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NOTICE OF MEETING



BERKSHIRE PENSION BOARD

will meet on

THURSDAY, 26TH NOVEMBER, 2015

At 1.00 pm

in the

MINSTER COURT - 22-30 YORK ROAD MAIDENHEAD,

TO: MEMBERS OF THE BERKSHIRE PENSION BOARD

CHAIRMAN: HOWARD PEARCE.

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

SCHEME MEMBER REPRESENTATIVES: INDERPAL DHAK, PETER SOUTHWELL, TONY PETTITT.

KAREN SHEPHERD - DEMOCRATIC SERVICES MANAGER
ISSUED: 18 NOVEMBER 2015

Karen Shepherd - Democratic Services Manager - Issued: Date Not Specified

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

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AGENDA

PART I

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16.	<u>DATES OF FUTURE MEETINGS AND AOB</u> To agree future meeting dates.	Verbal

BERKSHIRE PENSION FUND BOARD

3 AUGUST 2015

PRESENT: Howard Pearce (Chairman), Alan Cross (Scheme Employer Representative), Alan Nash (Scheme Employer Representative), Billy Webster (Scheme Employer Representative), Surjit Nagra (Scheme Employer Representative - Substitute), Inderpal Dhak (Scheme Member Representative), Tony Pettitt (Scheme Member Representative).

Also Present: Councillor Simon Dudley and Councillor John Lenton.

Officers: Tanya Leftwich and Kevin Taylor.

PART I

01/15 APOLOGIES FOR ABSENCE

Apologies for absence were received from Andy Walker (Scheme Employer Representative), Terry Baldwin (Scheme Employer Representative – Substitute) and Peter Southwell (Scheme Member Representative).

02/15 INTRODUCTIONS & DECLARATIONS OF INTEREST

The Deputy Pension Fund Manager, Kevin Taylor, welcomed everyone to the first meeting of the Berkshire Pension Board and asked everyone to introduce themselves.

It was announced that the meeting was being recorded for internal purposes only.

Tony Pettitt declared an interest in recovery plans and financial matters if they were covered in the agenda.

03/15 FORMAL APPOINTMENT OF CHAIR AND SCHEME EMPLOYER / SCHEME MEMBER REPRESENTATIVES

The Deputy Pension Fund Manager referred everyone present to pages 7-9 of the agenda and explained that in order to improve the effectiveness of the Berkshire Pension Board, the Royal Borough of Windsor & Maidenhead as the administering authority to the Royal County of Berkshire Fund had decided to have a non-voting Independent Chairman of the Pension Board. It was noted that this position would use their expert advice to lead and assist the Board.

The Deputy Pension Fund Manager explained that due process had been followed and that a preferred candidate, Howard Pearce, had been identified and recommended to the Pension Fund Panel and that Howard had been formally appointed at the meeting on the 24 March 2015. It was noted that the appointment was subject to the passing of a motion by members of the Pension Board confirming the appointment of Howard Pearce to the position of Independent Chairman.

The Deputy Pension Fund Manager welcomed the two Councillors present who were attending as observers. It was noted that as a public meeting the press could attend if they so wished.

Howard Pearce informed everyone present that he had been the Fund Manager for the Environment Agency Pension Fund and a member of the National LGPS policy group until 2013. It was noted that since Howard Pearce had retired he had undertaken a range of non-executive roles and a piece of advisory work for the Shadow Scheme Advisory Board. It was noted that Howard Pearce is a member of the LGPS and is in receipt of a pension from The Environment Agency Pension Fund.

RESOLVED UNANIMOUSLY: That the Pension Board approved the appointment of Howard Pearce as Independent Chairman of the Berkshire Pension Board.

04/15 ADOPTION OF TERMS OF REFERENCE

The Deputy Pension Fund Manager referred everyone present to pages 11-24 of the agenda and explained that the purpose of the report was to request the Board to adopt the Terms of Reference previously approved by the Berkshire Pension Fund Panel of the Royal Borough of Windsor & Maidenhead in its capacity as Administering Authority to the Royal County of Berkshire Pension Fund.

The Chairman informed everyone present that the Pension Board was to be a critical friend of the Berkshire Pension Fund Panel.

The Deputy Pension Fund Manager explained that this Board was one of 89 new Boards around the country and would be an evolutionary journey. It was noted that the Berkshire Pension Board wanted to add value in addition to the Berkshire Pension Fund Panel.

The Pension Board went through the Terms of Reference for Pension Board Members page by page and made the following comments:

- It was confirmed by the Chairman that the statement of purpose was very important.
- It was confirmed that the term of office was initially for twelve months, followed by a review and a possible extension. It was noted that the Deputy Pension Fund Manager would check what the official start date was, whether it was the 1 August or the 1 April.
- It was noted that it had not been the intention to have substitute members on the Board but that the Berkshire Leaders had agreed that all 6 Unitary Authorities should be represented and that the 6 Authorities should be twinned. It was agreed that an observer could be asked to attend the meeting.
- That a meeting would only be quorate when at least 50% of both Scheme member and Scheme employer representatives were present. It was noted that for actions to be agreed the Chairman must be in attendance. The Deputy Pension Fund Manager agreed to re-write the Quorum section of the

terms of reference to make it clearer that at least one scheme member and one scheme employer representative should always be present.

- It was confirmed that with regard to Board Administration whilst the terms of reference stated that draft minutes would be circulated within 5 working days after the meeting it would be within 15 working days with the hope of 10 working days if possible.
- That the first sentence under Section 19: Public access to Pension Board meetings and information read 'The Pension Board meetings will be open to the general public.....'
- It was confirmed that the Monitoring Officer was Sean O'Connor (Shared Legal Services).
- That the list of core functions (Section 23) would need to be prioritised.
- That the first sentence under Section 24: Review of Terms of Reference read 'These Terms of Reference shall be reviewed on each material change to those parts of the Regulations or guidance covering local Pension Boards.....'
-

The Chairman requested sight of the amended Terms of Reference so it could be signed off at the next meeting.

The Deputy Pension Fund Manager informed everyone present that he would send an updated document showing track changes round in advance of the next meeting.

RESOLVED UNANIMOUSLY: That the Pension Board adopt the Terms of Reference subject to the amendments discussed being made and the updated version will be circulated to PB members for sign off at the next meeting.

05/15 ADOPTION OF CODE OF CONDUCT AND CONFLICTS OF INTEREST POLICY

The Deputy Pension Fund Manager referred everyone present to pages 25-41 of the agenda and explained that the purpose of the report was to request the Board to adopt the Code of Conduct and Conflicts of Interest Policy previously approved by the Berkshire Pension Fund Panel of the Royal Borough of Windsor and Maidenhead in its capacity as Administering Authority to the Royal County of Berkshire Pension Fund.

It was noted that the Berkshire Pension Board had to be established by 1 April 2015 in accordance with the requirements of the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations 2013 (as amended).

It was noted that these documents were based on the Royal Borough's conflict of interest document and the Pension Regulator's guidance.

The Pension Board went through the documents page by page and made the following comments:

- It was confirmed that the documents listed under Section 3: Statutory Responsibilities of Board members were all available on the website (www.rbwm.gov.uk/berks-pension/) apart from the Pensions Handbook that could be published in sections once the sections had been agreed.

- That the second requirement under Section 7: Conflicts of Interest either be removed or tailored slightly to match the RBWM Councillors DPI wording.
- That the second point of guidance under Schedule B: Managing conflicts of interest be deleted.
- It was confirmed that Trade Union Membership should be declared.
- That the first and second paragraph under Share and related investments (Section 4: Definitions) be deleted.
- That the Declaration Form under Schedule C: Register of Board members' interests be issued formally and published to the website. It was agreed that a line to include Trade Union Membership be added to the Declaration Form.
- That the wording in the Non-profit organisation box of the Declaration Form be added to include a link to the Berkshire Pension Fund.

The Deputy Pension Fund Manager informed everyone present that he would send an updated document showing track changes round in advance of the next meeting.

RESOLVED UNANIMOUSLY: That the Pension Board adopt the Code of Conduct and Conflicts of Interest Policy subject to the changes listed above being made. It was agreed PB members would complete their declaration of interest prior to the next meeting.

06/15 THE ROLE OF THE PENSION BOARD

The Deputy Pension Fund Manager referred everyone present to pages 43-54 of the agenda and explained that the purpose of the report was to outline the role and purpose of the Pension Board for Members of the Board.

The Deputy Pension Fund Manager gave everyone a short induction presentation which covered the following areas:

- Pensions Legislative Framework.
- Impact of Enactments.
- Local Government Pension Scheme.
- Who's Who at National Level.
- Who's Who at Fund Level.
- Some facts and figures.
- Berkshire Pension Fund Panel.
- Berkshire Pension Fund Advisory Panel.
- Pension Fund Team.
- The Administering Authority should....
- What is the LGPS?
- Benefit Structure.
- Where did it all begin?
- Lord Hutton's report.
- PSPA2013.
- In generic terms.
- LGPS Regulations 2013 (as amended).
- The Berkshire PF Local Pension Board.
- Different legislation.
- The Role of the Pension Board.

- Other requirements.
- The remit of the Pension Board....
- The Pensions Regulator's Code of Practice.
- Deciding on enforcement action.
- Knowledge and Skills.
- Legal Requirements.
- Practical guidance.
- Knowledge and Understanding Required.
- Degree of Knowledge and Understanding.
- Be able to identify and challenge failure.
- Acquiring, Reviewing and Updating Knowledge and Understanding Required.
- Next Steps.
- Training Plan.
- TPR – online TKU.

In the ensuing discussion the following points were noted:

- There were 89 pension funds in England and Wales.
- That the contracted out nature of pension schemes would be abolished from April 2016.
- What was meant by knowledge was to have a 'working knowledge' for example knowing where to find information.
- Administering Authority / Scheme Manager referred to the Royal Borough of Windsor and Maidenhead.
- No active link into the SCT sub-group.
- 150-250 scheme employers managed by the Royal Borough of Windsor and Maidenhead.
- That the Berkshire Pension Fund Panel was made up of Royal Borough of Windsor and Maidenhead Councillors with voting rights and that the Berkshire Pension Fund Advisory Panel which met at the same time as the Berkshire Pension Fund Panel had a non-voting role.
- It was confirmed that the Pension Board would ensure the proper procedures were in place with regard to the tri-annual valuation process and could challenge the assumptions made but would have no direct involvement in the process. It was noted that legal advice could be sought if anyone was concerned they could have a conflict of interest.
- That a local decision had been made that Royal Borough of Windsor and Maidenhead Councillors would not be included on the Pension Board.
- It was questioned what would happen if a 50/50 occurred which the Deputy Pension Fund Manager agreed to give some thought to at a later date.
- That a handbook would be issued to each Pension Board member and that it was the individual's responsibility to assess themselves to ensure they could do the role.
- That the link between the Pension Board and the Pension Regulator was a developing one which could be tightened up as time went on.
- That the Deputy Pension Fund Manager would email everyone present a 'public service governance administration survey' to complete.
- That the Deputy Pension Fund Manager would distribute the slides electronically after the meeting.

(5 minute break)

The Deputy Pension Fund Manager showed everyone present the pension website which could be found at www.rbwm.gov.uk/berks-pension/. The Deputy Pension Fund Manager went on to remind everyone present to complete their brief biography that would be added to the pension website.

RESOLVED UNANIMOUSLY: That the Pension Board note the report and associated induction presentation.

07/15 ADOPTION OF TRAINING PLAN

The Deputy Pension Fund Manager referred everyone present to pages 55-72 of the agenda and explained that the purpose of the report was to outline the training requirements for Members of the Berkshire Pension Board.

The Deputy Pension Fund Manager introduced the report that asked the Berkshire Pension Board to agree a training policy and programme for full approval at the next meeting of the Board. It was recommended that Members of the Pension Board committed to completing the Pension Regulator's on-line Trustee Knowledge and Understanding (TKU) toolkit within the first six months of Board membership.

The Chairman suggested Members firstly identified their needs (via the needs analysis) and applied them to the training plan. The Deputy Pension Fund Manager agreed to circulate the training plan to Members electronically in a word document. It was requested that the needs analysis be completed by the end of August so it could go to the next Pension Board meeting.

It was agreed that the needs analysis and work plan needed to be aligned and the Deputy Pension Fund Manager was requested to add '#' against the key areas so they stood out. Upon receipt of the revised schedule PB members were requested to undertake their self-assessment and return to Deputy Pension Manager prior to next meeting

The Chairman urged everyone present to look at the separate tool kit in the private sector and to find time to do the on-line training within six months which would take a day in total to complete but could be broken down into seven bite size amounts.

RESOLVED UNANIMOUSLY: That the Pension Board considered the report and the proposed training framework and agreed a training policy and programme for full approval at the next meeting of the Board. Members of the Board committed to completing the Pension Regulator's on-line Trustee Knowledge and Understanding (TKU) toolkit within the first 6 months of Board membership.

08/15 ADOPTION OF BREACHES POLICY

The Deputy Pension Fund Manager referred everyone present to pages 73-96 of the agenda and explained that the purpose of the report was to outline the legal

requirement of Pension Board Members to report breaches of the law and for the Board to adopt a traffic light framework for recording breaches.

The Chairman confirmed that the person who would deal with any breaches would be the Monitoring Officer for the Royal Borough, Sean O'Connor although this would change depending on the nature of the breach. It was requested that only material breaches be reported.

It was requested that the Deputy Pension Fund Manager investigate the escalation route for clarity and who the designated person / people would be in the first instance of a breach being reported.

It was suggested that some documents could be agreed virtually rather than having to wait for the next meeting. The Deputy Pension Fund Manager agreed to send all revised documents to Members electronically and if need be add them to the next agenda. The Chairman stated that there needed to be a balance between email traffic and meeting face to face to allow full discussions to take place.

RESOLVED UNANIMOUSLY: That the Pension Board:

- a) Consider the guide to reporting breaches of the law and;**
- b) Adopt a traffic light framework for recording breaches;**
- c) Discuss an appropriate procedure to implement this at its next meeting**

09/15 BERKSHIRE PENSION FUND BUSINESS PLAN 2015-16 AND MEDIUM-TERM STRATEGY 2016/2019

The Deputy Pension Fund Manager referred everyone present to pages 97-116 of the agenda and explained that the purpose of the report was to bring to Members of the Pension Board the Pension Fund's Business Plan for 2015-16 and Medium-Term strategy for 2016/2019 as agreed by the Pension Fund Panel at its meeting on the 13 July 2015.

It was note that existing KPI's for administration only were included and not the performance of the Board.

The Deputy Pension Fund Manager confirmed that the business plan would last twelve months from the 13 July 2015.

The Chairman explained that the Board would be consulted on the draft business plan in the future.

RESOLVED UNANIMOUSLY: That the Pension Board note the Fund Business Plan and agreed it would need to align its own future work plan to this where appropriate.

10/15 WORK PLAN 2015-16

The Deputy Pension Fund Manager referred everyone present to pages 117-120 of the agenda and explained that the purpose of the report was to outline the need for

a Work Plan for the Berkshire Pension Board and to initiate discussions on the areas of work that could be covered over the next twelve months.

It was noted that key areas and timescales needed to be identified that could be dealt with over the next few meetings. The Chairman suggested that the work plan be circulated before the next meeting and a draft formulated by himself and the Deputy Pension Fund Manager to be brought to the next meeting.

It was noted that some of the items would need to be done on an annual or tri-annual basis and that it would be helpful to have these plotted as standing items on the work plan.

It was requested that the minutes from the Berkshire Pension Fund Advisory Panel be circulated to the Pension Board so they could be commented on.

PB members suggested the following items might be relevant – risk register, internal and external audit reports, changes to fund strategy policy and procedures, new legal requirements and compliance, disputes and communications

It was suggested that areas of interest for the work plan be highlighted to the Chairman and Deputy Pension Fund Manager.

RESOLVED UNANIMOUSLY: That the Pension Board consider the report with a view to developing and publishing a rolling work plan for the next twelve months for consideration at its next meeting.

11/15 REVIEW OF BERKSHIRE PENSION FUND PANEL MEETING OF 13 JULY 2015 INCLUDING STEWARDSHIP REPORT

The Deputy Pension Fund Manager referred everyone present to pages 121-214 of the agenda and explained that the purpose of the report was to bring the Pension Board the papers and draft minutes from the last meeting of the Berkshire Pension Fund Panel and Pension Fund Advisory Panel.

It was noted that in future Part II (private and confidential) documents be printed on green paper and be electronically password protected.

It was noted that an updated Stewardship report would be brought in isolation to a future meeting.

RESOLVED UNANIMOUSLY: That the Pension Board review the Panel papers and suggest recommendations to take to the next meeting of the Berkshire Pension Fund Panel and Pension Advisory Panel.

12/15 COMPLIANCE WITH THE PENSIONS REGULATOR'S CODE OF PRACTICE

The Deputy Pension Fund Manager referred everyone present to pages 215-217 of the agenda and explained that the purpose of the report was to bring to the Pension Board the requirement to secure compliance with the Pension Regulator's Code of Practice No.14, 'Governance and administration of public service pension schemes'.

It was noted that the Deputy Pension Fund Manager had included some work in the handbook Members were yet to see which he would circulate to everyone present in due course.

The Chairman stated that he would like to cover this as a training item at the next meeting as he believed it to be a primary piece of guidance along with anything else that was felt to be a priority.

RESOLVED UNANIMOUSLY: That the Pension Board would receive training upon and then use the Pensions Regulator's Code of Practice No.14 as a source of reference to inform their actions in four core areas of scheme governance an administration: governing your scheme, managing risk, administration and resolving issues.

13/15 A.O.B.

Councillor Lenton informed the Deputy Pension Fund Manager that the Board appreciated the work and time he had put into the Pension Board, which was echoed by the Chairman and Members present.

14/15 DATES OF FUTURE MEETINGS AND AOB

It was suggested that it would be helpful to hold the Pension Board meetings three weeks after the Berkshire Pension Fund Panel meetings and it was advised that future meeting dates be held mid-end of November, mid February and at the end of April. It was noted that the Deputy Pension Fund Manager would send out proposed dates in due course.

15/15 MEETING

The meeting which started at 10.00am finished at 1.00pm.

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Report for: INFORMATION
Item Number: 4



Contains Confidential or Exempt Information	NO - Part I
Title	Scheme, Legal and Regulatory Update
Responsible Officer(s)	Kevin Taylor
Contact officer, job title and phone number	Kevin Taylor Deputy Pension Fund Manager 01628 796715
Member reporting	n/a
For Consideration By	Berkshire Pension Fund Board
Date to be Considered	26 November 2015
Implementation Date if Not Called In	n/a
Affected Wards	None
Keywords/Index	<i>Insert relevant key words</i>

<p>Report Summary</p> <p>The purpose of this report is to provide Pension Board members with an update on current scheme and regulatory issues concerning the LGPS.</p>
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If recommendations are adopted, how will residents, fund members and other stakeholders benefit?	
Benefits to residents, fund members and other stakeholders and reasons why they will benefit	Dates by which they can expect to notice a difference
1. Better governance and administration of the Pension Fund	Ongoing

1. Details of Recommendations

In order to fulfil their role in assisting the Scheme Manager in securing compliance with Scheme regulations and the governance and administration of the LGPS, Pension Board members need to keep up to date with issues that may impact on the Royal Borough of Windsor and Maidenhead in its role as administering authority to the Berkshire Pension Fund. This includes reviewing and maintaining an awareness of statutory scheme changes and consultation documents issued by the Government and other statutory bodies.

RECOMMENDATION: That Pension Board members note the documents attached to this paper.

2. Reason for Recommendation(s) and Options Considered

Members of the Pension Board are required to maintain a working knowledge of the LGPS regulations and associated pension legislation so that they can assist the administering authority in complying with their statutory duties and all other requirements laid down by the Pensions Regulator.

Board members therefore need to keep apprised of all matters pertaining to the LGPS that might impact on their ability to fulfil their statutory responsibilities both now and in the future.

Current issues are:

Public Sector Exit Cap	Government consultation	No response from scheme manager
Strengthening the incentive to save: a consultation on pensions tax relief	Government consultation	No response as yet from scheme manager
Survey of ill health provisions and IDRPs processes	LGA survey	Response made.
Pooled Investments	Awaiting Government consultation	No action
Changes to State Pension and NI contributions	Statutory amendment	Effective from April 2016.

All of these items will be discussed in this part of the meeting.

3. Key Implications

The Pension Board is required to operate in line with statutory regulations and the requirements set out on the Pensions Regulator's code of practice number 14 'Governance and administration of public service pension schemes'. Failure to fulfil these statutory obligations could leave the Borough open to challenge.

4. Financial Details

There are no financial implications.

5. Legal Implications

There are no legal implications.

6. Value For Money

Not applicable

7. Sustainability Impact Appraisal

There are no known implications.

8. Risk Management

Members of the Pension Board need to be clear as to the legal responsibilities placed upon them in order to mitigate any risk of the Board being ineffective.

9. Links to Strategic Objectives

Linked to strategic objectives of the Pension Fund.

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

Members of the Pension Board may wish to consider how they may be able to assist the scheme manager (administering authority) in dealing with these current issues.

15. Timetable for Implementation

Not applicable.

16. Appendices

Not applicable.

17. Background Information

As attached.

Full name of report author	Job title	Full contact no:
Kevin Taylor	Deputy Pension Fund Manager	01628 796715

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Report for INFORMATION
Item Number: 5



Contains Confidential or Exempt Information	NO - Part I
Title	Review of Pension Fund Panel Papers and Minutes from 26 October 2015 meeting
Responsible Officer(s)	Kevin Taylor
Contact officer, job title and phone number	Kevin Taylor Deputy Pension Fund Manager 01628 796715
Member reporting	n/a
For Consideration By	Berkshire Pension Fund Board
Date to be Considered	26 November 2015
Implementation Date if Not Called In	n/a
Affected Wards	None
Keywords/Index	Pension Board

Report Summary

The purpose of this report is to bring to the Pension Board the papers and minutes from the last meeting of the Berkshire Pension Fund Panel and Pension Fund Advisory Panel.

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

Benefits to residents, fund members and other stakeholders and reasons why they will benefit	Dates by which they can expect to notice a difference
1. Better governance and administration of the Pension Fund	Ongoing

1. Details of Recommendations

Members of the Pension Board are required to review Pension Fund Panel papers and minutes in its role to assist the Scheme Manager in securing compliance with the Scheme Regulations, associated legislation and the requirements imposed by the Pensions Regulator.

RECOMMENDATION: That the Berkshire Pension Board review the attached panel papers and consider any recommendations to take to the next meeting of the Berkshire Pension Fund Panel and Pension Fund Advisory Panel.

2. Reason for Recommendation(s) and Options Considered

The Pension Board has a duty to assist the Administering Authority in securing compliance with all governance and administration issues.

3. Key Implications

Failure to fulfil the role and purpose of the Pension Board could lead to the Pension Fund and the Administering 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

Berkshire Pension Fund Panel and Pension Fund Advisory Panel papers and minutes from 26th October 2015.

