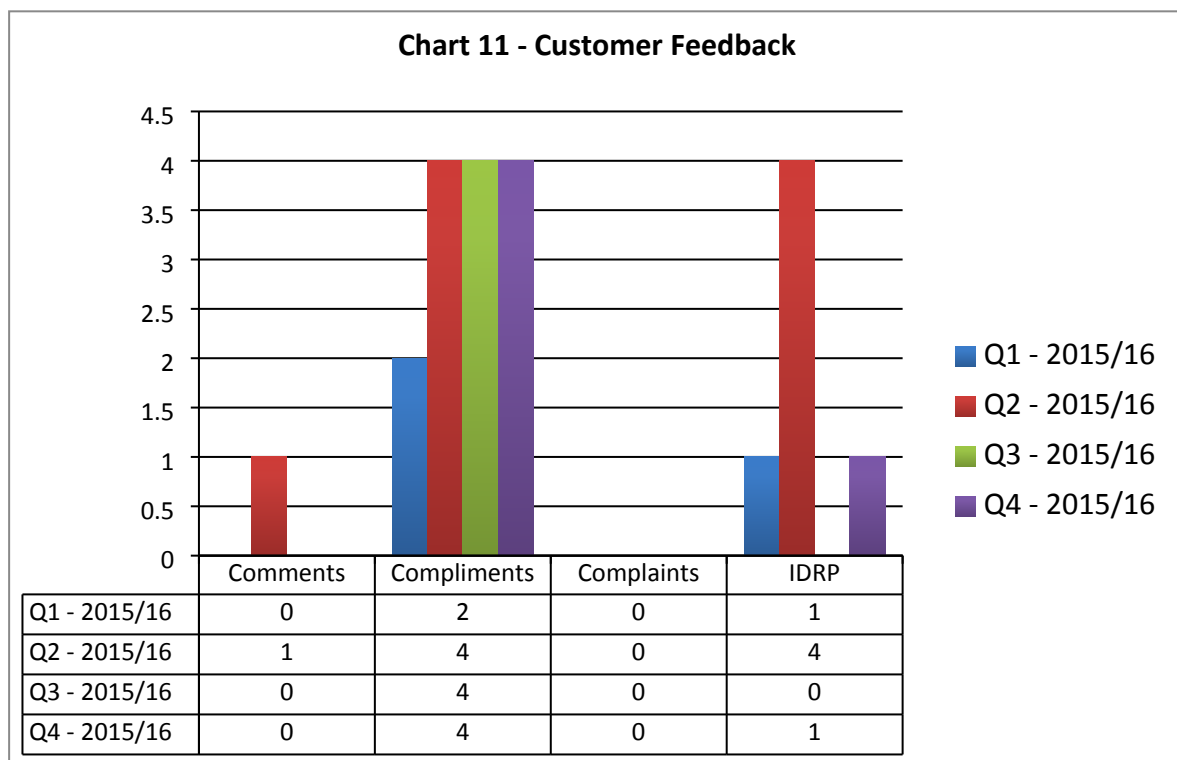
## 2.8 Special projects

- GMP reconciliation
  - With the removal of the contracted-out nature of public service pension schemes the Pension Fund will be entering into a period of reconciliation with DWP records to ensure that the correct GMP (Guaranteed Minimum Pension) values are held by the Fund. To be concluded by March 2018.



- i-Connect
  - RBWM went live on i-Connect in February 2016 including 12 associated academies
  - Reading BC have indicated that they wish to implement i-Connect by July 2016
  - Initial discussions being held with other Unitary Authorities
- PASA
  - Ongoing with a target date of March 2017 to have all desktop procedures written and accreditation applied for.