Full name of report author	Job title	Full contact no:
Kevin Taylor	Deputy Pension Fund Manager	01628 796715

Karen Taylor



NOTICE OF MEETING

BERKSHIRE PENSION FUND PANEL

will meet on

MONDAY 26 OCTOBER 2015

at

4.00PM

In

COUNCIL CHAMBER, TOWN HALL, MAIDENHEAD

TO: MEMBERS OF THE BERKSHIRE PENSION FUND PANEL AND ADVISORY PANEL

COUNCILLORS JOHN LENTON (CHAIRMAN), DAVID HILTON (VICE CHAIRMAN), PHILIP LOVE, GEOFF HILL AND ONE VACANCY (RBWM).

COUNCILLORS TICKNER (READING BOROUGH COUNCIL), BROOKER (SLOUGH BOROUGH COUNCIL), STANTON (WOKINGHAM), WORRALL (BRACKNELL FOREST BOROUGH COUNCIL), LAW (WEST BERKSHIRE COUNCIL), SUE NICHOLLS (UNISON), DONNA DOWLING (GMB), PATRICK FULLER (UNIVERSITY OF WEST LONDON).

Karen Shepherd - Democratic Services Manager
Issued: 13 October 2015

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1	<u>APOLOGIES FOR ABSENCE</u> To receive any apologies for absence	-
2	<u>DECLARATIONS OF INTEREST</u> To receive any declarations of interest.	-
3	<u>MINUTES</u> To confirm the two Part I Minutes of the meetings held on 13 July 2015.	i
4	<u>PENSION BOARD MINUTES</u> To note the draft minutes of the Pension Board held on 3 August 2015.	1
5	<u>LGPS INVESTMENT POOLING</u> To consider the report.	10
6	<u>MEMBER TRAINING</u> To consider the report.	17
7	<u>STEWARDSHIP REPORT</u> To consider the report.	21
8	<u>APPROVAL OF PENSION FUND ANNUAL REPORT AND ACCOUNTS 2014/15</u> To consider the report.	40
9	<u>DATES OF FUTURE MEETINGS</u> <ul style="list-style-type: none">• 18th January 2016• 11th April 2016	-
10	<u>LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC</u> To consider passing the following resolution:- "That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting whilst discussion takes place on items 8-15 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"	-

AGENDA

PRIVATE MEETING - PART II

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
11	<u>MINUTES</u> To confirm the Part II Minutes of the meeting held on 13 July 2015.	v
12	<u>INVESTMENT WORKING GROUP MINUTES</u> To consider the minutes.	43

MEMBERS' GUIDANCE NOTE

DECLARING INTERESTS IN MEETINGS

DISCLOSABLE PECUNIARY INTERESTS (DPIs)

The Localism Act 2011 makes failure by members to comply with the regulations in respect of disclosable pecuniary interests (DPIs), without reasonable excuse, a criminal offence.

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.

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 in the matter being discussed. If you have already disclosed the interest in your Register of Interest you are still required to disclose this in the meeting. **A member with a DPI must not take part in discussion or vote at a meeting as this is a criminal offence.** The term 'discussion' has been taken to mean a discussion by the members of the committee or other body determining the issue. A member with a DPI **may make** representations at the start of the item if a member of the general public has a right to do so, but can not be part of the committee discussion. 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, it is suggested that you leave the room or at least move to the public area, having made your representations.

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, as this is also a potential criminal offence if you do not do so.

OTHER INTERESTS

If the issue being discussed is not a DPI, but affects you more than another member of the public (either positively or negatively), or if you have a conflict of interest, then you should obtain advice from the Legal or Democratic Services Officer before participating in the meeting. You may not be able to take part in the committee discussion or vote, as this could invalidate the decision and have further legal consequences. You could still speak at the meeting if a member of the public has a right to speak on the subject.

If you have any queries in relation to the above, please seek further advice from the Monitoring Officer or Democratic Services.

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If you have any queries in relation to the above, please seek further advice from the Monitoring Officer or Democratic Services.

BERKSHIRE PENSION FUND PANEL AND ADVISORY PANEL

13 JULY 2015

PRESENT: Councillors Lenton (Chairman), Hilton (RBWM), Collins (RBWM), Love (RBWM), Tickner (Reading), Brooker (Slough Borough Council), Stanton (Wokingham), Worrall (Bracknell Forest) and Law (West Berks).

Independent Adviser to the Panel: John Nestor

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

PART I

69/14 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Hill (Cllr Collins attending as substitute) and Sue Nicholls.

70/14 DECLARATIONS OF INTEREST

John Nester, the independent advisor to the Panel, advised that he had previously worked with a partner in Astarte Capital Partners who had presented at the Investment Working Group.

71/14 MINUTES

RESOLVED UNANIMOUSLY: That the Part I minutes of the meeting of the Panel held on 24 March 2015 be approved.

72/14 RESIDENTIAL PROPERTY – UPDATE ON GLASSFORD HOUSE, ABANDON SCOTTISH LIMITED PARTNERSHIP

The Pension Fund Manager informed the Panel that the 70% purchase of Glassford House had been completed and that all the apartments had been leased.

The Panel were also informed that following the Scottish independence referendum and the possibility of tax raising powers for the Scottish Parliament it had been decided not to hold private rented residential investments in a Scottish Limited Partnership as the benefits would not outweigh any costs incurred.

RESOLVED UNANIMOUSLY: That Panel note:

- i. **The purchase of a 70% interest in Glassford House for £5.7 million had been completed**
- ii. **The Fund had advised the Royal Borough that it would not request the Council to create a Scottish Limited Partnership to hold its residential property interests.**

73/14 PENSION FUND PANEL WORKING GROUPS

The Chairman of the Pension Fund introduced the report that informed of the three working groups of the Pension Fund Panel and recommended that the terms of reference be re-affirmed.

The Panel were informed that the three working groups were:

- The Investment Working Group that currently had one vacancy.
- The Liability Working Group that has at least one vacancy.
- The Covenant Assessment Working Group was only created in March 2015 and will meet on an ad-hoc basis when required to assess the strength of employers covenant, there were currently no members.

(Cllr Tickner joined the meeting)

With regards to the Investment Working Group it was noted that Cllr Dudley would continue to attending meetings as portfolio holder for finance and Councillor Stanton agreed to fill the vacancy.

RESOLVED UNANIMOUSLY: That the:

- i. Panel reaffirmed the terms of reference of the three working groups.
- ii. Panel confirmed the membership of the working groups and that Councillor be appointed to the IWG.

74/14 BUSINESS PLAN 2015-16 AND MEDIUM TERM PLAN 2016-18

The Pension Fund Manager informed the Panel that the format of the business plan remained the same as last year but with the addition of a direction of travel and a review of last years performance.

The Panel were informed that the document also contained the Medium Term Plan that included objectives such as becoming the first LGPS pension fund with accreditation from the Pensions Administration Standards Association. With regards to the objective relating to the GMP obligations John Nestor recommended that policies should be in place for example to say what should be done for any overpayments.

In response to questions the Panel were informed that the outcomes from last year were contained at page 21 of the agenda and that the results from last years cash flow forecast was contained within the Stewardship Report. With regards to staff moral this was measured via the RBWM Staff Satisfaction Survey and that risks would be added to the Key Objectives section; although it was noted that with a 4% returns policy over time risk had to be accepted.

RESOLVED UNANIMOUSLY: That the Panel approves the Business Plan and Medium Term Strategy and that officers be authorised to publish it on the Fund's web-site.

75/14 STEWARDSHIP REPORT

The Deputy Pension Fund Manager introduced the report that dealt with the stewardship of the pension fund for the period to 31st May 2015. The style of the report had been changed to make it more visual and that the same report would also be presented to the Pension Board and published on the RBWM website for transparency.

The Panel were informed that section 1.1 of the report showed the pension funds key financial indicators, the 'un-smoothed' valuations showed the estimates.

In response to questions the Panel were informed that the 4% investment target was in real terms whilst the 7% was in nominal terms and that the list of 'Notices of unsatisfactory performance' was new to the report and showed the list of late notifications or late contributions from employers. It was also noted that a list of 'Leavers received within 10 days from end of month' was included within the report as employers had a statutory duty to report leavers within 10 days at the end of the month. It was agreed to change the title to make this clear.

RESOLVED UNANIMOUSLY: That Members of the Pension Fund and Pension Advisory Panel note:

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

76/14 MEMBER TRAINING

The Deputy Pension Fund Manager informed the Panel that there were requirements set out in the Public Service Pensions Act 2013 and associated LGPS regulations for 'trustees' to have the appropriate knowledge to fulfil their role. The report recommended that Members committed to attending a training session and to completing the Pension Regulators TKU toolkit for the public sector.

Cllr Hilton informed that he had completed the online training and it took about one day and that it would be useful to inform Members what the training covered.

It was noted that the Pension Board had to complete the training with 6 months; but there was no time restrictions on Panel Members. It was agreed that Members be sent a copy of the training handbook.

RESOLVED UNANIMOUSLY: That Members of the Pension Fund Panel and the Pension Fund Advisory Panel commit to attending a training session concerning the governance and administration of the LGPS on a mutually agreeable date and that Members undertake to complete the Pension Regulator's on-line Public Service Pensions toolkit.

77/14 DATES OF FUTURE MEETINGS

Future meeting dates were noted.

78/14 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.

ITEM 4 - BERKSHIRE PENSION FUND BOARD

3 AUGUST 2015

PRESENT: Howard Pearce (Chairman), Alan Cross (Scheme Employer Representative), Alan Nash (Scheme Employer Representative), Billy Webster (Scheme Employer Representative), Surjit Nagra (Scheme Employer Representative - Substitute), Inderpal Dhak (Scheme Member Representative), Tony Pettitt (Scheme Member Representative).

Also Present: Councillor Simon Dudley and Councillor John Lenton.

Officers: Tanya Leftwich and Kevin Taylor.

PART I

01/15 APOLOGIES FOR ABSENCE

Apologies for absence were received from Andy Walker (Scheme Employer Representative), Terry Baldwin (Scheme Employer Representative – Substitute) and Peter Southwell (Scheme Member Representative).

02/15 INTRODUCTIONS & DECLARATIONS OF INTEREST

The Deputy Pension Fund Manager, Kevin Taylor, welcomed everyone to the first meeting of the Berkshire Pension Board and asked everyone to introduce themselves.

It was announced that the meeting was being recorded for internal purposes only.

Tony Pettitt declared an interest in recovery plans and financial matters if they were covered in the agenda.

03/15 FORMAL APPOINTMENT OF CHAIR AND SCHEME EMPLOYER / SCHEME MEMBER REPRESENTATIVES

The Deputy Pension Fund Manager referred everyone present to pages 7-9 of the agenda and explained that in order to improve the effectiveness of the Berkshire Pension Board, the Royal Borough of Windsor & Maidenhead as the administering authority to the Royal County of Berkshire Fund had decided to have a non-voting Independent Chairman of the Pension Board. It was noted that this position would use their expert advice to lead and assist the Board.

The Deputy Pension Fund Manager explained that due process had been followed and that a preferred candidate, Howard Pearce, had been identified and recommended to the Pension Fund Panel and that Howard had been formally appointed at the meeting on the 24 March 2015. It was noted that the appointment was subject to the passing of a motion by members of the Pension Board confirming the appointment of Howard Pearce to the position of Independent Chairman.

The Deputy Pension Fund Manager welcomed the two Councillors present who were attending as observers. It was noted that as a public meeting the press could attend if they so wished.

Howard Pearce informed everyone present that he had been the Fund Manager for the Environment Agency Pension Fund and a member of the National LGPS policy group until 2013. It was noted that since Howard Pearce had retired he had undertaken a range of non-executive roles and a piece of advisory work for the Shadow Scheme Advisory Board. It was noted that Howard Pearce is a member of the LGPS and is in receipt of a pension from The Environment Agency Pension Fund.

RESOLVED UNANIMOUSLY: That the Pension Board approved the appointment of Howard Pearce as Independent Chairman of the Berkshire Pension Board.

04/15 ADOPTION OF TERMS OF REFERENCE

The Deputy Pension Fund Manager referred everyone present to pages 11-24 of the agenda and explained that the purpose of the report was to request the Board to adopt the Terms of Reference previously approved by the Berkshire Pension Fund Panel of the Royal Borough of Windsor & Maidenhead in its capacity as Administering Authority to the Royal County of Berkshire Pension Fund.

The Chairman informed everyone present that the Pension Board was to be a critical friend of the Berkshire Pension Fund Panel.

The Deputy Pension Fund Manager explained that this Board was one of 89 new Boards around the country and would be an evolutionary journey. It was noted that the Berkshire Pension Board wanted to add value in addition to the Berkshire Pension Fund Panel.

The Pension Board went through the Terms of Reference for Pension Board Members page by page and made the following comments:

- It was confirmed by the Chairman that the statement of purpose was very important.
- It was confirmed that the term of office was initially for twelve months, followed by a review and a possible extension. It was noted that the Deputy Pension Fund Manager would check what the official start date was, whether it was the 1 August or the 1 April.
- It was noted that it had not been the intention to have substitute members on the Board but that the Berkshire Leaders had agreed that all 6 Unitary Authorities should be represented and that the 6 Authorities should be twinned. It was agreed that an observer could be asked to attend the meeting.
- That a meeting would only be quorate when at least 50% of both Scheme member and Scheme employer representatives were present. It was noted that for actions to be agreed the Chairman must be in attendance. The Deputy Pension Fund Manager agreed to re-write the Quorum section of the

terms of reference to make it clearer that at least one scheme member and one scheme employer representative should always be present.

- It was confirmed that with regard to Board Administration whilst the terms of reference stated that draft minutes would be circulated within 5 working days after the meeting it would be within 15 working days with the hope of 10 working days if possible.
- That the first sentence under Section 19: Public access to Pension Board meetings and information read 'The Pension Board meetings will be open to the general public.....'
- It was confirmed that the Monitoring Officer was Sean O'Connor (Shared Legal Services).
- That the list of core functions (Section 23) would need to be prioritised.
- That the first sentence under Section 24: Review of Terms of Reference read 'These Terms of Reference shall be reviewed on each material change to those parts of the Regulations or guidance covering local Pension Boards.....'
-

The Chairman requested sight of the amended Terms of Reference so it could be signed off at the next meeting.

The Deputy Pension Fund Manager informed everyone present that he would send an updated document showing track changes round in advance of the next meeting.

RESOLVED UNANIMOUSLY: That the Pension Board adopt the Terms of Reference subject to the amendments discussed being made and the updated version will be circulated to PB members for sign off at the next meeting.

05/15 ADOPTION OF CODE OF CONDUCT AND CONFLICTS OF INTEREST POLICY

The Deputy Pension Fund Manager referred everyone present to pages 25-41 of the agenda and explained that the purpose of the report was to request the Board to adopt the Code of Conduct and Conflicts of Interest Policy previously approved by the Berkshire Pension Fund Panel of the Royal Borough of Windsor and Maidenhead in its capacity as Administering Authority to the Royal County of Berkshire Pension Fund.

It was noted that the Berkshire Pension Board had to be established by 1 April 2015 in accordance with the requirements of the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations 2013 (as amended).

It was noted that these documents were based on the Royal Borough's conflict of interest document and the Pension Regulator's guidance.

The Pension Board went through the documents page by page and made the following comments:

- It was confirmed that the documents listed under Section 3: Statutory Responsibilities of Board members were all available on the website (www.rbwm.gov.uk/berks-pension/) apart from the Pensions Handbook that could be published in sections once the sections had been agreed.

- That the second requirement under Section 7: Conflicts of Interest either be removed or tailored slightly to match the RBWM Councillors DPI wording.
- That the second point of guidance under Schedule B: Managing conflicts of interest be deleted.
- It was confirmed that Trade Union Membership should be declared.
- That the first and second paragraph under Share and related investments (Section 4: Definitions) be deleted.
- That the Declaration Form under Schedule C: Register of Board members' interests be issued formally and published to the website. It was agreed that a line to include Trade Union Membership be added to the Declaration Form.
- That the wording in the Non-profit organisation box of the Declaration Form be added to include a link to the Berkshire Pension Fund.

The Deputy Pension Fund Manager informed everyone present that he would send an updated document showing track changes round in advance of the next meeting.

RESOLVED UNANIMOUSLY: That the Pension Board adopt the Code of Conduct and Conflicts of Interest Policy subject to the changes listed above being made. It was agreed PB members would complete their declaration of interest prior to the next meeting.

06/15 THE ROLE OF THE PENSION BOARD

The Deputy Pension Fund Manager referred everyone present to pages 43-54 of the agenda and explained that the purpose of the report was to outline the role and purpose of the Pension Board for Members of the Board.

The Deputy Pension Fund Manager gave everyone a short induction presentation which covered the following areas:

- Pensions Legislative Framework.
- Impact of Enactments.
- Local Government Pension Scheme.
- Who's Who at National Level.
- Who's Who at Fund Level.
- Some facts and figures.
- Berkshire Pension Fund Panel.
- Berkshire Pension Fund Advisory Panel.
- Pension Fund Team.
- The Administering Authority should....
- What is the LGPS?
- Benefit Structure.
- Where did it all begin?
- Lord Hutton's report.
- PSPA2013.
- In generic terms.
- LGPS Regulations 2013 (as amended).
- The Berkshire PF Local Pension Board.
- Different legislation.
- The Role of the Pension Board.

- Other requirements.
- The remit of the Pension Board....
- The Pensions Regulator's Code of Practice.
- Deciding on enforcement action.
- Knowledge and Skills.
- Legal Requirements.
- Practical guidance.
- Knowledge and Understanding Required.
- Degree of Knowledge and Understanding.
- Be able to identify and challenge failure.
- Acquiring, Reviewing and Updating Knowledge and Understanding Required.
- Next Steps.
- Training Plan.
- TPR – online TKU.

In the ensuing discussion the following points were noted:

- There were 89 pension funds in England and Wales.
- That the contracted out nature of pension schemes would be abolished from April 2016.
- What was meant by knowledge was to have a 'working knowledge' for example knowing where to find information.
- Administering Authority / Scheme Manager referred to the Royal Borough of Windsor and Maidenhead.
- No active link into the SCT sub-group.
- 150-250 scheme employers managed by the Royal Borough of Windsor and Maidenhead.
- That the Berkshire Pension Fund Panel was made up of Royal Borough of Windsor and Maidenhead Councillors with voting rights and that the Berkshire Pension Fund Advisory Panel which met at the same time as the Berkshire Pension Fund Panel had a non-voting role.
- It was confirmed that the Pension Board would ensure the proper procedures were in place with regard to the tri-annual valuation process and could challenge the assumptions made but would have no direct involvement in the process. It was noted that legal advice could be sought if anyone was concerned they could have a conflict of interest.
- That a local decision had been made that Royal Borough of Windsor and Maidenhead Councillors would not be included on the Pension Board.
- It was questioned what would happen if a 50/50 occurred which the Deputy Pension Fund Manager agreed to give some thought to at a later date.
- That a handbook would be issued to each Pension Board member and that it was the individual's responsibility to assess themselves to ensure they could do the role.
- That the link between the Pension Board and the Pension Regulator was a developing one which could be tightened up as time went on.
- That the Deputy Pension Fund Manager would email everyone present a 'public service governance administration survey' to complete.
- That the Deputy Pension Fund Manager would distribute the slides electronically after the meeting.

(5 minute break)

The Deputy Pension Fund Manager showed everyone present the pension website which could be found at www.rbwm.gov.uk/berks-pension/. The Deputy Pension Fund Manager went on to remind everyone present to complete their brief biography that would be added to the pension website.

RESOLVED UNANIMOUSLY: That the Pension Board note the report and associated induction presentation.

07/15 ADOPTION OF TRAINING PLAN

The Deputy Pension Fund Manager referred everyone present to pages 55-72 of the agenda and explained that the purpose of the report was to outline the training requirements for Members of the Berkshire Pension Board.

The Deputy Pension Fund Manager introduced the report that asked the Berkshire Pension Board to agree a training policy and programme for full approval at the next meeting of the Board. It was recommended that Members of the Pension Board committed to completing the Pension Regulator's on-line Trustee Knowledge and Understanding (TKU) toolkit within the first six months of Board membership.

The Chairman suggested Members firstly identified their needs (via the needs analysis) and applied them to the training plan. The Deputy Pension Fund Manager agreed to circulate the training plan to Members electronically in a word document. It was requested that the needs analysis be completed by the end of August so it could go to the next Pension Board meeting.

It was agreed that the needs analysis and work plan needed to be aligned and the Deputy Pension Fund Manager was requested to add '#' against the key areas so they stood out. Upon receipt of the revised schedule PB members were requested to undertake their self-assessment and return to Deputy Pension Manager prior to next meeting

The Chairman urged everyone present to look at the separate tool kit in the private sector and to find time to do the on-line training within six months which would take a day in total to complete but could be broken down into seven bite size amounts.

RESOLVED UNANIMOUSLY: That the Pension Board considered the report and the proposed training framework and agreed a training policy and programme for full approval at the next meeting of the Board. Members of the Board committed to completing the Pension Regulator's on-line Trustee Knowledge and Understanding (TKU) toolkit within the first 6 months of Board membership.

08/15 ADOPTION OF BREACHES POLICY

The Deputy Pension Fund Manager referred everyone present to pages 73-96 of the agenda and explained that the purpose of the report was to outline the legal

requirement of Pension Board Members to report breaches of the law and for the Board to adopt a traffic light framework for recording breaches.

The Chairman confirmed that the person who would deal with any breaches would be the Monitoring Officer for the Royal Borough, Sean O'Connor although this would change depending on the nature of the breach. It was requested that only material breaches be reported.

It was requested that the Deputy Pension Fund Manager investigate the escalation route for clarity and who the designated person / people would be in the first instance of a breach being reported.

It was suggested that some documents could be agreed virtually rather than having to wait for the next meeting. The Deputy Pension Fund Manager agreed to send all revised documents to Members electronically and if need be add them to the next agenda. The Chairman stated that there needed to be a balance between email traffic and meeting face to face to allow full discussions to take place.

RESOLVED UNANIMOUSLY: That the Pension Board:

- a) Consider the guide to reporting breaches of the law and;
- b) Adopt a traffic light framework for recording breaches;
- c) Discuss an appropriate procedure to implement this at its next meeting

09/15 BERKSHIRE PENSION FUND BUSINESS PLAN 2015-16 AND MEDIUM-TERM STRATEGY 2016/2019

The Deputy Pension Fund Manager referred everyone present to pages 97-116 of the agenda and explained that the purpose of the report was to bring to Members of the Pension Board the Pension Fund's Business Plan for 2015-16 and Medium-Term strategy for 2016/2019 as agreed by the Pension Fund Panel at its meeting on the 13 July 2015.

It was note that existing KPI's for administration only were included and not the performance of the Board.

The Deputy Pension Fund Manager confirmed that the business plan would last twelve months from the 13 July 2015.

The Chairman explained that the Board would be consulted on the draft business plan in the future.

RESOLVED UNANIMOUSLY: That the Pension Board note the Fund Business Plan and agreed it would need to align its own future work plan to this where appropriate.

10/15 WORK PLAN 2015-16

The Deputy Pension Fund Manager referred everyone present to pages 117-120 of the agenda and explained that the purpose of the report was to outline the need for

a Work Plan for the Berkshire Pension Board and to initiate discussions on the areas of work that could be covered over the next twelve months.

It was noted that key areas and timescales needed to be identified that could be dealt with over the next few meetings. The Chairman suggested that the work plan be circulated before the next meeting and a draft formulated by himself and the Deputy Pension Fund Manager to be brought to the next meeting.

It was noted that some of the items would need to be done on an annual or tri-annual basis and that it would be helpful to have these plotted as standing items on the work plan.

It was requested that the minutes from the Berkshire Pension Fund Advisory Panel be circulated to the Pension Board so they could be commented on.

PB members suggested the following items might be relevant – risk register, internal and external audit reports, changes to fund strategy policy and procedures, new legal requirements and compliance, disputes and communications

It was suggested that areas of interest for the work plan be highlighted to the Chairman and Deputy Pension Fund Manager.

RESOLVED UNANIMOUSLY: That the Pension Board consider the report with a view to developing and publishing a rolling work plan for the next twelve months for consideration at its next meeting.

11/15 REVIEW OF BERKSHIRE PENSION FUND PANEL MEETING OF 13 JULY 2015 INCLUDING STEWARDSHIP REPORT

The Deputy Pension Fund Manager referred everyone present to pages 121-214 of the agenda and explained that the purpose of the report was to bring the Pension Board the papers and draft minutes from the last meeting of the Berkshire Pension Fund Panel and Pension Fund Advisory Panel.

It was noted that in future Part II (private and confidential) documents be printed on green paper and be electronically password protected.

It was noted that an updated Stewardship report would be brought in isolation to a future meeting.

RESOLVED UNANIMOUSLY: That the Pension Board review the Panel papers and suggest recommendations to take to the next meeting of the Berkshire Pension Fund Panel and Pension Advisory Panel.

12/15 COMPLIANCE WITH THE PENSIONS REGULATOR'S CODE OF PRACTICE

The Deputy Pension Fund Manager referred everyone present to pages 215-217 of the agenda and explained that the purpose of the report was to bring to the Pension Board the requirement to secure compliance with the Pension Regulator's Code of Practice No.14, 'Governance and administration of public service pension schemes'.

It was noted that the Deputy Pension Fund Manager had included some work in the handbook Members were yet to see which he would circulate to everyone present in due course.

The Chairman stated that he would like to cover this as a training item at the next meeting as he believed it to be a primary piece of guidance along with anything else that was felt to be a priority.

RESOLVED UNANIMOUSLY: That the Pension Board would receive training upon and then use the Pensions Regulator's Code of Practice No.14 as a source of reference to inform their actions in four core areas of scheme governance an administration: governing your scheme, managing risk, administration and resolving issues.

13/15 A.O.B.

Councillor Lenton informed the Deputy Pension Fund Manager that the Board appreciated the work and time he had put into the Pension Board, which was echoed by the Chairman and Members present.

14/15 DATES OF FUTURE MEETINGS AND AOB

It was suggested that it would be helpful to hold the Pension Board meetings three weeks after the Berkshire Pension Fund Panel meetings and it was advised that future meeting dates be held mid-end of November, mid February and at the end of April. It was noted that the Deputy Pension Fund Manager would send out proposed dates in due course.

15/15 MEETING

The meeting which started at 10.00am finished at 1.00pm.

Report for: INFORMATION
Item Number: 5



Contains Confidential or Exempt Information	NO - Part I
Title	LGPS Investment Pooling
Responsible Officer(s)	Nick Greenwood
Contact officer, job title and phone number	Nick Greenwood Pension Fund Manager 01628 796701
Member reporting	n/a
For Consideration By	Berkshire Pension Fund and Pension Fund Advisory Panels
Date to be Considered	26 October 2015
Implementation Date if Not Called In	n/a
Affected Wards	None
Keywords/Index	LGPS Investment

<p>Report Summary</p> <p>i) This report advises members of forthcoming consultation on LGPS investment</p> <p>ii) It recommends that Officers are authorised to consult with a wide range of parties to draft a consultation response for review and approval by Panel and other stakeholders.</p> <p>iii) These recommendations are being made because doing nothing is not an option</p> <p>iv) If adopted, the key financial implications for the Fund are uncertain but should result in cost savings</p> <p>v) An additional point to note is that backstop legislation will be enacted forcing the Fund to join one or other of the pools created post the consultation.</p>

If recommendations are adopted, how will residents, fund members and other stakeholders benefit?	
Benefits to residents, fund members and other stakeholders and reasons why they will benefit	Dates by which they can expect to notice a difference
1. Pooling of LGPS funds will be mandatory with the clear objective of reducing costs	2017?

1. Details of Recommendations

RECOMMENDATION: That:

- I. Panel note this report
- II. Panel authorises Officers to consult with other LGPS funds, the Chairman and Vice Chairman of the Panel and other stakeholders to draft a response once the consultation is published.
- III. The draft response, when available, is circulated to Panel and Advisory Panel members and other stakeholders for their review and comments.

2. Reason for Recommendation(s) and Options Considered

In the recent Budget the Government announced that it would launch, in October 2015, consultation on the pooling of LGPS investments to achieve scheme wide cost savings. At the time of writing the consultation has not been launched (and it is not now expected until November 2015) but following discussions with the Department for Communities and Local Government and George Osborne's conference speech it appears that the consultation will call for proposals that:

- Offer scale – a figure of £30 billion per pool has been suggested as a minimum with the Chancellor suggesting the outcome will be 6 regional pools freeing up several billions (of pounds) to invest in UK Infrastructure
- Offer savings which must be demonstrated (but no quantum yet indicated) and achievable
- Addresses governance issues. The Government intend to stop manager hire/fire decisions being made at a local level but early suggestions are that individual funds will retain investment strategy and asset allocation decisions.

In addition it is likely that a focus will be placed on:

- Simplicity
- Speed of delivery of savings.

At this stage we have no idea to which pool Berkshire will be assigned, who will manage that pool, the degree of freedom that we will be permitted on asset allocation and investment strategy or whether there will be Central Government direction of investment strategy including mandatory Infrastructure investment.

The Government have indicated that they will make a further statement on investment pooling in the next Budget with arrangements in place and operating by May 2020. They will also monitor cost savings to ensure that they are achieved.

It is anticipated that the consultation will call for views on how the regional pools should be constituted and the role for administering authorities. Officers believe that they are 4 governance structures that could be considered as shown in the table below:

Structure	Advantages	Disadvantages	RBWM Role	"Berkshire" Role
Single Administering Authority	Easy to implement	Who selects the admin authority?	Would need to seek seat on admin	Hard to see an influencing role for other

	Internal or External Management Ability to transfer assets between managers	Criteria for selection Is there sufficient in-house expertise?	authority pension committee	employers
Mutually owned Investment Manager	Shared Services a familiar concept Internal or External Management Ability to transfer assets between managers	Requires FCA authorisation Requires capital (for regulatory purposes) Would all affected staff have to be TUPE'd in? Who appoints staff? Mutual would need to become admitted body Is there sufficient in-house expertise?	Potential for seat(s) on management board	Potential for seat(s) on management board
Appoint a single (large) investment house to manage pool	Could be appointed by reverse tender with proceeds used to defer admin authority costs of transfer Professional Management of all asset classes Easier to hold to account for poor cost control	Who appoints the manager? (Treasury/DCLG?) Sanctions for poor performance? Most (all?) assets managed by one firm Redundancy costs born by LGPS funds	Client of pool	One step away from being a client
Independent Pension Management Company created with Independent	Board appoints managers (internal or external)	Influence limited to appointing Board member(s) Where are staff drawn from?	Appointing Board members Client of pool	Consulted regarding Board appointments

Board	Board appointed by administering authorities Potential to use multiple managers to maintain competitive tension (costs and performance) Ability to move assets between managers	LGPS redundancy costs New model (but based on Swedish AP funds and Dutch models)		
-------	---	---	--	--

There will be many implications for investment strategy both at the local and at the regional level. If the LGPS remains a Defined Benefit system and open to accrual there will inevitably over time be a move towards common investment strategies; administering authorities will not be able to hire or fire individual managers and could quite quickly find they are restricted to a small number or even just one investment strategy.

In the short term Officers would expect the initial changes to the Berkshire Fund would be restricted to changes to our roster of liquid securities (i.e. listed equities and bonds) managers. Over time our roster of private fund managers (Infrastructure, Private Equity and Private Debt) will be changed completely. It is easily foreseeable that our exposure to less liquid strategies will be reduced as part of a drive to reduce costs.

In the longer term it would be no surprise to see administering authorities being restricted to a small number of asset mixes (all using the same underlying fund managers) of say growth (targeting say CPI +4%), de-risking (reducing exposure to volatile assets (i.e. equities) and replacing with bonds and cash-flow generative assets such as property and infrastructure) and an ultra-low risk option (entirely bonds) for closed employers and employers with short-term contracts from local authorities. Individual LGPS funds could easily allocate across these strategies as they wished.

It is clearly the Chancellor's intention that these pools will be substantial investors in UK infrastructure which whilst not defined in his speech has been referred to as "transport and housing" by more than one journalist (presumably as a result of a briefing). This may not be too much of a surprise given that much of the UK's infrastructure (electricity, water, gas, airports, ports, gas and electricity transmission networks, hospitals etc. are already in private hands or funded by the private sector). What will have to be addressed is how LGPS funds will be rewarded for their investment in the UK's remaining infrastructure (the M6 Toll Road has been a spectacular under-achiever). It has been suggested from some commentators that the Chancellor has merely expressed a desire for infrastructure investment and that there will be no compulsion on the regional pools to do so unless their investment objectives can be met. We shall have to wait and see.

The implications of pooling extend beyond the investment implications. The most pressing issue is how the Berkshire Pension Fund maintains any influence over the future of the Fund. The table above showing the potential pool structures shows that Officers anticipate an inevitable reduction of influence. If a single administering authority is appointed would it really be willing to grant voting rights to other administering authorities? If a single external manager is appointed it is difficult to see what influence Berkshire could have as it would be unlikely that there would be a mechanism for the Fund to vote with its feet and move to another pool. The two options that provide the best opportunities for influence are the mutually owned investment firm or the fully independent investment firm (which may have better credibility with the Treasury than a mutually owned firm). Again time will tell but in any consultation response we will have to carefully address how the Fund can maintain influence in any regional structure.

The current proposals are only for the pooling of LGPS funds' investments and whether they will develop to full merger of LGPS funds (and hence merging of liabilities) remains to be seen. Until such a merger occurs there will continue to be a role for the Pension Fund Panel albeit limited to receiving investment reports and overseeing the administration of the Fund. Potentially there could also be a role in the managing of liabilities.

Members will be aware that the Pensions Regulator has taken the view that both Panel and Advisory Panel members as well as Pension Board members should undertake the regulator's "trustee knowledge and understanding" modules on the regulator's web-site (this is discussed later in the agenda for this meeting). At this juncture it would appear, as noted above, that the Panel will continue to have a role in the management of the Fund and members will need to complete the regulator's modules.

Members are requested to note this report and authorise Officers to consult with other LGPS funds, the Chairman and Vice chairman of the Panel and other stakeholders to draft a response once the consultation is published.

Option	Comments
Do nothing	The Government will compel the Fund to join a pool or pools so doing nothing is not an option
Consult with other funds and stakeholders	Recommended as it assists in the Fund managing its own destiny.

3. Key Implications

What does success look like, how is it measured, what are the stretch targets?

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered by
Reduce Investment costs by a yet to be determined amount	Investment costs not reduced or reduced with a negative impact on	Investment costs reduced without impact on investment returns	Investment costs reduced and investment returns increased	Investment costs reduced and investment returns significantly	Investment Pools are to be operational by May 2020

	returns			increased	
--	---------	--	--	-----------	--

4. Financial Details

Not applicable at this stage

5. Legal Implications

None at this stage but pooling will be enacted by legislation

6. Value For Money

The Government’s intention is to reduce investment management costs across the LGPS

7. Sustainability Impact Appraisal

The Government’s intention is that pooling will be a long term and sustainable way of managing LGPS investments.

8. Risk Management

At this stage limited but ultimately

Risks	Uncontrolled Risk	Controls	Controlled Risk
Pooled with dissimilar funds impacting negatively on investment strategy	Mandatory pooling leaving Fund with no choice over with whom it is pooled	Be involved with the creation of pools and selection of “partner” LGPS funds	Choice of pool results in Fund retaining full control over investment strategy and asset allocation.

9. Links to Strategic Objectives

None – compulsory pooling and removal of ability to select fund managers flies in the face of Localism and keeping decisions at a local level.

10. Equalities, Human Rights and Community Cohesion

Not applicable

11. Staffing/Workforce and Accommodation implications:

At this stage none but ultimately there will be an impact on staffing levels and accommodation needs.

12. Property and Assets

Assets will ultimately be managed with one or more pools and the Fund may not have any involvement in managing those assets.

13. Any other implications:

None at this stage

14. Consultation

Central Government consultation will be launched at which stage we will consult with stakeholders and other LGPS funds.

15. Timetable for Implementation

It is understood that consultation will commence in November 2015 with a Government statement on the outcome and way forward in the Budget 2016 and full implementation by May 2020.

16. Appendices

None

17. Background Information

Not yet applicable.

Report for: ACTION
Item Number: 6



Contains Confidential or Exempt Information	NO - Part I
Title	Member Training
Responsible Officer(s)	Nick Greenwood
Contact officer, job title and phone number	Kevin Taylor Deputy Pension Fund Manager 01628 796715
Member reporting	n/a
For Consideration By	Berkshire Pension Fund and Pension Fund Advisory Panels
Date to be Considered	26 October 2015
Implementation Date if Not Called In	n/a
Affected Wards	None
Keywords/Index	<i>Insert relevant key words</i>

<p>Report Summary</p> <ol style="list-style-type: none"> 1. This report follows on from a paper presented to Panel on 13 July 2015 concerning the requirements set out in the Public Service Pensions Act 2013 and associated LGPS regulations for 'trustees' to have the appropriate knowledge and skills required to fulfil the role of Scheme Manager 2. That paper recommended that Members commit to attending a training session on the governance and administration of the LGPS (in addition to completing the Pension Regulator's TKU (Training Knowledge and Understanding) toolkit) and Members requested that an agenda be circulated for their consideration. 3. This paper sets out that agenda.
--

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

1. Details of Recommendations

RECOMMENDATION: That Panel considers the training agenda at annex 1 to this paper and Members agree a mutually agreeable date to attend a training session.

2. Reason for Recommendation(s) and Options Considered

The regulations surrounding the governance and administration of the LGPS (as opposed to the investment regulations) have changed significantly in recent months.

The Pensions Act 2004 introduced a minimum level of knowledge and understanding required by Trustees of Private Sector Pension Schemes and the Public Sector Pensions Act 2013 now places a requirement on 'Trustees' of Public Service Pension Schemes, such as the LGPS, to meet certain levels of knowledge and understanding. In addition to The Pensions Regulator's on-line toolkit further training and guidance on governance and administration issues should be considered.

3. Key Implications

Decisions not taken in line with statutory regulation.

4. Financial Details

None

5. Legal Implications

Without the appropriate knowledge and understanding of scheme regulations the administering could be open to challenge from the Pensions Regulator and other stakeholders. *authority*

6. Value For Money

Not applicable

7. Sustainability Impact Appraisal

Not applicable

8. Risk Management

Completion of the training will mitigate the risk of challenge from scheme stakeholders and the Pensions Regulator. *o*

9. Links to Strategic Objectives

Not applicable

10. Equalities, Human Rights and Community Cohesion

Not applicable

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

Subject to Member availability

16. Appendices

None

17. Background Information

Public Service Pensions Act 2013

Local Government Pension Scheme Regulations 2013 (as amended) and associated legislation

Annex 1

BERKSHIRE PENSION FUND PANEL & ADVISORY PANEL

Member Governance and Administration training

Agenda

1. Legislative Framework
2. Governance Structure
 - a. Nationally
 - b. Locally
3. The Pensions Regulator
4. Overview of the LGPS
 - a. What the Scheme offers
 - b. Benefit structure
 - c. Contributions
 - d. A Funded Scheme
 - e. Retirement options
5. Scheme Employer policies
6. HMRC
7. Pension administration
 - a. Record keeping
 - b. Communications
8. Dealing with Disputes
9. Administering Authority Decisions
10. Any other questions?

Report for: INFORMATION
Item Number: 7



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

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

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

1. Details of Recommendations

RECOMMENDATION: That Panel note:

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



THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

STEWARDSHIP REPORT

QUARTER 2 – 2015/16

1ST JUNE 2015 TO 31ST AUGUST 2015

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1. INVESTMENT PERFORMANCE AND ASSET ALLOCATION

1.1 Pension Fund key financial indicators

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

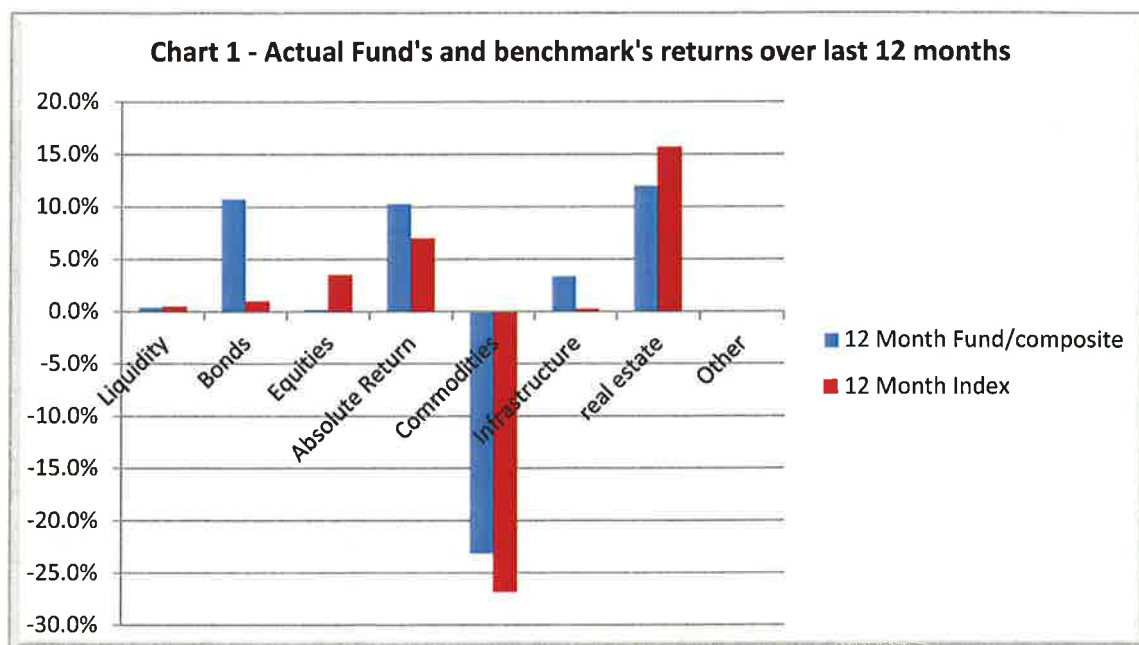
1.2 Change in the smoothed liabilities

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

1.3 Market returns

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

1.4 Fund performance



1.5 Exception Traffic Lights August 2015

Table 4

<u>Traffic Lights August 2015</u>				
<u>Colour</u>		<u>£ m</u>	<u>Fund %</u>	<u>Comment</u>
	<u>BONDS</u>			
	<u>Convertible Bonds</u>			
Amber	Avva	34.8	2.1%	Change in management team & weak performance
Amber	Blue Bay Global	27.3	1.6%	Currency volatility has resulted in disappointing GBP returns.
	<u>EQUITIES</u>			
	<u>Developed World</u>			
Amber	IPM Fundamental Umbrella Fund	165.0	9.9%	Performance remains below target
	<u>Private Equity</u>			
Amber	South East Growth Fund	4.1	0.2%	Terms of additional extension to fund life agreed
Amber	Stafford Sustainable Fund	4.6	0.3%	Disappointing performance. Buyer not found
	<u>INFRASTRUCTURE</u>			
Amber	Macquarie SBI Infrastructure Ltd	29	0.2%	Performance adversely affected by delays in construction of key assets
	<u>COMMODITIES</u>			
Amber	Gresham	41.3	2.5%	Change in ownership. Poor performance continues
	<u>Total Fund Valuation (excl prepaid contribs)</u>	1,661.8		

Key

Colour Comment

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

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

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

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

1.6 Asset allocation update

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

1.7 Solvency

Chart 2

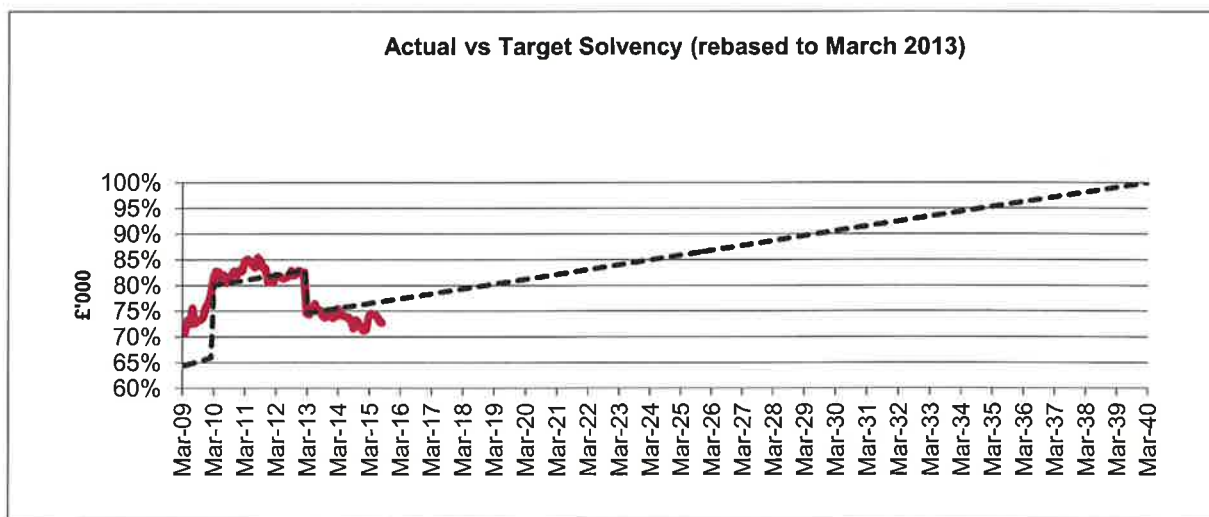
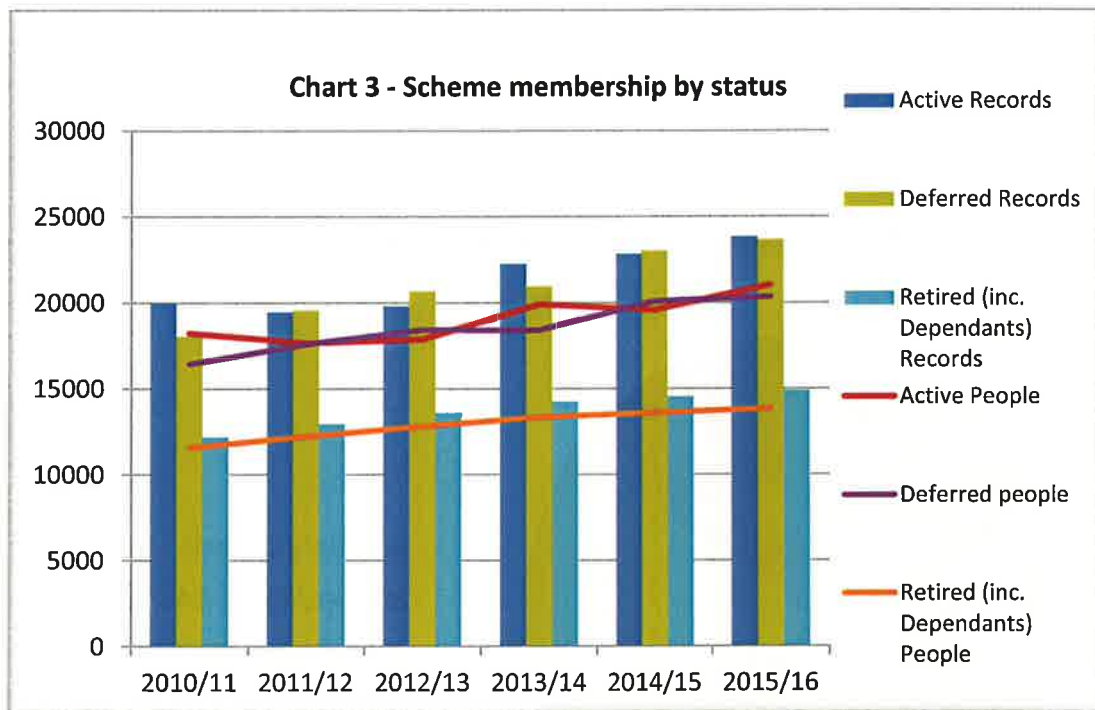