## 2.9 Comments, compliments and complaints



| TABLE 9 - INTERNAL DISPUTE RESOLUTION PROCEDURES (IDRP) |      |   |         |         |         |  |
|---|------|---|---------|---------|---------|--|
| Period  | Case | Summary of complaint  | Stage 1 | Stage 2 | Stage 3 | Resolution   |
| Q1 – 2015/16  | 1    | Request for early release of benefits due to permanent ill health.          | √       | √       | X       | Case rejected at stage 1 but accepted at Stage 2.                |
| Q2 – 2015/16  | 1    | Disputing the tier awarded for ill health retirement.                       | √       | √       |         | Case rejected at stage 1. Currently under review at stage 2.     |
|   | 2    | Request for early release of deferred benefits on compassionate grounds.    | √       | X       | X       | Case rejected at stage 1. No application made under stage 2.     |
|   | 3    | Disputing termination of employment and affect on pension benefits          | √       |         |         | Case currently under review at stage 1.                          |
|   | 4    | Request for early release of deferred benefits due to permanent ill health. | √       | √       |         | Case rejected at stage 1. Currently under review at stage 2.     |
| Q4 – 2015-16  | 1    | Request for release of deferred benefits due to permanent ill health        | √       |         |         | Case rejected at stage 1. No application yet made under stage 2. |

NOTE: Stage 1 refers to Adjudicator at Scheme Employer level  
 Stage 2 refers to adjudicator at Administering Authority level  
 Stage 3 refers to the Pensions Ombudsman

*Annex 1 – Notices of unsatisfactory performance*

| <b>Form</b>  | <b>May<br/>15</b> | <b>Jun<br/>15</b> | <b>Jul<br/>15</b> | <b>Aug<br/>15</b> | <b>Sep<br/>15</b> | <b>Oct<br/>15</b> | <b>Nov<br/>15</b> | <b>Dec<br/>15</b> | <b>Jan<br/>16</b> |
|--------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>1</b>     | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| <b>2A</b>    | 4                 | 6                 | 1                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| <b>2B</b>    | 3                 | 0                 | 0                 | 6                 | 7                 | 0                 | 0                 | 0                 | 0                 |
| <b>2C</b>    | 46                | 9                 | 11                | 20                | 23                | 0                 | 0                 | 0                 | 0                 |
| <b>3</b>     | 3                 | 0                 | 3                 | 0                 | 0                 | 0                 | 1                 | 0                 | 0                 |
| <b>Total</b> | <b>56</b>         | <b>15</b>         | <b>15</b>         | <b>26</b>         | <b>30</b>         | <b>0</b>          | <b>1</b>          | <b>0</b>          | <b>0</b>          |

Key: Form 1: Administering Authority additional costs arising from employers' poor performance  
 Form 2A: Contributions unpaid  
 Form 2B: Contributions paid late  
 Form 2C: Contribution breakdown not received  
 Form 3: Late settlement of Capital Cost invoices

## Annex 2 - Summary of employer KPIs

### Starters received within specification Q4

| Employer                  | IN  | OUT | Total | % IN    | Q3     | Q2     | Q1     |
|---------------------------|-----|-----|-------|---------|--------|--------|--------|
| Academies                 | 46  | 137 | 183   | 25.14%% | 69.81% | 10.99% | 0.07%  |
| Bracknell Forest Council  | 96  | 17  | 113   | 84.96%  | 96.00% | 69.89% | 73.20% |
| RBWM                      | 52  | 33  | 85    | 61.18%  | 90.77% | 15.54% | 16.33% |
| Reading BC                | 32  | 47  | 79    | 40.51%  | 68.24% | 12.00% | 0.00%  |
| Slough BC                 | 22  | 11  | 33    | 66.67%  | 94.44% | 47.06% | 59.62% |
| University of West London | n/a | n/a | n/a   | n/a     | n/a    | n/a    | n/a    |
| West Berkshire Council    | 5   | 113 | 118   | 4.24%   | 90.96% | 19.42% | 27.12% |
| Wokingham BC              | 22  | 24  | 46    | 47.83%  | 70.37% | 20.80% | 12.96% |
| Wokingham BC (Selima)     | 0   | 3   | 3     | 0.00%   | 28.57% | 22.64% | 39.13% |