Table 6 - Cashflow	Year to 31/03/2014 (actual) £'000's	Year to 31/03/15 (actual) £'000's	Year to 31/03/16 (forecast) £'000's
Contributions	81,272	87,691	93,700
Transfers received	5,924	1,916	1,900
Employers' early retirement payments	2,602	1,400	3,000
Investment income via Custodian	15,928	23,762	17,000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

2 GOVERNANCE AND ADMINISTRATION

2.1 Scheme membership



2.2 Scheme Employers

Chart 4 - Employers with active members

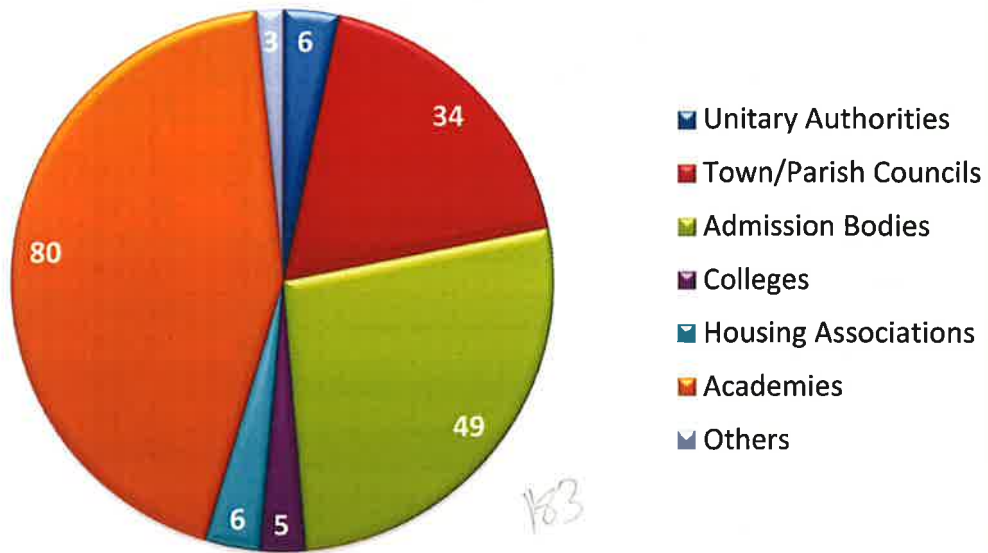
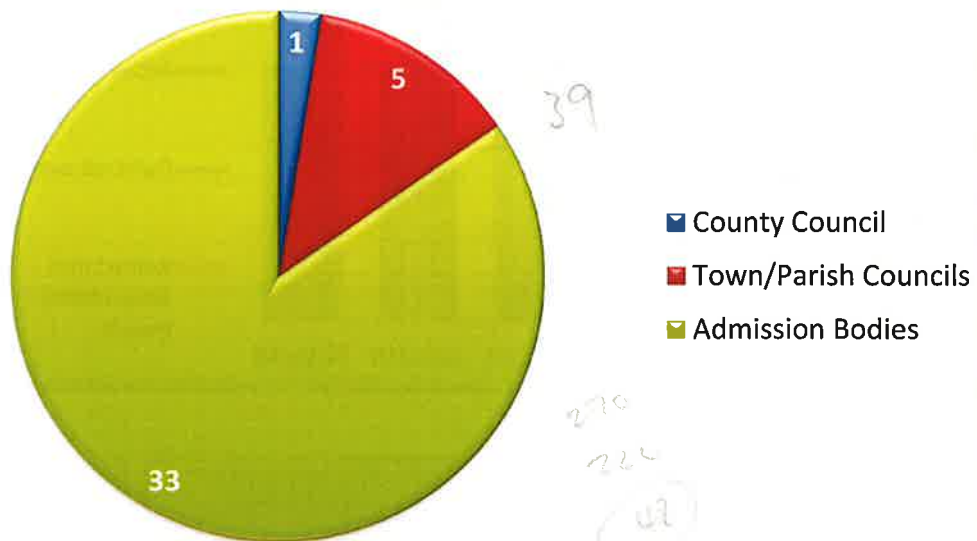
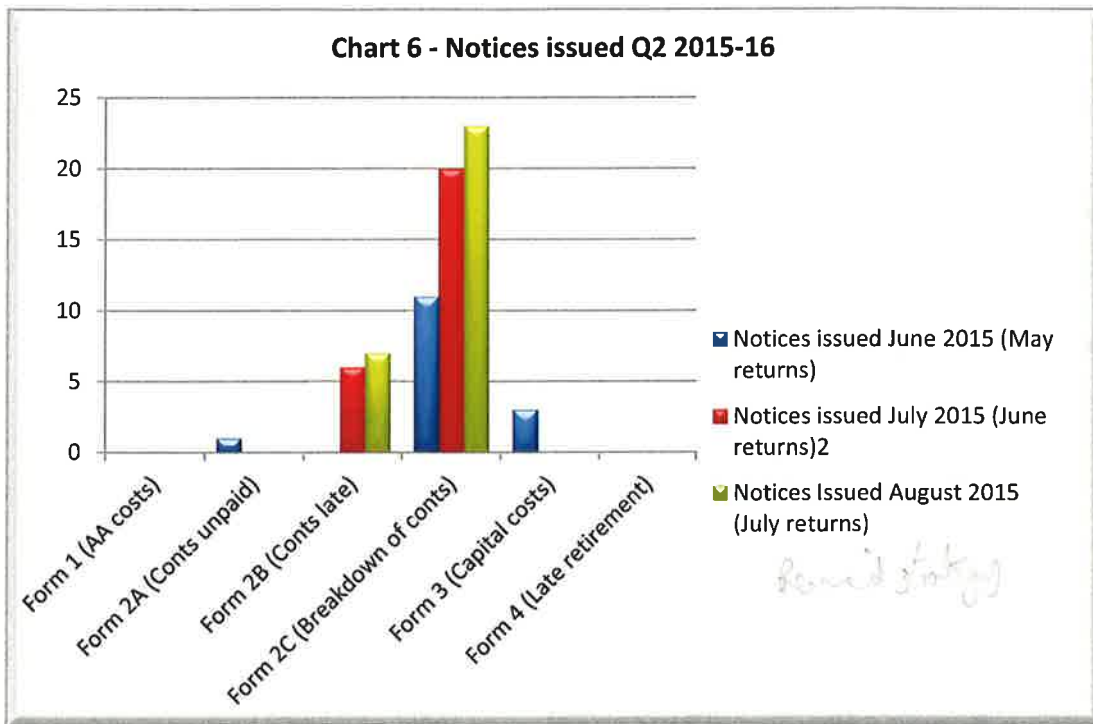


Chart 5 - Employers without active members

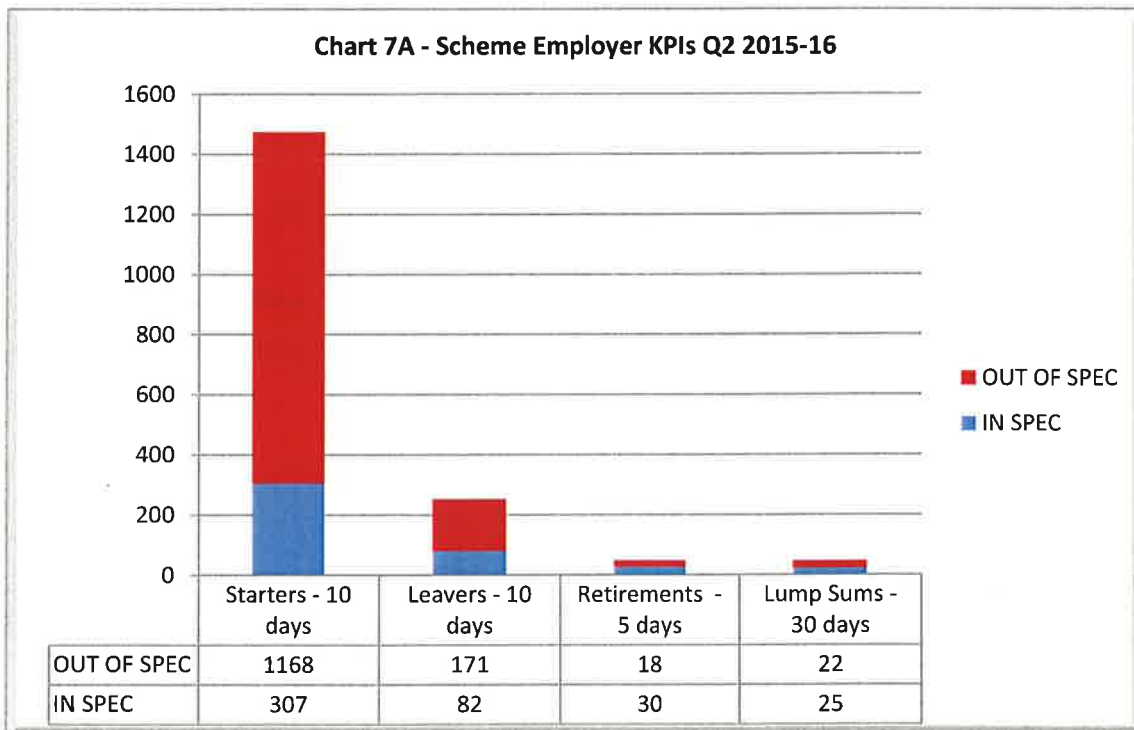


2.3 Notices of unsatisfactory performance

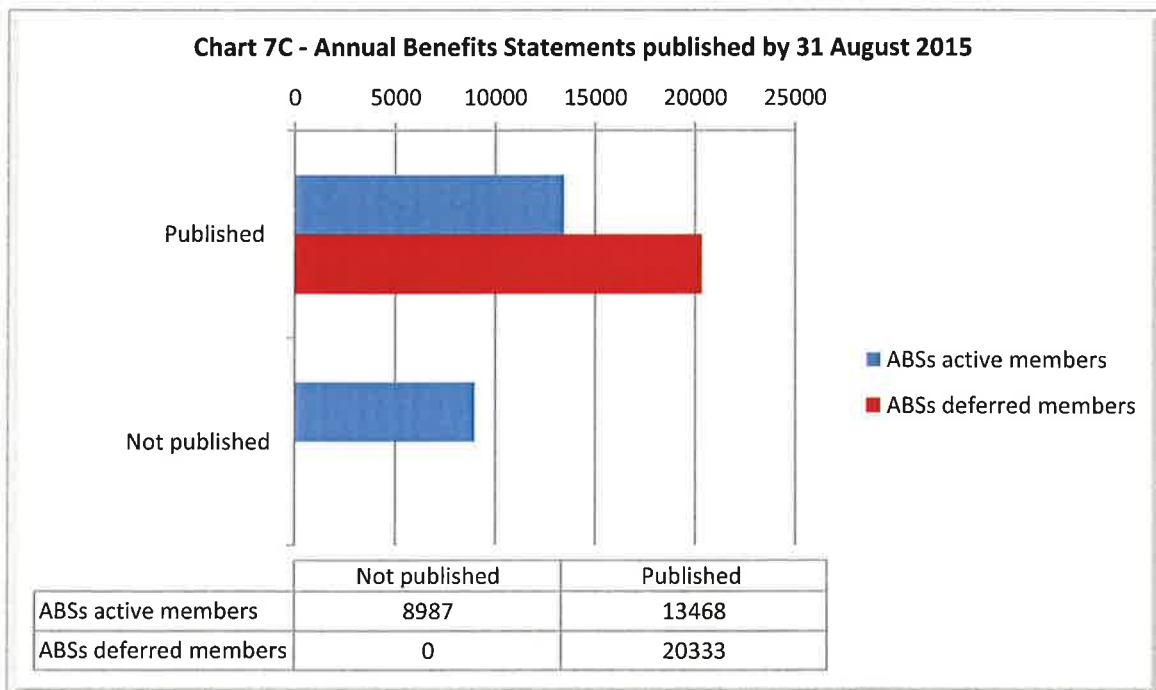


A summary of cases can be found at Annex 1 to this report

2.4 Scheme Employer Key Performance Indicators



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



2.5 Administration – Key Performance Indicators

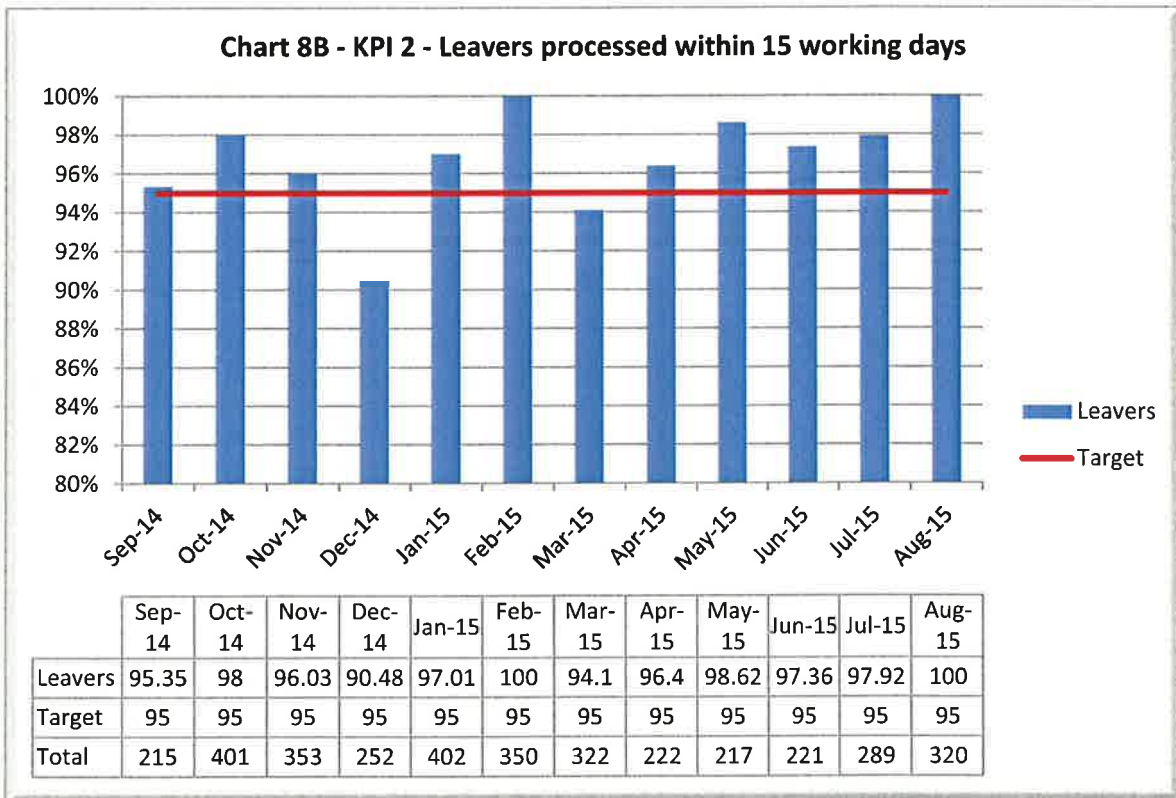
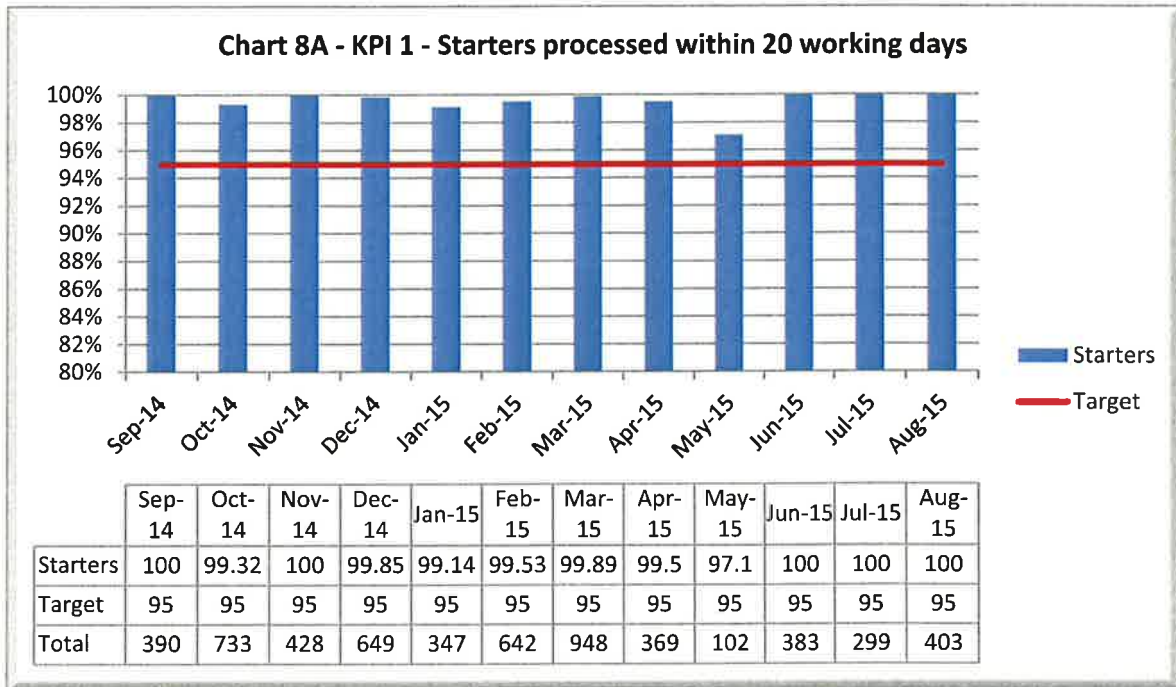
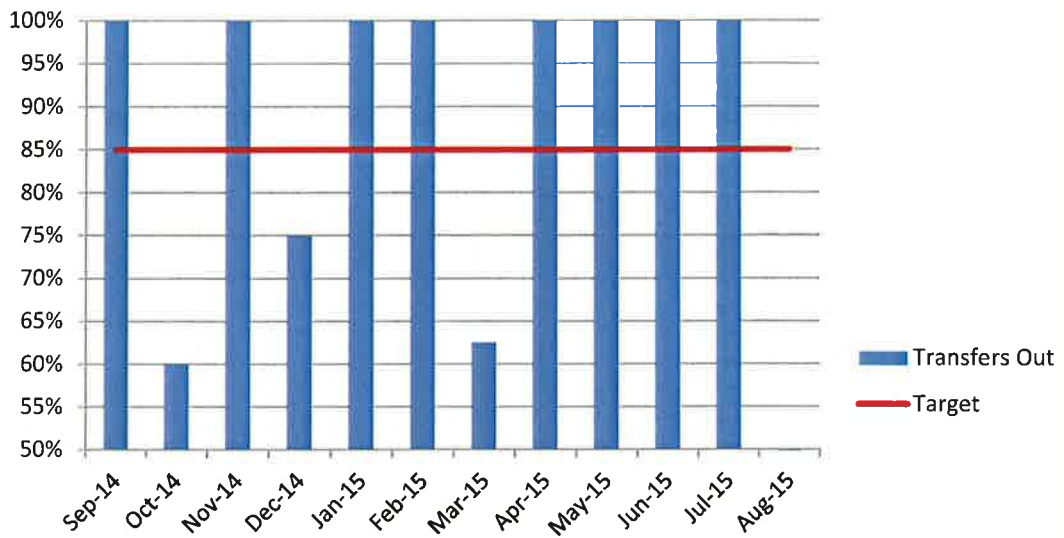
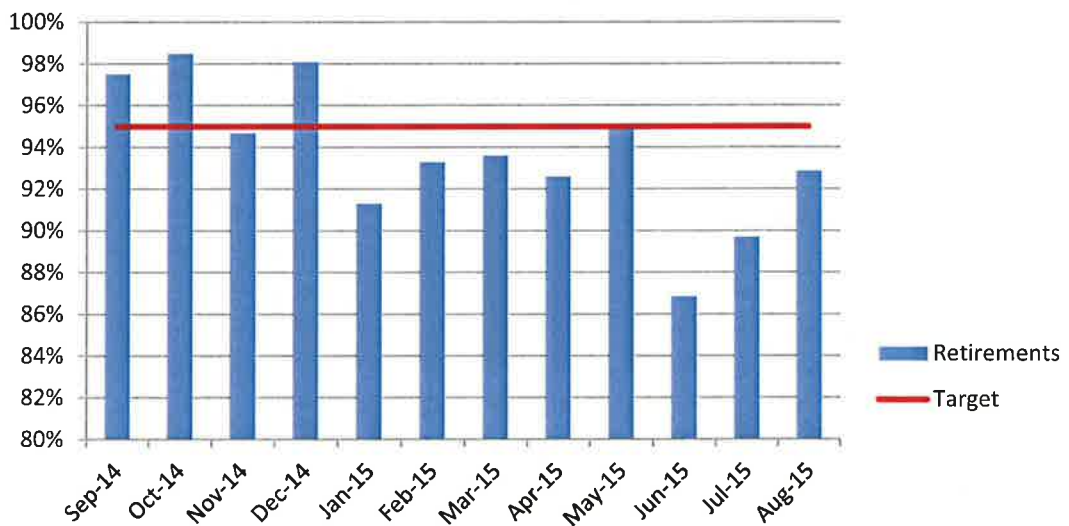


Chart 8C - KPI 3 - Transfers out processed within 15 working days



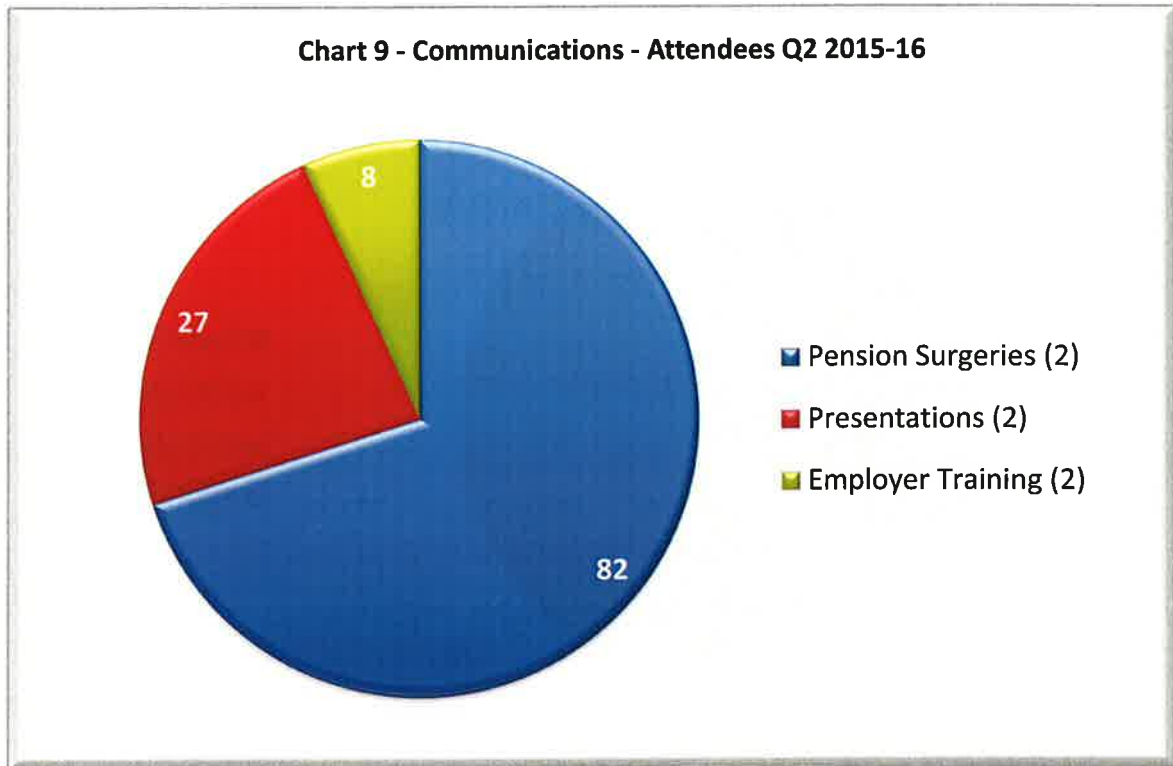
	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
Transfers Out	100	60	100	75	100	100	62.5	100	100	100	100	0
Target	85	85	85	85	85	85	85	85	85	85	85	85
Total	6	5	5	4	3	3	5	1	5	3	3	1

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

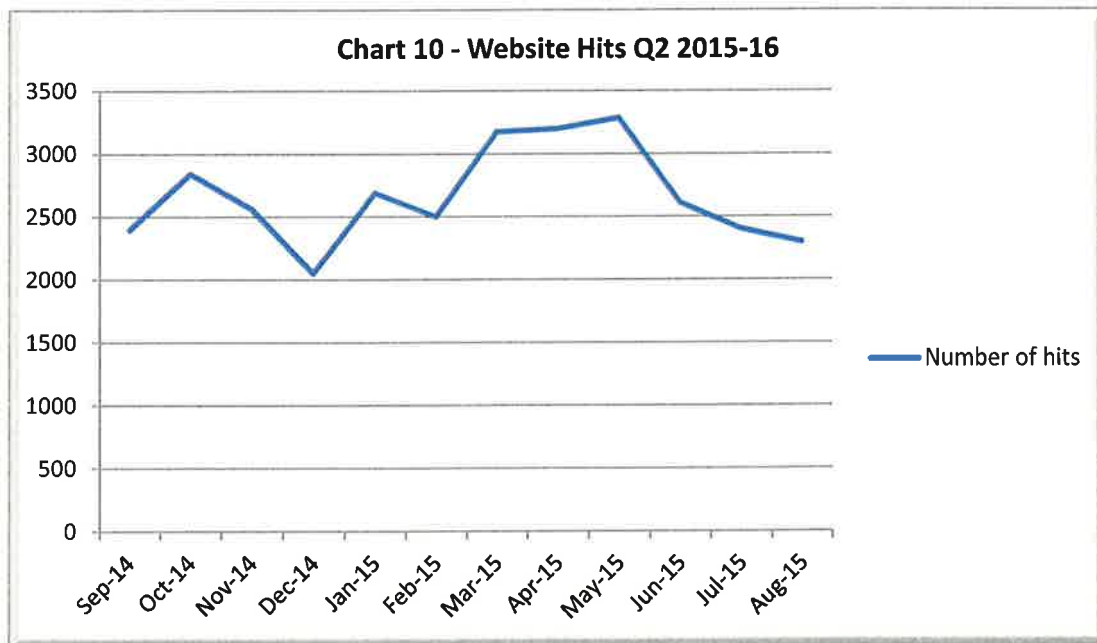


	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
Retirements	97.5	98.5	94.7	98.1	91.3	93.3	93.6	92.59	95.12	86.84	89.69	92.86
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	81	71	75	53	92	75	94	222	41	76	97	98

2.6 Administration - Communications



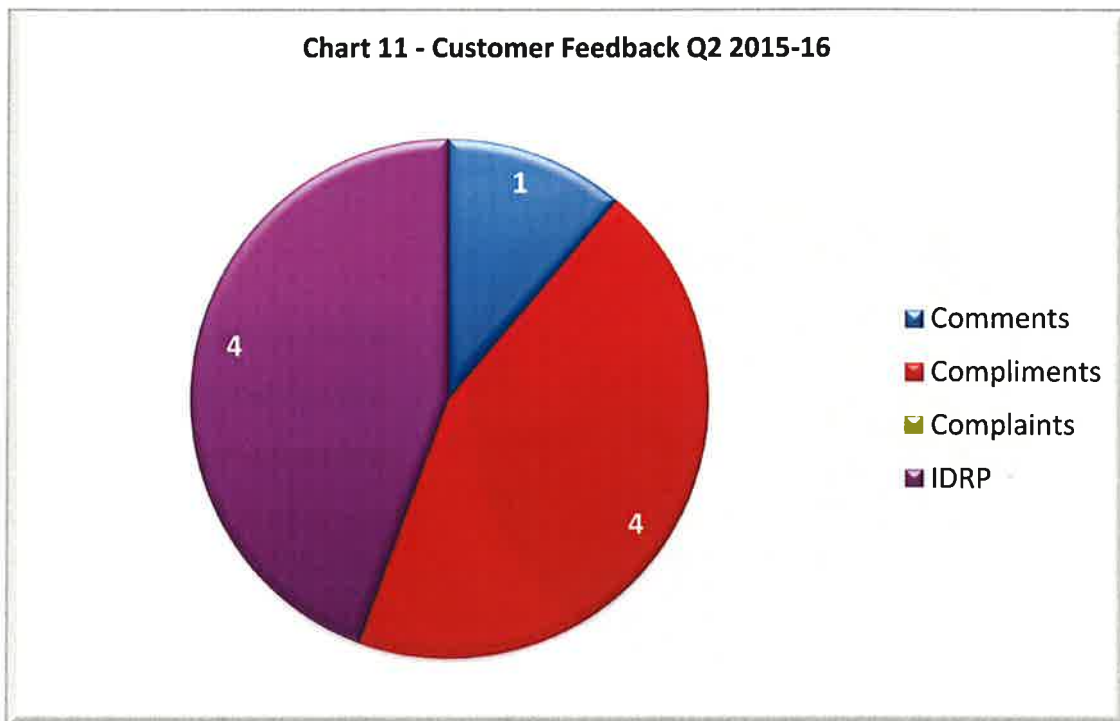
2.7 Website hits



2.8 Special projects

- GMP reconciliation
- i-Connect
- PASA

2.9 *Comments, compliments and complaints*



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

Annex 1 – Notices of unsatisfactory performance where materially significant

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

Note: No interest has been charged.

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

Note: No interest has been charged.

Annex 2 - Summary of employer KPIs

Starters received within specification - Year to date

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

Leavers received within specification - Year to date

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

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

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

Lump sums paid >30 days after retirement date

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

NOTE: All interest paid by the pension fund.

Reason key:

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



Report for: ACTION
Item Number: 8

Contains Confidential or Exempt Information	NO
Title	APPROVAL OF PENSION FUND ANNUAL REPORT AND ACCOUNTS 2014/15
Responsible Officer(s)	Nick Greenwood, Pension Fund Manager
Contact officer, job title and phone number	Nick Greenwood, Pension Fund Manager 01628 796701
Member reporting	n/a
For Consideration By	Pension Fund and Pension Fund Advisory Panels
Date to be Considered	26 October 2015
Implementation Date if Not Called In	n/a
Affected Wards	None
Keywords/Index	Pension Fund Annual Report and Accounts

Report Summary

1. This report presents the pension fund's annual report and accounts to members for noting.
2. It recommends that the pension fund's report and accounts for 2014/15 are noted
3. These recommendations are being made because it is a statutory requirement for the pension fund to publish an annual report and accounts
4. The Pension Fund's financial statements are a sub-set of the Royal Borough's Financial Statements which were approved on 8 September 2015.

If recommendations are adopted, how will residents benefit?

Benefits to residents, fund members and other stakeholders and reasons why they will benefit	Dates by which they can expect to notice a difference
It is a statutory requirement for the pension fund report and accounts to be published	n/a/

1. Details of Recommendations

That the Fund's annual report and accounts for the year to 31st March 2015 be approved and published.

2. Reason for Decision and Options Considered

Attached at Annex 1 is a copy of the Pension Fund's Annual Report and Accounts for the financial year ended 31 March 2015.

The accounts also include the IAS26 report – this is an accountancy requirement that values the Fund's liabilities using a discount rate derived from Corporate Bond yields.

Officers request members to authorise publication of the Fund's annual report and accounts for the year to 31st March 2015.

Option	Comments
Authorise publication of the annual report and accounts.	Recommended by Officers to comply with statutory requirements
Do not authorise the publication of the annual report and accounts	Not recommended as it is a statutory requirement that they are published

3. Key Implications

Not applicable

4. Financial Details

Not applicable

5. Legal

Non publication of the annual report and accounts would be a clear breach of the Local Government Pension Scheme Regulations and open the Council to criticism/censure from the Department for Communities and Local Government.

6. Value For Money

Not applicable

7. Sustainability Impact Appraisal

Not applicable

8. Risk Management

Not applicable

10. Links to Strategic Objectives

Value for Money

- Deliver Economic Services

11. Equalities, Human Rights and Community Cohesion

Not applicable

12. Staffing/Workforce and Accommodation implications:

None

13. Property and Assets

None

14. Any other implications:

None

15. Consultation

The financial statements for the Fund which form the "Accounts" were approved by the Royal Borough's Audit and Performance Review Panel on 8 September as they form part of the Council's accounts.

16. Timetable for Implementation

Not applicable

17. Appendices

Royal County of Berkshire Pension Fund Annual Report and Accounts 2014/15
(circulated separately)

18. Background Information

None

19. Consultation

BERKSHIRE PENSION FUND PANEL AND ADVISORY PANEL

26 October 2015

PRESENT: Councillors Lenton (Chairman), Hilton (RBWM), Collins (RBWM), Love (RBWM), Tickner (Reading), Brooker (Slough Borough Council), Stanton (Wokingham), Worrall (Bracknell Forest) and Law (West Berks). Also present Sue Nicholls (Unison).

Independent Adviser to the Panel: Mr Dhingra

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

PART I

83/14 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Hill (Cllr Collins attending as substitute) and Donna Dowling.

84/14 DECLARATIONS OF INTEREST

John Nester, the independent advisor to the Panel, advised that he had previously worked with a partner in Astarte Capital Partners who had presented at the Investment Working Group.

85/14 MINUTES

RESOLVED UNANIMOUSLY: That the Part I minutes of the meeting of the Panel held on 13 July 2015 be approved subject to subject to Cllr Stanton being added to the IWG.

The Chairman informed that he had been approached by the press questioning if the Fund invested in fossil fuels. The Panels investment position was explained, however Reading Council had a motion on this issue going to their Council so it was unknown if the matter would be raised again, it was also noted that the resolution of Reading's Council had no bearing on the investment strategy.

The Pension Fund Manager informed that he had spent 2 weeks in Australia and New Zealand investigating investment opportunities in agricultural land leasing. It was anticipated that the purchase of agricultural land to lease to farmers would yield around a 5% return in local currency.

86/14 APPROVAL OF THE PENSION FUND ANNUAL REPORT AND ACCOUNTS 2014/15

The Pension Fund Manager introduced the report that presented the pension fund's annual report and accounts for 2014/15. The accounts had been audited by KPMG and presented to the authority's Audit and Performance Review Panel. In response

to questions on page 30 of the Annual Accounts the Panel were informed that there had been an increase of the number of employers with active members from 156 to 174 because of the number of schools converting to academies, this would not have a financial impact on the Fund.

RESOLVED UNANIMOUSLY: That the Fund's annual report and accounts for the year to 31 March 2015 be approved and published.

87/14 PENSION BOARD MINUTES

The Panel noted the minutes of the first meeting of the Berkshire Pension Board held on 3 August 2015. The Panel noted that the Board had to have been constituted by April 2015 and that the Chairman had been appointed by the Panel. The Panel were informed that the intention was to make the Board as transparent as possible, however it was accepted that any Part II (Private Discussions) undertaken by the Panel would also be treated as confidential by the Board. The Board was to operate as a scrutiny / governance capacity and although they may comment on investment strategy it was the Panel who would have the final decision.

RESOLVED UNANIMOUSLY: That the Board minutes of the 3 August 2015 be noted.

88/14 LGPS INVESTMENT POOLING

The Pension Fund Manager gave a presentation on LGPS Investment Pooling. The Panel were informed that the Government had recently announced that it would be consulting on the pooling of LGPS investments and following discussions with the Department for Communities and Local Government and after hearing George Osborne's conference speech it appears that the consultation would call for proposals that:

- Offer scale – a figure of £30 billion per pool has been suggested as a minimum with the Chancellor suggesting the outcome will be 6 regional pools freeing up several billions (of pounds) to invest in UK Infrastructure
- Offer savings which must be demonstrated and achievable.
- Addresses governance issues. The Government intend to stop manager hire/fire decisions being made at a local level but early suggestions are that individual funds will retain investment strategy and asset allocation decisions.

The Panel received a presentation that confirmed that with regards to investments there was the attitude that passive investments was the Governments preferred option and that over time the individual strategies would merge.

With regards to governance there were 4 possible models:

- Single administering authority.
- Mutually owned investment manager.
- Outsourced to a single (external) investment manager.

- The “Swedish Model” a fully independent Pension Management Company.

The Panel received a list of positive and negative issues relating to each of the four models; appended to the minutes.

Members were informed that we were still awaiting dates for the consultation on the proposals and it was not expected to start until November. There were various initiatives underway including the Lancashire / LPFA FCA authorised firm and the London Collective Investment Vehicle.

The fund had to accept that pooling was going to happen and would argue that funds should retain as much influence as possible with reassurances that Berkshire would have an influence.

The Chairman raised concern that the Fund was too small to be efficient and had held merger discussions before (BOB) but this fell down due to lack of commitment from other authorities’ Councilors. Costs could be cut by a merger but this was not what was being proposed. A main concern was that the Government would use the money to invest into public investment projects that would not provide sufficient returns; Network Rail requires investment but runs at a loss.

Cllr Hilton questioned if the Government would look at introducing pension payments from taxation similar to civil servants. The Panel were informed that this had been mentioned but for it to happen there would have to be major legislation passed and a change in regulations. There would also be the question if assets would be liquidated or left to run their course.

Cllr Stanton mentioned that the Government should be made aware that if the Fund is forced into this and taxation has to be used to support the Fund due to poor returns then legal action may be taken. The Pension Fund Manager agreed and said that the civil servants leading on this were very good at writing legislation but did not have a full understanding of investment strategies.

Cllr Wprall questioned if we would be required to put all our investments into one pot and was informed that it was not clear if there would be a single pool for the areas or multiple pools.

The Chairman informed that further updates would be brought back to the Panel.

RESOLVED UNANIMOUSLY: That the Panel That:

- I. **Note this report**
- II. **Authorises Officers to consult with other LGPS funds, the Chairman and Vice Chairman of the Panel and other stakeholders to draft a response once the consultation is published.**
- III. **The draft response, when available, is circulated to Panel and Advisory Panel members and other stakeholders for their review and comments.**

89/14 MEMBER TRAINING

The Deputy Pension Fund Manager informed the Panel that the report follows on from a paper presented to Panel on 13 July 2015 concerning the requirements set out in the Public Service Pensions Act 2013 and associated LGPS regulations for 'trustees' to have the appropriate knowledge and skills. The paper recommended that Members commit to attending a training session on the governance and administration of the LGPS (in addition to completing the Pension Regulator's TKU (Training Knowledge and Understanding) toolkit) and as requested the agenda was included within the report.

The Panel requested that a 'jargon buster' be circulated and that the training commence at 1pm on the 18th January 2016 with the Panel meeting between 4pm to 6pm on the same day.

RESOLVED UNANIMOUSLY: That Members of the Pension Fund Panel commit to training at 1pm on 18th January 2016.

90/14 STEWARDSHIP REPORT

The Pension Fund Manager introduced the report that dealt with the stewardship of the Pension Fund for the period 1 June to 31 August 2015. The style of the report had been changed to make it more visual and that the same report would also be presented to the Pension Board and published on the RBWM website for transparency. The liabilities continued to increase; although this was down to the longevity expectations from the actuary. Funding levels were also down slightly due to the actuary assumptions.

In response to questions the Panel were informed that there were 183 employers with active members and that an employer remains on the system for perpetuity. To help improve the transfer of data it was still proposed to use i-Connect, this had been taken to Berkshire Treasurer's and it had been agreed that RBWM would use the system to demonstrate that the connectivity works.

Cllr Law questioned the number of starters and leavers for West Berkshire Council as it seemed very high; the Pension Fund Manager agreed to look into this and report back.

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.**

91/14 DATES OF FUTURE MEETINGS

Future meeting dates were noted.

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.

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Agenda Item 6



Report for: INFORMATION
Item Number: 6

Contains Confidential or Exempt Information	NO - Part I
Title	Review of Annual Report and Accounts 2014-15 and External Audit Report
Responsible Officer(s)	Kevin Taylor
Contact officer, job title and phone number	Kevin Taylor Deputy Pension Fund Manager 01628 796715
Member reporting	n/a
For Consideration By	Berkshire Pension Fund Board
Date to be Considered	26 November 2015
Implementation Date if Not Called In	n/a
Affected Wards	None
Keywords/Index	<i>Insert relevant key words</i>

Report Summary

The purpose of this report is to review the Pension Fund's Annual Report and Accounts for the financial year 2014-15. In addition the external auditor's report presented to the Audit and Performance Panel in September and auditor's statement dated 5 November 2015 are attached to the report.

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

Benefits to residents, fund members and other stakeholders and reasons why they will benefit	Dates by which they can expect to notice a difference
1. Better governance and administration of the Pension Fund	Ongoing

1. Details of Recommendations

Members of the Pension Board are required to review the Pension Fund's Annual Report and Accounts and all audit reports published on behalf of the Fund's Governance and administration of the Scheme.

RECOMMENDATION: That the Board note both the Annual Report and Accounts and the external auditor's report and consider any comments to feedback to the Scheme Manager.

2. Reason for Recommendation(s) and Options Considered

Pension Board members have a statutory duty to ensure that the Scheme Manager is managing the Pension Fund in accordance with LGPS regulations and the associated legislation and the requirements of the Pensions Regulator. The Scheme Manager has a statutory obligation under Regulation 57 of the LGPS regulations 2013 (as amended) to prepare and publish a Pension Fund annual report and so members of the Board will want to assure themselves that the Scheme Manager has fulfilled its statutory duty in publishing a report that meets the requirements set out in that regulation.

3. Key Implications

Failure by the Scheme Manager to operate within the statutory requirements of the Scheme could leave the Borough open to challenge.

4. Financial Details

Members of the Pension Board will want to assure themselves that the Pension Fund accounts are accurate and that have been appropriately audited.

5. Legal Implications

There are no legal implications.

6. Value For Money

Not applicable.

7. Sustainability Impact Appraisal

There are no known implications.

8. Risk Management

Not applicable.

9. Links to Strategic Objectives

Not applicable.

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

The following documents are attached to this report:

- Annual Report and Accounts 2014-15
- Independent auditor's statement
- Audit report dated September 2015

17. Background Information

None

Full name of report author	Job title	Full contact no:
Kevin Taylor	Deputy Pension Fund Manager	01628 796715

Independent auditor's report to the members of the Royal Borough of Windsor & Maidenhead on the pension fund financial statements published with the pension fund annual report

We have examined the pension fund financial statements for the year ended 31 March 2015 on pages 29 to 48.

Respective responsibilities of the Head of Finance and the auditor

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of the Royal Borough of Windsor & Maidenhead, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of the Royal Borough of Windsor & Maidenhead for the year ended 31 March 2015 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Matters on which we are required to report by exception

The Code of Audit Practice for Local Government Bodies 2010 requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters.



Darren Gilbert
for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
100 Temple Street
Bristol
BS1 6AG
5 November 2015



cutting through complexity

Report to those charged with governance (ISA 260) 2014/15

Royal Borough of Windsor & Maidenhead

September 2015



Contents

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in connection with this
report are:**

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointments's website (www.psaac.co.uk). External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000) or by email to trevor.rees@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAAC's complaints procedure by emailing generalenquiries@psaac.co.uk, by telephoning 020 7372 3445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This document summarises:

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for both the Authority and its pension fund; and

- our assessment of the Authority's arrangements to secure value for money.



Scope of this report

This report summarises the key findings arising from:

- our audit work at the Royal Borough of Windsor & Maidenhead ('the Authority') in relation to the Authority's 2014/15 financial statements and those of the Local Government Pension Scheme it administers ('the Fund'); and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in March 2015, set out the four stages of our financial statements audit process.



We previously reported on our work on the first two stages in our *Interim Audit Letter 2014/15* issued in June 2015.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July and August 2015.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority and the fund.⁴
- Section 4 outlines our key findings from our work on the VFM conclusion.

We have also reviewed your progress in implementing prior recommendations and are pleased to report that all prior year recommendations have been fully implemented.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages for the Authority and the Fund. Sections three and four of this report provide further details on each area.