### Leavers received within specification Q4

| Employer                  | IN  | OUT | Total | % IN Spec | Q3      | Q2      | Q1     |
|---------------------------|-----|-----|-------|-----------|---------|---------|--------|
| Academies                 | 17  | 24  | 41    | 41.46%    | 37.89%  | 15.97%  | 15.50% |
| Bracknell Forest Council  | 24  | 16  | 40    | 60.00%    | 56.00%  | 49.19%  | 46.94% |
| RBWM                      | 13  | 36  | 49    | 26.53%    | 46.67%  | 42.74%  | 45.21% |
| Reading BC                | 20  | 25  | 45    | 44.44%    | 49.53%  | 27.47%  | 29.09% |
| Slough BC                 | 5   | 10  | 15    | 33.33%    | 63.29%  | 58.67%  | 58.93% |
| University of West London | n/a | n/a | n/a   | n/a%      | 100.00% | 100.00% | 66.67% |
| West Berkshire Council    | 2   | 19  | 21    | 9.52%     | 36.94%  | 62.42%  | 64.00% |
| Wokingham BC              | 3   | 8   | 11    | 27.57%    | 55.77%  | 7.14%   | 10.34% |
| Wokingham BC (Selima)     | 0   | 2   | 2     | 0.00%     | 14.75%  | 4.88%   | 9.09%  |

### Retirements not notified within 5 days from retirement date – Q4 2015-16

| Employer               | Member       | Days Over 5 |
|------------------------|--------------|-------------|
| Marish Primary School  | SB           | 24          |
| Reading BC             | FG           | 22          |
| Reading BC             | HOG (post 1) | 2           |
| Reading BC             | HOG (Post 2) | 2           |
| Reading Girls School   | PMH          | 19          |
| Slough BC              | EAB          | 24          |
| West Berkshire Council | CMC          | 1           |
| Wokingham BC           | CMU          | 21          |
| Wokingham BC (Selima)  | CGH          | 4           |

**Lump sums paid >30 days after retirement date – Q4 2015-16**

| <b>Employer</b>        | <b>Member</b> | <b>Days Over 30</b> | <b>Interest</b> | <b>Reason</b> |
|------------------------|---------------|---------------------|-----------------|---------------|
| Altwood School         | JAH           | 10                  | £5.10           | 2             |
| Marish Primary School  | SB            | 17                  | £28.70          | 1             |
| RBWM                   | AMG           | 44                  | £114.65         | 2             |
| RBWM                   | MSM           | 15                  | £48.91          | 2             |
| Reading BC             | FG            | 5                   | £67.73          | 1             |
| Reading BC             | HOG (1)       | 59                  | £3.44           | 2             |
| Reading BC             | HOG (2)       | 59                  | £0.89           | 2             |
| Reading Girls School   | PMH           | 10                  | £27.39          | 1             |
| Slough BC              | EAB           | 19                  | £140.90         | 1             |
| Slough BC              | STB           | 13                  | £80.38          | 2             |
| West Berkshire Council | CMC           | 8                   | £26.79          | 2             |
| Wokingham BC           | CMU           | 10                  | £50.71          | 1             |
| Wokingham BC           | CGH           | 19                  | £17.10          | 2             |

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



|                       |
|-----------------------|
| Report for:<br>ACTION |
| Item Number:          |

|  |   |
|--|---|
| <b>Contains Confidential or Exempt Information</b> | NO - Part I -   |
| <b>Title</b>                                       | Berkshire Pension Fund Business Plan 2016/17            |
| <b>Responsible Officer(s)</b>                      | Nick Greenwood  |
| <b>Contact officer, job title and phone number</b> | Nick Greenwood<br>Pension Fund Manager<br>01628 796701  |
| <b>Member reporting</b>                            | n/a   |
| <b>For Consideration By</b>                        | Berkshire Pension Fund and Pension Fund Advisory Panels |
| <b>Date to be Considered</b>                       | 11 April 2016   |
| <b>Implementation Date if Not Called In</b>        | n/a   |
| <b>Affected Wards</b>                              | None  |
| <b>Keywords/Index</b>                              | Pension Fund, Business Plan                             |