<p>Proposed audit opinion</p>	<p>We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.</p> <p>We also anticipate issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 30 September 2015.</p> <p>We are currently in correspondence with a local elector who has raised a query on the accounts. We are working with the Council to resolve this and currently do not anticipate a delay to either the opinion or the certificate. Should we need to undertake work on this that cannot be resolved by the 30 September deadline, then we will need to defer issuing the audit certificate at that point in time.</p>
<p>Audit adjustments</p>	<p>We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the <i>Code of Practice on Local Authority Accounting the United Kingdom 2013/14 ('the Code')</i>. The Authority has addressed these where significant.</p>
<p>Key financial statements audit risks</p>	<p>We identified the following key financial statements audit risk for the Authority in our 14/15 External Audit plan issued in March 2015:</p> <ul style="list-style-type: none"> ▣ Accounting for Local Authority Maintained Schools – Recently issued guidance on the accounting requirements for school assets (LAAP Bulletin 101) requires the Authority to assess the control arrangements in relation to Voluntary Aided, Voluntary Controlled, and Foundation schools in order to determine whether the schools' assets should be recognised on the Authority's balance sheet. This may require changes to the schools recognised on the Council's balance sheet. <p>We have worked with officers throughout the year to discuss this key risk and our detailed findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in this area.</p>
<p>Key financial statements audit risks for the Pension Fund</p>	<p>We identified the following key financial statements audit risks for the Pension Fund in our 14/15 External Audit plan issued in March 2015:</p> <ul style="list-style-type: none"> ▣ LGPS reform – From 1 April 2014, all members of the LGPS have automatically joined the new career average defined benefit scheme. The new scheme provides more flexibility on when members can take their pension and also how much they pay in. There is a risk that pension administration systems have not been set up to correctly reflect the changes resulting from LGPS 2014 and will therefore not accurately calculate the pension benefits due to members. ▣ Longevity insurance policy – The Pension Fund has an insurance policy that increases in value as life expectancy of Fund members increases. Valuation of this policy is complicated and requires application of judgement. <p>We have worked with officers throughout the year to discuss this key risk and our detailed findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in these key risk areas.</p>

This table summarises the headline messages for the Authority and the Fund. Sections three and four of this report provide further details on each area.

<p>Accounts production and audit process</p>	<p>The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. The Authority has implemented all of the recommendations in our <i>ISA 260 Report 2013/14</i> relating to the financial statements.</p>
<p>Completion</p>	<p>At the date of this report our audit of the financial statements is substantially complete, subject to final review processes and clearance of a small number of queries and tasks. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>
<p>VFM conclusion and risk areas</p>	<p>We identified the following VFM risks in our External audit plan 2014/15 issued in March 2015.</p> <ul style="list-style-type: none"> ▪ Achievement of the savings plan. <p>We have worked with officers throughout the year to discuss this VFM risk and our detailed findings are reported in section 4 of this report. There are no matters of any significance arising as result of our audit work in this VFM risk area. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2015.</p>

Financial Statements Proposed opinion and audit differences

We have not identified any issues in the course of the audit that are considered to be material.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit & Performance Review Panel on 8 September 2015.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 3 for more information on materiality) level for this year's audit was set at £5.7 million. Audit differences below £285k are not considered significant.

We did not identify any material misstatements. We identified a small number of issues that have been adjusted by management.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code')*. We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Financial Statements**Proposed opinion and audit differences (continued)**

We have identified no issues in the course of the audit of the Fund that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 30 September 2015.

Pension fund audit

Our audit of the Fund also did not identify any material misstatements. For the audit of the Fund we used a materiality level of £31 million. Audit differences below £1.5 million are not considered significant.

We anticipate issuing an unqualified audit opinion following approval of the Statement of Accounts by the Audit & Performance Review Panel on 8 September 2015.

Pension Fund Annual Report

At the time of drafting this report, the Pension Fund Annual Report has not yet been finalised and we are yet to confirm that the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

The statutory deadline for publishing the document is 1 December 2015. We will need to complete additional work in respect of subsequent events to cover the period between signing our opinions on the Statement of Accounts and the Pension Fund Annual Report.

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus

This section sets out our detailed findings on those risks



In our *External Audit Plan 2014/15*, presented to you in March 2015, we identified the significant risks affecting the Authority and the Fund's 2014/15 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority and the Fund.

Significant audit risk	Issue	Findings
	<p>LAAP Bulletin 101 <i>Accounting for School Assets used by Local Authority Maintained Schools</i> issued in December 2014 has been published to assist practitioners with the application of the Code in this respect. The challenges relate to school assets owned by third parties such as church bodies and made available to school governing bodies under a variety of arrangements. This includes assets used by Voluntary-Aided (VA) and Voluntary-Controlled (VC) Schools as well as Foundation Schools.</p> <p>Authorities will need to review the agreements under which assets are used by VAVC and Foundation schools and apply the relevant tests of control in the case of assets made available free of charge, or risks and rewards of ownership in the case of assets made available under leases. This is a key area of judgement and there is a risk that Authorities could incorrectly omit school assets from, or include school assets in, their balance sheet.</p> <p>Particular risks surround the recognition of Foundation School assets which may or may not be held in Trust. Authorities should pay particular attention to the nature of the relationship between the Trustees and the school governing body to determine whether the school controls the Trust and the assets should therefore be consolidated into their balance sheet.</p> <p>This risk affects only the Authority.</p>	<p>As part of our audit, we have reviewed the Authority's approach to accounting for LA maintained schools, including:</p> <ul style="list-style-type: none"> - Determining whether the Authority has identified all relevant maintained schools within its area and undertaken a review of the agreements underpinning the use of school assets by VA, VC and Foundation schools; - Considering the Authority's application of the relevant accounting standards to account for these schools and challenging its judgements where necessary; and - Determining whether the basis of valuation of assets which are brought on balance sheet at 1 April 2013 is appropriate and the valuations are undertaken by qualified valuers (if applicable). <p>Our review confirmed that the Authority has considered the appropriate accounting treatment on a school-by-school basis and has followed the relevant guidance. No issues were identified.</p>

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus

This section sets out our detailed findings on those risks

Significant audit risk	Issue	Findings
	<p>From 1 April 2014, all members of the LGPS have automatically joined the new career average defined benefit scheme. The new scheme provides more flexibility on when members can take their pension and also how much they pay in. There is a risk that pension administration systems have not been set up to correctly reflect the changes resulting from LGPS 2014 and will therefore not accurately calculate the pension benefits due to members. While any errors in the system are unlikely to result in material misstatements in 14/15, the possible cumulative effect in future years means that specific audit work is needed on ensuring that the changes required to the system have been accurately reflected.</p> <p>This risk affects only the Fund.</p>	<p>We have reviewed the controls and processes that the Pension Fund has put in place to accurately capture the data required by LGPS 2014 and have not identified any issues.</p> <p>We have also tested a sample of new pensioners in the year and confirmed that the system has been set up to accurately calculate benefit entitlement under the new career average arrangements.</p>
	<p>The Pension Fund has in place a longevity insurance policy with ReAssure Ltd to cover a closed group of pensioner members. The Pension Fund pays the policy an annual fixed premium where in return the insurer pays out benefits to the pensioners. The contract is recognised as an asset on the Pension Funds' Net Asset Statement and increases in value if the life expectancy of Fund members increases. Therefore, the contract must be kept under regular review to ensure its valuation and disclosure are in accordance with accounting standards.</p> <p>This risk affects only the Fund.</p>	<p>As part of our audit procedures, we have reviewed the Barnett Waddingham valuation of the longevity contract, which is used in the compilation of the accounts.</p> <p>Additional work was required this year to factor in the impact of the transfer of Probation Service staff to the Greater Manchester Pension Scheme. We concluded that the valuation of the longevity liability for the year was consistent with our expectations and any uncertainty was well within acceptable tolerances.</p>

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
<p>Audit areas affected</p> <ul style="list-style-type: none"> ▪ All areas 	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
<p>Audit areas affected</p> <ul style="list-style-type: none"> ▪ None 	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our <i>External Audit Plan 2014/15</i> we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</p> <p>This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.</p>

In our *External Audit Plan 2014/15*, presented to you in March 2015, we identified one area of audit focus. This is not considered as a significant risk but an area of importance where we would carry out some substantive audit procedures to ensure there is no risk of material misstatement.

We have now completed our testing. The table sets out our detailed findings for the area of audit focus identified.

Areas of audit focus	Issue	Findings
	<p>From 1 April 2015, the Pensions Regulator is responsible for regulating the governance and administration of public service pension schemes, which includes the Local Government Pension Scheme. The pension scheme must comply with a number of legal requirements, such as the establishment of a pension board with an equal number of employer representatives and member representatives. Pension board members for a public service pension scheme must also meet certain legal requirements that relate to their knowledge and understanding.</p> <p>This risk affects only the Fund.</p>	<p>The Pension Board has been established and has held its first meeting. Work has been completed to ensure the composition is compliant with the requirements of the Pensions Regulator.</p> <p>The Pension Board sits alongside the Berkshire Pension Fund Panel and Pension Fund Advisory Panel in an oversight role. Its role is to review the governance arrangements of the Fund and ensure policies and procedures are correctly implemented and followed.</p>

Section three Financial Statements Accounts production and audit process

The Authority has a well established and good accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was high. Officers dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

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Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority continues to maintain a good financial reporting process and produce statements of accounts to a good standard. We consider that accounting practices are appropriate
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2015. The Authority have made a small number of presentational changes to the accounts presented for audit however there have been no changes which we consider to be fundamental.
Quality of supporting working papers	We issued our <i>Accounts Audit Protocol</i> including our required working papers for the audit on 22 June 2015. The quality of working papers provided was high and fully met the standards specified in our <i>Accounts Audit Protocol</i> .
Response to audit queries	Officers resolved all audit queries in a timely manner.

Element

Pension Fund Audit

The audit of the Fund was completed alongside the main audit. There are no specific matters to bring to your attention relating to this.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last year's ISA 260 report.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2013/14*.

Section three Financial Statements Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of the Royal Borough of Windsor & Maidenhead and the Royal County of Berkshire Pension Fund for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and the Royal Borough of Windsor & Maidenhead and the Royal Berkshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Head of Finance for presentation to the Audit & Performance Review Panel. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;

- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

We are currently in correspondence with a local elector who has raised a query on the accounts. We are working with the Council to resolve this and currently do not anticipate a delay to either the opinion or the certificate. However, should we need to undertake work on this that cannot be resolved by the 30 September deadline, then we will need to defer issuing the audit certificate at that point in time.

There are no other matters to bring to your attention.

Section four VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

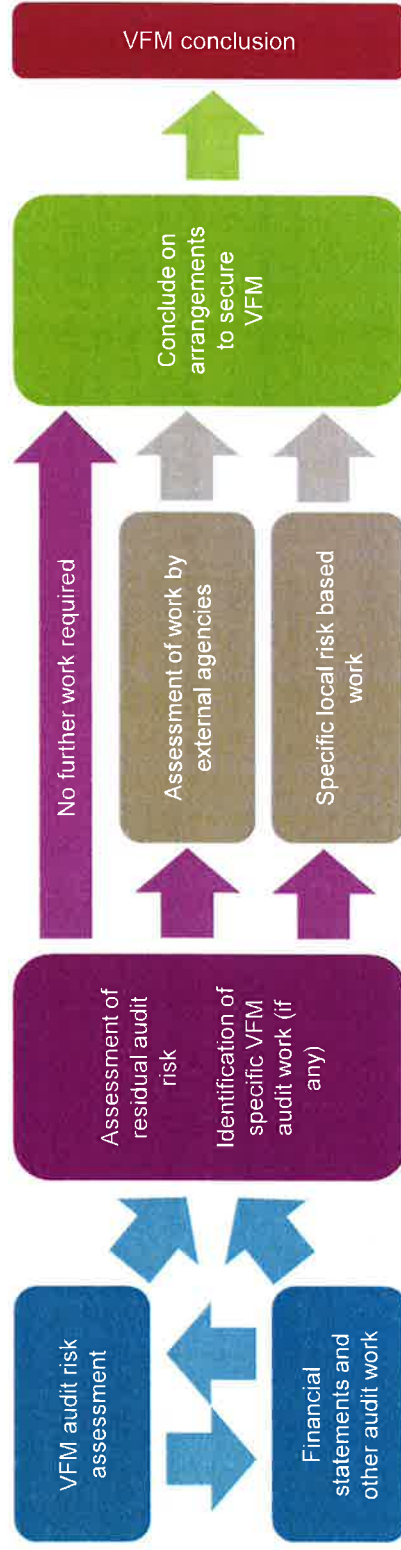
- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.



The following page includes further details of our VFM risk assessment and our specific risk-based work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

Our planning procedures identified a residual VFM risk that required us to undertake specific work.

Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and
- completed specific local risk based work.

Key findings

Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we needed to carry out additional work on this risk. This work is now complete and we report on this below.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>The Authority set a savings target of £6.3m in 2014/15. At the time of our risk assessment, the latest monitoring reports showed that the Authority was forecasting a £100k overspend on services at year end. The final outturn was a £238k underspend at year end.</p> <p>The Authority planned to implement savings originally earmarked for 2015/16 in 2014/15 where possible to mitigate the financial pressures.</p> <p>Further significant savings will be required in 2016/17 and 2017/18 to principally address future reductions to local authority funding alongside service cost and demand pressures. There may be a risk that the authority's financial resilience could be impacted if it was not able to continue to identify savings and efficiencies and deliver its agreed budgets.</p> <p>This is relevant to the financial resilience criteria of the VFM conclusion.</p>	<p>We have reviewed the Medium Term Financial Plan (MTFP) covering the next four years and considered whether the assumptions it is based on, including funding announcements, cost inflations and savings targets, are reasonable and appropriate.</p> <p>The annual budget reflects the 2.1% cut to council tax that was approved by Council in February. This is the sixth successive year that council tax has been reduced. The MTFP assumes that income from Central Government is set to reduce year-on-year in the medium term.</p> <p>The Authority has a good track record of meeting its savings targets, as reflected by the consistent reduction in council tax. Financial risks associated with annual budget and MTFP are recorded and monitored in the risk register.</p> <p>We have concluded that the MTFP is based on appropriate assumptions and savings plans are achievable.</p>

Appendix 1: Audit differences

This appendix sets out the audit differences.

The financial statements have been amended for all of the errors identified through the audit process.

There is no net impact on the General Fund as a result of the amendments.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit & Performance Review Panel). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Uncorrected audit differences

We are pleased to report that there are no uncorrected audit differences.

Corrected audit differences

Our audit identified a small number of disclosure errors in the financial statements. These have been discussed with management and the financial statements have been amended for all of them.

Appendix 2: Declaration of independence and objectivity

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd Terms of Appointment ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 Communication of *Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Audit & Performance Review Panel.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independences and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 2: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of the Royal Borough of Windsor & Maidenhead and the Royal County of Berkshire Pension Fund for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and the Royal Borough of Windsor & Maidenhead and the Royal County of Berkshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix 3: Materiality and reporting of audit differences

For 2014/15, our materiality is £5.7 million for the Authority's accounts. For the Pension Fund it is £31 million.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We reassessed materiality for the Authority at the start of the final accounts audit based on the figures in the financial statements presented for audit.

Materiality for the Authority's accounts was set at £5.7 million which equates to around 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit & Performance Review Panel

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Performance Review Panel any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £285k for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Performance Review Panel to assist it in fulfilling its governance responsibilities.

Materiality – pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £31 million which is approximately 2 percent of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £1.5 million for 2014/15.

Appendix 4: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

100 KPMG's Audit Quality Framework consists of

seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drivers of quality through a focused and consistent voice. Darren Gilbert as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudit application has significantly enhanced existing audit functionality. eAudit enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

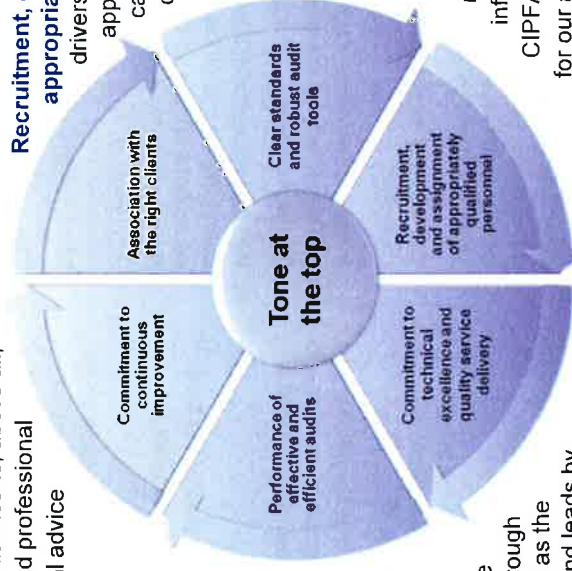
We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.



Appendix 4: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery:

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (<http://www.psa.a.co.uk/audit-quality/principal-audits/kpmg-audit-quality/>).

The latest Annual Regulatory Compliance and Quality Report (issued June 2015) showed that we are meeting the overall audit quality and regulatory compliance requirements.



cutting through complexity™



Report for: ACTION
Item Number: 7

Contains Confidential or Exempt Information	NO - Part I
Title	Managing Risks
Responsible Officer(s)	Kevin Taylor
Contact officer, job title and phone number	Kevin Taylor Deputy Pension Fund Manager 01628 796715
Member reporting	n/a
For Consideration By	Berkshire Pension Fund Board
Date to be Considered	26 November 2015
Implementation Date if Not Called In	n/a
Affected Wards	None
Keywords/Index	<i>Insert relevant key words</i>

<p>Report Summary</p> <p>The purpose of this report is to bring to the Pension Board a draft of the Pension Fund's Risk Assessment and Register for consideration.</p>

If recommendations are adopted, how will residents, fund members and other stakeholders benefit?	
Benefits to residents, fund members and other stakeholders and reasons why they will benefit	Dates by which they can expect to notice a difference
1. Better governance and administration of the Pension Fund.	Ongoing

1. Details of Recommendations

A Scheme Manager (RBWM) of a public service pension scheme must establish and operate internal controls which must be adequate to ensure compliance with the scheme regulations and the requirements of the Pensions Regulator. It is important that operational and strategic risks are identified, controls put in place and where necessary, actions taken to ensure that the Pension Fund complies with its strategic aims.

RECOMMENDATION: That Pension Board consider the attached Managing Risks document and adopt the risk assessment and register.

2. Reason for Recommendation(s) and Options Considered

The Scheme Manager has a legal duty to establish and operate internal controls. Failure to implement an adequate and appropriate risk assessment and register could lead to breaches of law and where the effect and wider implications of not having in place adequate internal controls are likely to be materially significant the Pension Regulator must be notified in accordance with the Scheme Manager's policy on reporting breaches of the law.

3. Key Implications

Failure to operate an adequate level of internal controls could leave the Scheme Manager open to challenge and potential fine.

4. Financial Details

The Pensions Regulator has powers to impose penalties under Section 10 of the Pensions Act 1995. The maximum amount of a penalty in relation to each breach is £5,000 in the case of an individual and up to £50,000 in any other case.

5. Legal Implications

The Scheme Manager has a legal duty to establish and operate internal controls regarding the governance and administration of the Pension Fund.

6. Value For Money

Not applicable.

7. Sustainability Impact Appraisal

There are no known implications.

8. Risk Management

See attached paper.

9. Links to Strategic Objectives

Linked to the strategic objectives of the Pension Fund in accordance with overriding regulation.

10. Equalities, Human Rights and Community Cohesion

There 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

Immediate.

16. Appendices

See attached paper on managing Risks.

17. Background Information

The Pensions Regulator's Code of Practice No. 14 and Compliance and enforcement policy for public service pension schemes.

Full name of report author	Job title	Full contact no:
Kevin Taylor	Deputy Pension Fund Manager	01628 796715



MANAGING RISKS



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1 INTRODUCTION

A Scheme Manager of a public service pension scheme must establish and operate internal controls which must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.

Internal controls are:

- Arrangements and procedures to be followed in administration and management of the scheme
- Systems and arrangements for monitoring that administration and management, and
- Arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.

The Royal Borough of Windsor & Maidenhead as the Scheme Manager (administering authority) for the Royal County of Berkshire Pension Fund places great emphasis on risk management. We differentiate between operational and strategic risks in order to secure the effective governance and administration of the scheme. The management of these risks has a direct correlation to the objectives set by the Pension Fund.

2 PENSION FUND OBJECTIVES

Operational objectives

- To manage the scheme in accordance with scheme regulations and associated pension law;
- To ensure that the appropriate knowledge and experience is maintained within the Pension Fund so that all duties are discharged properly;
- To maintain a high quality pension member database;
- To ensure that all pension payments are made on the correct pay date;
- To ensure that payments do not continue to be made to deceased members of the scheme;
- To have continuous access to the pension administration software during normal working hours and extended hours as required;
- To ensure that pension contributions are received from Scheme employers by the Pension Fund within required timescales;
- To maintain an appropriate level of staff to administer the scheme effectively and efficiently;



- To maintain a pension administration service level agreement and ensure that key performance indicators are achieved and reported to committee;
- To communicate effectively and efficiently with all scheme members;
- To ensure that third party operations are controlled and operate effectively and cost efficiently;
- To monitor and review the performance of Fund Investment Managers to ensure maximum benefit for the Pension Fund.

Strategic objectives

- To achieve a funding level of 100%;
- To achieve stable employer contribution rates;
- To set appropriate funding targets;
- To ensure that investment performance is satisfactory and not volatile;
- To monitor the effect of improving life expectancy and to mitigate against any negative impact on funding levels;
- To monitor and manage exposure to overseas currency fluctuations and to mitigate against any negative impact on funding levels;
- To monitor and manage exposure to changing interest rates and to mitigate against any negative impact on funding levels;
- To monitor and manage the effects of inflation and to mitigate against any negative impact on funding levels;
- To ensure employer covenants are sufficient to meet employer obligations;
- To maintain a high level of governance of the Pension Fund.

3 PENSION FUND RISKS

Operational risks

Operational risk covers such areas as administration of member records and payments of member benefits, management of the Pension Fund's cash and investments, receipt of contributions as well as matters such as business continuity, disaster recovery, lack of knowledge and expertise and staff shortages.

Strategic risks

Strategic risks are those which, whilst not affecting day to day operations of the Fund, could nevertheless, in the medium and/or long term, have significant impact.

4 RISK ASSESSMENT AND REGISTER

This risk assessment register will be presented at meetings of the Pension Fund Panel and Pension Fund Advisory Panel and at meetings of the Pension Board.

The purpose of the register is to identify areas of responsibility that might be at risk and therefore require action to be taken.

The risk register takes the format of a table with a traffic light system so that the areas in most need of review are clearly identifiable.

The register is split into two sections to identify the operational and strategic risks

OPERATIONAL RISKS	RISK STATUS	CONTROL	ACTION REQUIRED	OWNER	NEXT REVIEW
<p>SCHEME REGULATIONS AND ASSOCIATED PENSION LAW: Failure to manage and administer the scheme in line with scheme regulations and associated pension law resulting in benefits being paid incorrectly</p>	GREEN	Members of the Pension Fund Panel, Pension Advisory Panel, Pension Board, Senior Pension Fund Officers and pension administrators receive regular training in all matters relating to LGPS regulation and associated legislation. Training plans are in place and all training undertaken is recorded.	None at this time.	Scheme Manager	Ongoing
<p>KNOWLEDGE AND EXPERIENCE: The appropriate knowledge and experience is not maintained by the scheme manager (administering authority) in order to discharge the duties of the scheme manager properly.</p>	GREEN	In addition to the training of all individuals connected with the management of the Pension Fund the Pension Board has been established specifically to assist the scheme manager in securing compliance with scheme regulations, any other legislation relating to the governance and administration of the Scheme and the requirements imposed by the Pensions Regulator in relation to the	None at this time.	Scheme Manager	Ongoing

<p>MEMBER DATABASE: Failure to maintain a high quality member database resulting in member records being inaccurate and pension benefits being paid incorrectly.</p>		<p>Scheme therefore ensuring the effective and efficient governance and administration of the Scheme.</p> <p>Retention of staff is key to maintaining the appropriate level of knowledge and experience but should a member of staff leave any replacement will be required to meet the necessary standards set out in the job accountabilities for the role concerned.</p>			
	<p>AMBER</p>	<p>The Scheme Manager is highly reliant on Scheme employers and Scheme members providing timely and accurate information to the pension administration team so that member records are accurate at all times. A pension administration service level agreement sets out the roles of both the Scheme employer and the Scheme administrators and provides deadlines for submission of data. As part of the 'year-end' process, where contributions are posted to active member records, action is taken to check member data and to identify data discrepancies with the necessary remedial action being taken.</p> <p>The Pension Administration Strategy sets out a strategic aim to implement the electronic transfer of pension data between the Scheme employers and</p>	<p>Scheme employer training to be undertaken in line with pension administration strategy and SLA, setting out all Scheme employer statutory obligations.</p>	<p>Deputy Pension Fund Manager</p>	<p>Q1 2016/17</p>

<p>PENSION PAYMENTS: Failure to make all pension payments on the correct pay date.</p>	<p>GREEN</p>	<p>Pension Fund via i-Connect.</p> <p>A schedule of pension payroll dates is maintained and written procedures adopted.</p> <p>Lump sum payments on retirement are made following receipt of completed paperwork by both the Scheme employer and the Scheme member. Where payment is made later than 30 days following the member's retirement date, action is taken to identify the reason and the findings reported to the Pension Fund Panel, Pension Fund Advisory Panel and Pension Board as part of the key performance indicators included in a stewardship report.</p>	<p>None at this time.</p>	<p>Pension Fund Manager</p>	<p>Ongoing</p>
<p>PAYING DECEASED MEMBERS: Continuing to make pension payments to deceased members.</p>	<p>GREEN</p>	<p>The Pension Fund undertakes a Mortality Screening exercise every month in an effort to identify cases where a member may have died and a notification has not been received from a next of kin. In addition, the Pension Fund participates in the biennial National Fraud Initiative (NFI) where records are checked against those held by the Department for Work and Pensions (DWP).</p> <p>The Pension Fund has also signed up to 'Tell Us Once' operated by DWP.</p>	<p>None at this time.</p>	<p>Pension Administration Manager</p>	<p>Ongoing</p>

<p>SYSTEMS: Pension administration software not available during normal office hours or extended hours where required</p>	<p>GREEN</p>	<p>The pension administration software (altair) is accessed through a secure internet site and hosted off-site by heywood (the scheme manager's preferred software supplier). The system is maintained and backed up on servers in two separate locations in the UK. Should the system not be available procedures are in place to contact the helpdesk of the software provider with immediate action being taken. Where the system is unavailable during normal office hours a record will be kept and reported to the Pension Board for action.</p>	<p>None at this time.</p>	<p>Pension Administration Manager</p>	<p>Q1 2016/17</p>
<p>RECEIPT OF PENSION CONTRIBUTIONS: Pension contributions not received by the Pension Fund from Scheme employers within required regulatory timeframe resulting in poorer investment performance.</p>	<p>GREEN</p>	<p>Receipt of pension contributions from Scheme employers is monitored. Late paying employers are chased and reminded of their responsibilities by the issue of a notice of unsatisfactory performance. All occurrences of late payments are reported to the Pension Fund Panel, Pension Fund Advisory Panel and Pension Board to determine whether there has been a breach of law and if it is of material significance to report the employer to the Pensions Regulator.</p>	<p>None at this time.</p>	<p>Deputy Pension Fund Manager</p>	<p>Q1 2016/17</p>
<p>EARLY RETIREMENT CASES: Increased liabilities as a result of a large number of early retirement cases.</p>	<p>GREEN</p>	<p>The Pension Fund monitors the incidence of early retirements closely and procedures are in place to ensure that, where a pension benefit is</p>	<p>None at this time.</p>	<p>Deputy Pension Fund Manager</p>	<p>Q3 2015/16</p>

		released early to a scheme member as a result of an employer's decision to make that member redundant or to agree to early retirement, the additional costs arising are invoiced to the employer thereby avoiding unnecessary strain costs on the Pension Fund.				
STAFFING LEVELS: Number of pension officers employed is not sufficient to maintain the scheme effectively and efficiently.	AMBER	The level of staff required and their terms and conditions are reviewed regularly and action taken to appoint additional staff (and replacement staff during periods of high turnover) where deemed appropriate and authorised by the scheme manager.	Actions currently being taken to appoint additional staff to roles of Trainee Pension Administrator and Communications Officer.	Pension Fund Manager	Ongoing	
KEY PEOPLE: Loss of key staff	GREEN	A succession plan has been implemented to deal with the short-term loss of key staff. Should a number of staff contract a contagious disease and be unable to work key staff have been identified and provided with the ability to work remotely thereby giving the Pension Fund the ability to maintain a basic administration and payroll service.	None at this time.	Pension Fund Manager	Ongoing	
SERVICE LEVEL AGREEMENT: Failure to meet the requirements of the pension administration service level agreement resulting in inaccurate records and poor performance.	AMBER	The Pension Fund has published a pension administration strategy in which it established levels of performance that both the administering authority and the Scheme employers are expected to achieve. The performance of Scheme	Scheme employer training to be undertaken in line with pension administration strategy and revised SLA, setting out all Scheme employer statutory obligations.	Deputy Pension Fund Manager	Q4 2015/16	

		employers is monitored in-line with the pension administration service level agreement and the circumstances under which notices of unsatisfactory performance can and will be issued. All matters are reported to the Pension Fund Panel, Pension Fund Advisory Panel and Pension Board to determine whether there has been a breach of law and if it is of material significance to report the employer to the Pensions Regulator.			
COMMUNICATION: Communication with Scheme members is ineffective.	GREEN	The Pension Fund has produced a statement of policy concerning communications which establishes how communications will operate between the Pension Fund and Scheme employers, Scheme members (or their representatives), prospective Scheme members and prospective Scheme employers.	None at this time.	Deputy Pension Fund Manager	Q2 2016/17
THIRD PARTY OPERATIONS: Third party operations do not operate effectively.	GREEN	The Pension Fund seeks to obtain SAS70 or equivalent statements on internal controls from all external Fund managers.	None at this time.	Pension Fund Manager	Ongoing
ASSETS: Fund asset being at risk.	GREEN	All assets are held by appointed Custodian JP Morgan Security Services	None at this time.	Pension Fund Manager	Ongoing
INVESTMENT RETURNS: Fund managers failing to produce	GREEN	The performance of Fund managers is reviewed monthly by officers and quarterly by the Pension Fund Panel.	None at this time.	Pension Fund Manager	Ongoing

satisfactory returns.		The Investment Working Group focuses on asset allocation as well as Fund managers' investment performance.			
LOSS OF OFFICE PREMISES: Failure to have a sufficient and proactive business continuity plan in place.	GREEN	A comprehensive business continuity plan is in place which all senior officers have access to. The pension administration software is hosted off-site and can be accessed from anywhere that an authorised user has access to the internet.	None at this time.	Pension Fund Manager	Q1 2016/17
FRAUD: Failure to identify risk of fraud.	GREEN	Receipt of scheme contributions is monitored closely every month with scheme returns being reconciled to monies received into the Pension Fund's bank account. The Scheme Manager also takes part in the biennial National Fraud Initiative.	None at this time.	Pension Fund Manager	Q1 2016/17
CASH FLOWS: Day to day cash flows not monitored effectively resulting in risk that pensions might not be paid.	GREEN	Officers of the Pension Fund monitor cashflows on a daily basis.	None at this time.	Pension Fund Manager	Ongoing
AUDIT REPORTS: Failure to implement qualifications / recommendations made in the latest audit report.	GREEN	Every time that an audit is undertaken a meeting is held with the appropriate senior officers and signed off with the relevant recommendations being made and followed-up at review meetings. All audit reports are presented to the Audit and Review Panel of the Council.	None at this time.	Pension Fund Manager	Ongoing

<p>DOCUMENTS: Lack of relevant documentation governing the Fund.</p>	<p>GREEN</p>	<p>All governance documents are held on the Pension Fund's website and kept under review. Amendments are presented to the Pension Fund Panel, Pension Fund Advisory Panel for consideration and ratification and for review by the Pension Board</p>	<p>None at this time.</p>	<p>Scheme Manager</p>	<p>Q1 2016/17</p>
<p>MEETINGS AND MINUTES: Non-compliance with statutory obligation to prepare and publish meeting papers and minutes in an accurate and timely manner</p>	<p>GREEN</p>	<p>The role of Secretary at meetings of the Pension Fund Panel and Pension Fund Advisory Panel and of the Pension Fund is fulfilled by the Scheme Manager's Democratic Services team with papers and minutes from the Pension Fund Panel being published on the Scheme Manager's website and the papers and minutes of the Pension Board website being published on the Berkshire Pension Fund website.</p>	<p>None at this time.</p>	<p>Scheme Manager</p>	<p>Ongoing</p>
<p>CONFLICTS: Failure to identify, report and record conflicts of interest leaves the Scheme Manager open to challenge</p>	<p>GREEN</p>	<p>A conflict of interest policy and register is maintained on behalf of both the Pension Fund and Panel Fund Advisory Panel and the Pension Board. All Members are invited to register a conflict of interest at the start of every meeting.</p>	<p>None at this time.</p>	<p>Scheme Manager</p>	<p>Q3 2016/17</p>
<p>BUSINESS PLAN: Do we have an effective business plan and calendar?</p>	<p>GREEN</p>	<p>The Pension Fund publishes a business plan for the forthcoming financial year along with a medium-term strategy for the three years thereafter.</p>	<p>None at this time.</p>	<p>Pension Fund Manager</p>	<p>Q1 2016/17</p>

<p>DELEGATION: Do we know what our responsibilities are?</p>	<p>AMBER</p>	<p>Officers carry out their duties in accordance with the Scheme Manager's Schedule of Delegations as contained in the Council's Constitution.</p>	<p>Schedules of delegations need to be reviewed for all aspects of the Pension Fund's duties.</p>	<p>Pension Fund Manager</p>	<p>Q4 2015/16</p>
<p>ADVISORS: Have we appointed all the necessary advisors and service providers? Are we satisfied that they are appropriately experienced, qualified and regulated?</p>	<p>GREEN</p>	<p>All advisors are appointed following a competitive tendering process and due diligence being carried out.</p>	<p>Not at this time.</p>	<p>Pension Fund Manager</p>	<p>Ongoing</p>
<p>INSURANCE: Do we have adequate insurance cover?</p>	<p>GREEN</p>	<p>The Pension Fund is covered by the Scheme Manager's policy and has full public and employer liability insurance.</p>	<p>Not at this time.</p>	<p>Scheme Manager</p>	<p>Ongoing</p>
<p>STRATEGIC RISKS</p>	<p>RISK STATUS</p>	<p>SUGGESTED ACTIONS</p>	<p>ACTION AGREED</p>		
<p>FUNDING LEVEL: Is proper strategy in place to achieve a 100% funding level in the long-term.</p>	<p>AMBER</p>	<p>The main financial risk is that actual investment returns fail to meet the expected rate of investment returns. This could be due to market returns being less than expected or chosen Fund managers failing to achieve their performance targets. The Pension Fund Panel regularly monitors the investment returns achieved and seek advice from officers and independent advisors. The Pension Fund actuary provides monthly funding updates. A deficit recovery plan is implemented following the completion of a triennial valuation as agreed with Scheme employers. The aim is to return to</p>	<p>The Funding level is monitored closely and will be discussed in detail as part of the next triennial valuation as at 31 March 2016.</p>	<p>Pension Fund Manager</p>	<p>Q1 to Q4 2016/17</p>

	GREEN	being fully funded by 2040.			
<p>EMPLOYER CONTRIBUTION RATES: Volatile employer contribution rates.</p>	GREEN	<p>The aim of the Pension Fund is to keep employer contributions relatively stable. This is achieved by agreeing with the major scheme employers and with the assistance of the Pension Fund actuary, an appropriate deficit recovery plan over an agreed number of years. This was set as 30 years following the completion of the actuarial valuation of the Fund as at 31 March 2010.</p>	<p>Employer contribution rates for the period 1 April 2017 to 31 March 2020 will be set as part of the next triennial valuation as at 31 March 2016.</p>	Pension Fund Manager	Q1 to Q4 2016/17
<p>FUNDING TARGETS: Funding targets being inappropriate.</p>	GREEN	<p>The Pension Fund has produced and published a Statement of Investment Principles and a Funding Strategy Statement in accordance with LGPS regulations. These policies are reviewed regularly by the Pension Fund Panel and amendment as necessary to ensure that appropriate funding targets can be achieved.</p>	<p>Not at this time.</p>	Pension Fund Manager	Q1 2016/17
<p>INVESTMENT PERFORMANCE: Unsatisfactory investment performance.</p>	GREEN	<p>The Pension Fund has a broadly diversified portfolio with no one asset class dominating.</p>	<p>Not at this time.</p>	Pension Fund Manager	Ongoing
<p>TRANSITIONS: Have we considered the risks associated with asset transfers (e.g. between investment managers).</p>	GREEN	<p>Where appropriate a transition manager is contracted to undertake a transaction.</p>	<p>Not at this time.</p>	Pension Fund Manager	Ongoing
<p>NEW INVESTMENTS: Are we aware of new investment</p>	GREEN	<p>All new investments are considered in line with scheme regulations and</p>	<p>Not at this time</p>	Pension Fund	Ongoing

opportunities and techniques? Do we understand these sufficiently?		reported to the Investment Working Group and the Pension Fund Panel for review and consideration.		Manager	
<p>LIFE EXPECTANCY: Members living longer than anticipated in the actuarial valuation.</p>	GREEN	<p>The Pension Fund Panel has noted that a 1 year improvement in life expectancy adds 5% to the Pension Fund's liabilities. In December 2009 The Pension Fund announced that it had entered into longevity insurance covering its liabilities to pensioners as at 31 July 2009. The Pension Fund Panel continues to investigate how to protect the Pension Fund against increasing longevity and reviews the cost of insuring the longevity risk of pensioners retired since July 2009 at regular intervals.</p>	Not at this time.	Pension Fund Manager	Ongoing
<p>CURRENCY RISK: Value of investments overseas are affected by unrelated changes in foreign exchange rates.</p>	GREEN	<p>In April 2012 the currency hedging policy was amended so that currency exposures are managed against a strategic currency benchmark. This is expected to assist in reducing the volatility of investment returns in the medium to long-term.</p>	Not at this time.	Pension Fund Manager	Ongoing
<p>INTEREST RATE RISK: Changes in long-term interest rates affects the net present value of the Pension Fund's liabilities.</p>	GREEN	<p>The Pension Fund Panel have considered how long-term interest rate risk can be hedged and authorised officers to investigate how this can be achieved within the constraints of the LGPS regulations.</p>	Not at this time.	Pension Fund Manager	Ongoing

<p>INFLATION: Benefits paid to retired members are linked (upwards only) to changes in the Consumer Price Index.</p>	<p>GREEN</p>	<p>The Pension Fund Panel have considered how long-term inflation rate risk can be hedged and authorised officers to investigate how this can be achieved within the constraints of the LGPS regulations.</p>	<p>Not at this time.</p>	<p>Pension Fund Manager</p>	<p>Ongoing</p>
<p>EMPLOYER COVENANT: Inability of Scheme employers to meet their obligations.</p>	<p>AMBER</p>	<p>The vast majority of the Pension Fund's liabilities are the direct responsibility of the 6 Unitary Authorities. A large proportion of the rest lie within the public sector. A small proportion is with other admission bodies whose entry into the Pension Fund has been granted by the Pension Fund Panel or by the completion of an admission agreement following the TUPE transfer of staff from a Scheme employer to a private company.</p> <p>The Pension Fund Panel have authorised officers to take appropriate steps to review employer covenants and take the necessary action to mitigate the impact that the failure of a Scheme employer to meet their obligations would have on the other Scheme employers in the Fund.</p>	<p>Currently the Pension Fund Manager is undertaking a feasibility study to see if the Pension Fund can enter into an insurance policy designed to provide the Pension Fund with sufficient cover should a Scheme employer ceasing to be a member body of the Fund having insufficient funds to meet its obligations.</p>	<p>Pension Fund Manager</p>	<p>Ongoing</p>
<p>GOVERNANCE OF THE FUND: Scheme not governed in line with statutory requirements leading to breaches of the law.</p>	<p>GREEN</p>	<p>The composition of the Pension Fund Panel, Pension Fund Advisory Panel and Pension Board is reviewed regularly. Members of all 'committees' are provided with a comprehensive</p>	<p>None at this time.</p>	<p>Scheme Manager</p>	<p>Ongoing</p>

		<p>handbook and offered training.</p> <p>All policies issued in accordance with LGPS regulations are reviewed regularly and published on the Pension Fund website.</p> <p>Law Debenture has been appointed as an independent advisor to both the Pension Fund Panel and the Pension Fund Advisory Panel.</p> <p>Officers arrange training on specific matters as required during the year.</p> <p>The Pension Board has been established specifically to assist the scheme manager in securing compliance with scheme regulations, any other legislation relating to the governance and administration of the Scheme and the requirements imposed by the Pensions Regulator in relation to the Scheme therefore ensuring the effective and efficient governance and administration of the Scheme.</p>			
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OPERATIONAL RISKS	RISK STATUS			ACTION REQUIRED
Scheme Regulations and Pensions Law	RED	AMBER	GREEN	
Knowledge and Experience	RED	AMBER	GREEN	
Member Database	RED	AMBER	GREEN	Deputy Pension Fund Manager to provide Scheme employers with training on their statutory obligations.
Pension Payments	RED	AMBER	GREEN	
Paying Deceased Members	RED	AMBER	GREEN	
Systems	RED	AMBER	GREEN	
Receipt of Pension Contributions	RED	AMBER	GREEN	
Early Retirement Cases	RED	AMBER	GREEN	
Staffing Levels	RED	AMBER	GREEN	Under review. Pension Administration Manager currently recruiting to 3 posts.
Key People	RED	AMBER	GREEN	
Service Level Agreement	RED	AMBER	GREEN	Deputy Pension Fund Manager to provide Scheme employers with training on their statutory obligations and highlight requirements set out in the SLA
Communication	RED	AMBER	GREEN	
Third Party Operations	RED	AMBER	GREEN	
Assets	RED	AMBER	GREEN	
Investment Returns	RED	AMBER	GREEN	
Loss of Office Premises	RED	AMBER	GREEN	
Fraud	RED	AMBER	GREEN	
Cash Flows	RED	AMBER	GREEN	

Audit Reports	RED	AMBER	GREEN	
Documents	RED	AMBER	GREEN	
Meeting and Minutes	RED	AMBER	GREEN	
Conflicts	RED	AMBER	GREEN	
Business Plan	RED	AMBER	GREEN	
Delegation	RED	AMBER	GREEN	Schedules of delegations need to be reviewed for all aspects of the Pension Fund's duties.
Advisors	RED	AMBER	GREEN	
Insurance	RED	AMBER	GREEN	
STRATEGIC RISKS	RISK STATUS			ACTION REQUIRED
Funding Level	RED	AMBER	GREEN	The funding level is monitored closely and will be discussed in detail as part of the next triennial valuation as at 31 March 2016.
Employer Contribution Rates	RED	AMBER	GREEN	
Funding Targets	RED	AMBER	GREEN	
Investment Performance	RED	AMBER	GREEN	
Transitions	RED	AMBER	GREEN	
New Investments	RED	AMBER	GREEN	
Life Expectancy	RED	AMBER	GREEN	
Currency Risk	RED	AMBER	GREEN	
Interest Rate Risk	RED	AMBER	GREEN	
Inflation	RED	AMBER	GREEN	
Employer Covenant	RED	AMBER	GREEN	The Pension Fund Manager is undertaking a feasibility study to see if the Pension Fund can enter into an insurance policy designed to provide the Pension Fund with sufficient cover should a Scheme employer ceasing to be a member body of the Fund having sufficient funds to meet its obligations

Report for ACTION
Item Number: 8



Contains Confidential or Exempt Information	NO - Part I
Title	Adoption of Terms of Reference for the Berkshire Pension Board
Responsible Officer(s)	Kevin Taylor
Contact officer, job title and phone number	Kevin Taylor Deputy Pension Fund Manager 01628 796715
Member reporting	n/a
For Consideration By	Berkshire Pension Fund Board
Date to be Considered	26 November 2015
Implementation Date if Not Called In	n/a
Affected Wards	None
Keywords/Index	<i>Insert relevant key words</i>

<p>Report Summary</p> <p>The purpose of this report is to request the Board to formally adopt the Terms of Reference as now amended following discussions at the last Pension Board meeting on 3 August 2015.</p>
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If recommendations are adopted, how will residents, fund members and other stakeholders benefit?	
Benefits to residents, fund members and other stakeholders and reasons why they will benefit	Dates by which they can expect to notice a difference
1. Better governance and administration of the Pension Fund	Ongoing

1. Details of Recommendations

The Berkshire Pension Board was established in accordance with the requirements of the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations 2013 (as amended) by 1 April 2015. The Terms of Reference were discussed at the first meeting of the Board and have since been amended to reflect the points raised previously by the Board. The Board is now required to formally adopt the Terms of Reference as attached to this report.

RECOMMENDATION: That the Pension Board adopts the attached Terms of Reference.

2. Reason for Recommendation(s) and Options Considered

To enable the Pension Board to operate in line with its agreed Terms of Reference.

3. Key Implications

The Pension Board is required to operate in line with The Pensions Regulator's Code of Practice and other statutory legislation. Failure to do so could leave the Borough open to challenge.

4. Financial Details

There are no financial implications in agreeing to these Terms of Reference as all costs relating to the Pension Board are met by the Pension Fund.

5. Legal Implications

Should these Terms of Reference not be adopted the Borough would not meet its statutory obligations to have an operational Pension Board within 4 months from 1 April 2015. This may lead to a number of potential possibilities including the intervention of the Pensions Regulator, a judicial review, a complaint to the Local Government or Pensions Ombudsman for maladministration or an adverse comment by the Administering Authority auditor or national Scheme Advisory Board.

6. Value For Money

Not applicable.

7. Sustainability Impact Appraisal

There are no known implications.

8. Risk Management

The Terms of Reference need to be adopted to ensure the Borough fulfils its statutory obligations.