## Report Summary

1. This report presents the Pension Fund Business Plan for 2016/17 and medium term strategy.
2. It recommends that Panel approves this business plan and authorises Officers to publish it on the Fund's web-site

## 1. Details of Recommendations

**RECOMMENDATION: That Panel approves the Business Plan and Medium Term Strategy and authorises Officers to publish it on the Fund's web-site**

## 2. Reason for Recommendation(s) and Options Considered

| Option  | Comments   |
|---|--|
| That the Business Plan and Medium Term Strategy is approved     | Recommended by Officers to ensure that the Fund is properly managed                          |
| That the Business Plan and Medium Term Strategy is not approved | Not recommended as this will reduce governance and proper control and management of the Fund |

Attached as an annex to this paper is the Business Plan and Medium Term Strategy for the Pension Fund. It includes a review of how the Fund performed against its objectives in 2015/16.

### **3. Key Implications**

The business plan defines desired outcomes by objective and Officers will report achievement against these objectives in the Business Plan for 2017/18.



## **BUSINESS PLAN 2016-17**

**And**

## **MEDIUM-TERM STRATEGY 2017/2020**







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## 1.0 INTRODUCTION

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

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

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

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

## 2.0 STRATEGIC INTENT

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

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

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

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

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

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

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

### 3.0 BUSINESS OBJECTIVES

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

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

## 4.0 VALUES

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

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

## 5.0 BUSINESS TARGETS 2016/17

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

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

## 6.0 KEY ASSUMPTIONS AND RISKS

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

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

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

## 7.0 CASH-FLOW SUMMARY

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

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

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

\*\* Investment Management Costs for 2015/16 onwards now include costs that were not previously disclosed as they were "internally" charged within pooled funds and limited partnerships.

## 8.0 KEY INITIATIVES 2016/17

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



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

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| Fund Panel and Advisory Panel, to be measured by positive feedback from Lead Members. | <p>receive appropriate training</p> <p>Ensure that Pension Fund Panel, Pension Fund Advisory Panel and Pension Board members understand the Fund's strategy</p> |
|---|---|

## 9.0 REVIEW OF 2015/16 KEY INITIATIVES

In 2015/16 we said that we would:

| <b>Corporate Services Business Objective</b>   | <b>Key initiatives</b>  | <b>Outcome</b>   |
|--|---|--|
| To deliver an effective pensions service that meets the expectations of members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs. | Ensure that pension administration software is kept up to date  | Pension administration software has been kept up to date   |
|  | Finalise Desktop Procedures to ensure consistency of working practices in the Pension Administration Team     | Technical Analyst appointed in 2015 and has commenced production of these procedures with the aim to complete by March 2017            |
|  | Encourage employers to use i-Connect to improve submission of data  | The administering authority and 12 associated academies have adopted i-Connect and went 'live' in February 2016                        |
|  | Continual review of Service Level Agreements to ensure they remain current                                    | New SLA effective from 1 April 2016  |
|  | Keep members up to date via newsletters   | Bi-annual newsletters (The Quill and The Scribe) issued to active, deferred and pensioner / dependant members respectively             |
|  | Run Pensions Surgeries at least twice annually for each unitary authority and as requested by other employers | Achieved. 12 pension surgeries held at Bracknell Forest Council, RBWM, Reading BC, Slough BC, West Berkshire Council and Wokingham BC. |
|  | Educate scheme employers by providing scheme training upon request  | All scheme employers invited to attend a training session entitled 'Scheme employer – statutory obligations' in March 2016.            |
|  | Educate scheme members by providing presentations upon request from scheme employers                          | A number of presentations have been undertaken and have been well received.  |
| Maintain web-site to highest   | During 20015-16 the   |  |

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

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

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

## 10.0 MEDIUM TERM PLAN 2017/20

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

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

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

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