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

Must be agreed at this meeting to meet statutory deadline.

16. Appendices

See attached Terms of Reference.

17. Background Information

Local Government Pension Scheme Regulations 2013 (as amended), The Pensions Regulators Code of Practice, Shadow Scheme Advisory Board guidance.

Full name of report author	Job title	Full contact no:
Kevin Taylor	Deputy Pension Fund Manager	01628 796715



TERMS OF REFERENCE FOR PENSION BOARD MEMBERS

1 *Introduction*

This document sets out the Terms of Reference of the local Pension Board of the Royal Borough of Windsor & Maidenhead (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The local Pension Board is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).

The Pension Board is established by the Administering Authority and operates independently of the Pension Fund Panel and Pension Fund Advisory Panel. Relevant information about its creation and operation are contained in these Terms of Reference.

The Pension Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.

The Pension Board has been constituted separately to the Pension Fund Panel and the Pension Fund Advisory Panel and regulation 106(2) of the Local Government Pension Scheme Regulations 2013 (as amended) does not apply.

2 *Interpretation*

The following terms have the meanings as outlined below:

'the Act'	The Public Service Pensions Act 2013.
'the Administering Authority'	means the Royal Borough of Windsor & Maidenhead.
'the Code'	means the Pension Regulator's Code of Practice No. 14, governance and administration of public service pension schemes.
'the Pension Fund'	means the Royal County of Berkshire Pension Fund managed and administered by the Administering Authority.
'the Pension Fund Panel'	means the 'committee' who has delegated decision making powers for the Pension Fund in accordance with Section 101 of the Local Government Act 1972.
'the Regulations'	means the Local Government Pension Scheme Regulations 2013 (as amended), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations

2014 (as amended) including any earlier regulations as defined in these regulations to the extent that they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

‘Relevant legislation’

means relevant overriding legislation as well as the Pension Regulator’s Codes of Practice as they apply to the Administering Authority and the Pension Board notwithstanding that the Codes of Practice are not legislation.

‘the Scheme’

means the Local Government Pension Scheme in England and Wales.

3 Statement of Purpose

The purpose of the Pension Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:

- a) Secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme and requirements imposed by the Pension Regulator in relation to the Scheme; and
- b) To ensure the effective and efficient governance and administration of the Scheme.

4 Duties of the Pension Board

The Pension Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty, Pension Board members should be subject to and abide by the code of conduct for Pension Board members.

5 Establishment

The Pension Board is established in accordance with the Administering Authority’s Constitution as approved at a meeting of the Constitution Sub-Committee on 20 February 2015. Subsequent to its establishment the Pension Board may establish sub-committees.

6 Membership

In accordance with section 5(4)(c) of the Public Service Pensions Act 2013 the Pension Board is required to include employer representatives and member representatives in equal numbers.

The Pension Board shall consist of an Independent Chairperson (who does not have voting rights) and 6 voting members, as follows:

3 Scheme Member Representatives; and

3 Scheme Employer Representatives.

There shall be other representatives as required from time to time who are not entitled to vote.

For clarity, “Scheme Employer Representatives” means persons appointed to the Board for the purpose of representing Scheme employers for the Scheme and “Scheme Member Representatives” means persons appointed to the Board for the purpose of representing members of the Scheme.

Members of the Pension Board will commit to attending all scheduled meetings. Attendance records will be maintained (and published) in line with a schedule set out in Appendix 4 of this handbook.

7 Scheme Member Representatives

Scheme member representatives will be appointed from the overall scheme membership including active, deferred and retired members, following a transparent recruitment process open to all Scheme members and approved by the Administering Authority.

They should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

8 Scheme Employer Representatives

Scheme employer representatives shall be office holders or senior employees of the 6 Unitary Authorities in Berkshire as they represent the majority of the Scheme membership. No officer responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Pension Board.

Scheme employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

Substitutes may be appointed and must be named and must undertake the same training as full members.

9 Appointment of Chair

An Independent Chair shall be appointed for the Pension Board by the Administering Authority but shall count as an 'other' member and therefore does not have voting rights. In this respect the term independent means having no pre-existing employment, financial or other material interest in either the Administering Authority or any Scheme employer in the Pension Fund or not being a member (active, deferred or retired) of the Local Government Pension Scheme in Berkshire.

10 Duties of the Chair

The Chair to the Pension Board:

- a) Shall ensure the Pension Board delivers its purpose as set out in these Terms of Reference;
- b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered; and
- c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of failure to reach a consensus position will be recorded and published.

11 Notification of Appointments

When appointments to the Pension Board have been made the Administering Authority shall publish the names of the Pension Board members, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Pension Board.

12 Terms of Office

The term of office for Pension Board members is initially 1 year.

Extensions to terms of office may be made by the Administering Authority with the agreement of the Pension Board.

Pension Board membership may be terminated prior to the end of the term of office due to:

- a) A Scheme member representative appointed on the basis of their membership of the Scheme no longer being a member of the LGPS in Berkshire;
- b) A Scheme member representative no longer being a Scheme member or a representative of the body on which their appointment relied;
- c) A Scheme employer representative no longer holding the office or employment or being a member of the body on which their appointment relied;
- d) A Pension Board member no longer being able to demonstrate to the Administering Authority their capacity to attend and prepare for meetings and to participate in required training;
- e) The representative being withdrawn by the nominating body and a replacement identified;
- f) A Pension Board member has a conflict of interest which cannot be managed in accordance with the Pension Board's conflict policy;
- g) A Pension Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.

13 Conflicts of Interest

All members of the Pension Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflicts of interest arising as a result of their position on the Pension Board.

A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.

On appointment to the Pension Board and following any subsequent declaration of a potential conflict by a Pension Board member, the Administering Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Pension Board's conflict policy and the requirements of the Code.

14 Knowledge and Understanding (including Training)

Knowledge and understanding must be considered in light of the role of the Pension Board to assist the Administering Authority in line with the requirements outlined in paragraph 3 above. The Pension Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Pension Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how the knowledge and understanding is acquired, reviewed and updated.

Pension Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Pension Board's knowledge and understanding policy and framework.

Pension Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Pension Board.

15 Meetings

The Pension Board will meet 4 times each year.

Meetings shall normally take place between the hours of 10.00 and 14.00 at the offices of the Royal County of Berkshire Pension Fund.

As part of each meeting the Board will decide the need or otherwise for non-members to be invited to future meetings of the Board to give advice or guidance on matters arising from issues raised during the course of Pension Board meetings.

The Chair of the Pension Board with the consent of the Pension Board membership may call additional meetings. Urgent business of the Pension Board between meetings may, in exceptional circumstances, be conducted via communication between members of the Pension Board including telephone conferencing and emails.

16 Quorum

A meeting is only quorate when at least 50% of the Scheme member and Scheme employer representatives are present with at least one member being present from each group. For actions to be agreed the Chairperson must be in attendance. A meeting that becomes inquorate may continue but any decisions will be non-binding.

17 Sub-groups

There may be occasion to undertake sub-group meetings to complete a specific piece of work, or where data or preparation needs to be undertaken by a specific section of the Board. Any formed sub-groups will report to the main Pension Board who will agree and lead on the strategic direction of the activity being undertaken.

18 Board Administration

An officer employed in the Democratic Services department of the Administering Authority shall provide all secretarial services to the Pension Board.

The Chairperson of the Pension Board will agree an agenda prior to each meeting which, along with supporting papers, will be issued at least 10 working days (where practicable) in advance of the meeting except in the case of matters of emergency.

Each Pension Board member will provide an email address for circulation of all Pension Board documents all of which be provided electronically wherever possible and only in paper format upon request.

Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Pension Board members within 10 working days (where practicable) after the meeting. These draft minutes will be subject to formal agreement by the Pension Board at their next meeting. Any decisions made by the Pension Board should be noted in the minutes and in addition where the Pension Board was unable to reach a decision such occasions should also be noted in the minutes.

The minutes may with the agreement of the Pension Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as

specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

The Pension Board Chairperson shall ensure that Pension Board members meet and maintain the knowledge and understanding as determined in the Pension Board's Knowledge and Understanding Policy and Framework and other guidance and legislation.

The Pension Board Chairperson shall arrange such advice as is required by the Pension Board subject to such conditions as are listed in these Terms of Reference for use of the budget set for the Pension Board.

The Pension Board Chairperson shall ensure an attendance record is maintained along with advising the Administering Authority on allowances and expenses to be paid under these terms.

The Pension Board Secretary shall liaise with the Pension Board Chairperson and the Administering Authority on the requirements of the Pension Board, including advance notice for officers to attend and arranging dates and times of Pension Board meetings.

19 Public access to Pension Board meetings and information

The Pension Board meetings are open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).

The following will be entitled to attend Pension Board meetings in an observer capacity:

- a) Members of the Pension Fund Panel or Pension Fund Advisory Panel;
- b) Any person requested to attend by the Pension Board.

Any such attendees will be permitted to speak at the discretion of the Chairperson

In accordance with the Act the Administering Authority shall publish information about the Pension Board to include:

- a) The names of Pension Board members and their contact details;
- b) The representation of Scheme employers and Scheme members on the Pension Board;
- c) The role of the Pension Board;
- d) These Terms of Reference.

The Administering Authority shall also publish other information about the Pension Board including:

- a) Agendas and minutes;
- b) Training and attendance logs;
- c) An annual report on the work of the Pension Board to be included in the Pension Fund's own annual report.

All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- a) On the Pension Fund's own website;
- b) As part of the Pension Fund's Annual Report and Accounts;
- c) As part of the Governance Compliance Statement.

Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

20 Expenses and Allowances

The Pension Fund may meet the expenses of the Pension Board with the administering authority's policy on expenses. The Chair to the Pension Board will be remunerated on a time spent basis.

21 Budget

The Pension Board is to be provided with adequate resources to fulfil its role. In doing so the budget for the Pension Board will be met from the Pension Fund. The Pension Board will seek approval from the Administering Authority for any items of expenditure over and above the normal expenses and allowances set out in paragraph 20 above.

The Pension Board will access all shared information and have certain resources made available through the Berkshire Pension Fund website as maintained and facilitated by the scheme manager.

22 Reporting

The Pension Board should in the first instance report its requests, recommendations or concerns to the Pension Fund Panel. In support of this any member of the Pension Board may attend a meeting of the Pension Fund Panel as an observer.

The Pension Board should report any concerns over a decision made by the Pension Fund Panel to the Pension Fund Panel subject to the agreement of at least 50% of voting Pension Board members providing that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present where the meeting remains quorate.

On receipt of a report from the Pension Board setting out concerns over a decision they have made, the Pension Fund Panel should, within a reasonable period, consider and respond to the Pension Board.

Where the Pension Board is not satisfied with the response received it may request that a notice of its concern be placed on the Pension Fund's website and in the Pension Fund's annual report.

Where the Pension Board is satisfied that there has been a breach of regulation which has been reported to the Pension Fund Panel and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.

The appropriate internal route for escalation is to the Monitoring Officer.

The Pension Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.

23 Core functions

The first function of the Pension Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Pension Board may determine the areas that it wishes to consider including, but not restricted to:

- a) Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Pension Fund Panel;
- b) Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code;
- c) Review the compliance of Scheme employers with their duties under the Regulations and relevant legislation;
- d) Assist with the development of and continually review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles;
- e) Assist with the development of and continually review Scheme member and Scheme employer communications as required by the Regulations and relevant legislation;
- f) Monitor complaints and performance on the administration and governance of the Scheme;
- g) Assist with the application of the Internal Disputes Resolution Procedures;
- h) Review the complete and proper exercise of Pensions Ombudsman cases;
- i) Review the implementation of revised policies and procedures following changes to the Scheme;
- j) Review the arrangements for the training of Pension Board members and those elected members and officers with delegated responsibilities for management and administration of the Scheme;
- k) Review the complete and proper exercise of Scheme employer and Administering Authority discretions;
- l) Review the outcome of internal and external audit reports;
- m) Review draft accounts and Pension Fund annual report;
- n) Review the compliance of particular cases, projects or processes on request of the Pension Fund Panel;

- o) Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Pension Board deems appropriate.

The second core function of the Pension Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Pension Board may determine the areas it wishes to consider including but not restricted to:

- a) Assist with the development of improved customer services;
- b) Monitor the performance of administration, governance and investments against key performance targets and indicators;
- c) Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority;
- d) Monitor investment costs including custodian and transaction costs;
- e) Monitor internal and external audit reports;
- f) Review the risk register as it relates to the Scheme manager function of the Administering Authority;
- g) Assist with the development of improved management, administration and governance structures and policies;
- h) Review the outcome of actuarial reporting and valuations;
- i) Assist in the development and monitoring of process improvements on request from the Pension Fund Panel;
- j) Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code;
- k) Any other area within the statement of purpose (i.e. ensuring effective and efficient governance of the Scheme) the Pension Board deems appropriate.

In support of its core functions the Pension Board may make a request for information to the Pension Fund Panel with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.

In support of its core functions the Pension Board may make recommendations to the Pension Fund Panel which should be considered and a response made to the Pension Board on the outcome within a reasonable period of time.

24 *Review of Terms of Reference*

These Terms of Reference shall be reviewed on each material change to those parts of the Regulations and statutory guidance covering local Pension Boards and may be amended, varied or modified in writing after consultation and agreement by Board members. They will be reviewed annually to ensure continuing regulatory compliance and ongoing development of the Board members.

.....
Signed on behalf of the Administering Authority

.....
Signed on behalf of the Pension Board

Agenda Item 9



Report for ACTION
Item Number: 9

Contains Confidential or Exempt Information	NO - Part I
Title	Adoption of Code of Conduct and Conflicts of Interest Policy for the Berkshire Pension Board
Responsible Officer(s)	Kevin Taylor
Contact officer, job title and phone number	Kevin Taylor Deputy Pension Fund Manager 01628 796715
Member reporting	n/a
For Consideration By	Berkshire Pension Fund Board
Date to be Considered	26 November 2015
Implementation Date if Not Called In	n/a
Affected Wards	None
Keywords/Index	<i>Insert relevant key words</i>

<p>Report Summary</p> <p>The purpose of this report is to request the Pension Board to adopt the Code of Conduct and Conflicts of Interest Policy as now amended following discussions at the last Pension Board meeting on 3 August 2015.</p>

If recommendations are adopted, how will residents, fund members and other stakeholders benefit?	
Benefits to residents, fund members and other stakeholders and reasons why they will benefit	Dates by which they can expect to notice a difference
1. Better governance and administration of the Pension Fund	Ongoing

1. Details of Recommendations

The Berkshire Pension Board was established in accordance with the requirements of the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations 2013 (as amended) by 1 April 2015. The Code of Conduct and Conflicts of Interest Policies were discussed at the first meeting of the Board and have since been amended to reflect the points raised previously by the Board. The Board is now required to formally adopt these policies as attached to this report.

RECOMMENDATION: That the Pension Board adopts the attached Code of Conduct and Conflicts of Interest Policy.

2. Reason for Recommendation(s) and Options Considered

To enable the Pension Board to operate in line with its agreed Code of Conduct and Conflicts of Interest Policy.

3. Key Implications

The Pension Board is required to operate in line with The Pensions Regulators Code of Practice and other statutory legislation. Failure to do so could leave the Borough open to challenge.

4. Financial Details

There are no financial implications in agreeing to the Code of Conduct and Conflicts of Interest Policy as all costs relating to the Pension Board are met by the Pension Fund. The implementation of these policies will however help in mitigating the reputational risk should an issue arise which has not been identified or managed.

5. Legal Implications

There are no material legal implications.

6. Value For Money

Not applicable.

7. Sustainability Impact Appraisal

There are no known implications.

8. Risk Management

The Code of Conduct and Conflicts of Interest Policy needs to be adopted to ensure the Borough fulfils its statutory obligations.

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

Must be agreed at this meeting to meet statutory deadline.

16. Appendices

See attached Code of Conduct and Conflicts of Interest Policy.

17. Background Information

The Public Service Pensions Act 2013, The Local Government Pension Scheme Regulations 2013 (as amended), The Pensions Regulators Code of Practice, Shadow Scheme Advisory Board guidance.

Full name of report author	Job title	Full contact no:
Kevin Taylor	Deputy Pension Fund Manager	01628 796715



CODE OF CONDUCT FOR PENSION BOARD MEMBERS

Introduction

The Pension Board for the Royal County of Berkshire Pension Fund is established under Section 5 of the Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013 as inserted by The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 (S.I. 2015 No. 57).

This document sets out a code of conduct for members of the Board and applies to all members and any other invited regular attendees at Board meetings from all organisations.

Contents

- 1 Public service values
- 2 The role of the chair
- 3 Statutory responsibilities of Board members
- 4 Delegation
- 5 Responsibilities of individual Board members
- 6 Political activity
- 7 Conflicts of interest
- 8 Personal liability of Board members
- 9 Openness and responsiveness
- 10 Accountability for public funds

Schedule A	The seven principles of public life
Schedule B	Managing conflicts of interest
Schedule C	The register of Board members' interests: declaration form

1 Public Service Values

Members of the Pension Board will at all times:

- Observe the highest standards of propriety involving impartiality, integrity and objectivity in relation to the stewardship of public funds as held by the Pension Fund and the management of these funds with regard to all of the stakeholders that the Pension Board represents;
- Maximise value for money through ensuring that services are delivered in the most economical, efficient and effective way, within available resources, and with independent validation of performance achieved wherever practicable;
- Be accountable to the administering authority, all Pension Fund stakeholders and Pension Fund staff for the activities undertaken by the Pension Board in its stewardship of public funds and the extent to which its performance and objectives have been met;
- Ensure that the Pension Board is at all times compliant with statutory pension legislation and requirements imposed by the Pensions Regulator in relation to the Local Government Pension Scheme.

2 The Role of the Chair

The chair has particular responsibility for providing effective strategic leadership on matters such as:

- Formulating the Board's strategy for discharging its statutory duties;
- Encouraging high standards of propriety and promoting efficient and effective use of resources;
- Ensuring that the Board, in reaching decisions, takes proper account of statutory legislation, guidance issued by the Pensions Regulator and guidance provided by relevant officers for the administering authority;
- Representing the views of the Board to all relevant stakeholders and the wider general public;
- Providing an assessment of the performance of individual Board members, on request, when they are considered for re-appointment to the Board or for the appointment of new Board members upon application.

The chair will ensure that the Board meets at regular intervals throughout the year and that the minutes of meetings accurately record the decisions taken and, where appropriate, the views of individual board members.

The chair will ensure that all members of the Board are at all times compliant with the responsibilities and duties required of them and will promote training for all members of the Board and encourage attendance of these sessions. Furthermore the chair will ensure an induction programme is organised for all new Board members to attend.

3 Statutory Responsibilities of Board members

Members of the Board have statutory responsibility for assisting the administering authority in securing compliance with the Local Government Pension Scheme regulations, any other legislation relating to governance and administration of the Scheme and any requirements imposed by the Pensions Regulator in relation to the Scheme.

Board members must:

- Ensure that high standards of governance and administration are observed and maintained at all times;
- Ensure that the Board operates within the limits of its statutory authority and any other conditions laid down by the Pensions Regulator;
- Ensure that, in reaching decisions, the Board has taken into account any guidance issued by the appropriate professional advisor;
- Ensure that all policies and practices upon which the Board advises meet with key strategic objectives of the administering authority.

The chair and other members of the Board should each have copies of, or have easy access to:

- The Pension Board member's Handbook (including this Code of Conduct);
- The Local Government Pension Scheme Regulations 2013 (and associated legislation);
- All Pension Fund governance and administration policies;
- The Pension Fund's current Business Plan;
- The Pension Fund's Business Continuity Plan;
- The latest version of the Pension Fund's Annual Report and Accounts;
- The most recent Actuarial Valuation Report.

4 Delegation

To the extent permitted by the Public Service Pension Act 2013, the Superannuation Act 1972 and current Local Government Pension Scheme regulations, responsibility for the day-to-day management and administration of the Scheme is delegated to officers of the Royal Borough of Windsor & Maidenhead.

The Royal Borough has a written Constitution as required by section 37 of the Local Government Act 2000. Section D of Part 6 of the Constitution sets out the delegated powers under which the Pension Board may operate with regard to Pension Fund investments and the functions delegated to officers involved in managing the Pension Fund.

Decisions taken by individual members or sub-committees of the Board under delegated powers will be recorded in written minutes available to the Board as a whole.

5 Responsibilities of Individual Board members

Individual Board members should be aware of their wider responsibilities as members of the Board. Like others who serve the public, they should follow the Seven Principles of Public Life set out by the Committee on Standards in Public Life and which is replicated in Schedule A to this Code of Conduct. Board members must:

- Ensure that high standards of probity are observed at all times;
- Undertake on appointment to comply at all times with this Code of Conduct and with rules relating to the use of public funds;
- Play a full and active role in the work of the Pension Board and act in good faith and in the best interests of the Pension Board;
- Respect the principle of collective decision-making and statutory responsibility and once the Board has made a decision, members should support that decision;
- Deal with all stakeholders fairly, efficiently, promptly, effectively and sensitively and not act in a way that unjustifiably favours or discriminates against particular individuals or interests;
- Not misuse information gained in the course of their public service for personal gain or for political purpose, nor seek to use the opportunity of public service to promote private interests or those of connected persons, firms, businesses or other organisations;
- Declare to the chair any private interests which may be perceived to conflict with their public duties;
- Not misuse official resources (including facilities, equipment, stationery, telephony and other services) for personal gain or for political purposes;
- Comply with any statutory or administrative requirements relating to membership of the Board;
- Ensure that they comply with the requirements of Confidentiality, Disclosure of Information and Data Protection regulations both whilst a member of the Board of once having left the Board.

6 Political Activity

Whilst there is no restriction placed on members of the Pension Board with regard to political activity members of the Board should:

- Be conscious of their responsibilities and seek to abide by the Seven Principles of Public Life (set out in Schedule A – selflessness; integrity; objectivity, accountability, openness, honesty, leadership);
- Exercise a proper discretion in relation to the work of the Pension Board and agree not to make political speeches or engage in other political activities that relate directly to pension policy or pension regulations;

- Remain alert to the possibility of a conflict between their political interests and their role on the Pension Board and declare such conflicts as they may arise.

All Board members are expected to:

- Consult the Chair of the Board if they have any queries or doubts in relation to these requirements;
- Inform the Chair of the Board before undertaking any significant political activity; and
- Understand that their appointment as a Board member may be terminated if, in the view of the Chair of the Board, the positions are incompatible.

7 Conflicts of Interest

Board members are entitled to manage their own affairs in privacy. However, their work for the Board must be carried out in an environment that is free from any suggestion of improper influence. Those providing information must be confident that it will be properly handled and conflicts of interest must be identified immediately they arise and be properly managed.

Board members must take steps to ensure that any conflict of interest which they may be subject to does not affect a decision taken by the Pension Board.

The chair and other Board members are expected to declare any personal or business interests which may conflict with their responsibilities as Board members.

There are two key requirements:

- 1 to declare any potential conflict of interest which arises in the course of their work as a Board member, whenever it becomes relevant;
- 2 to complete a declaration of interests.

Guidance on these requirements is set out in Schedule B with a declaration form for the registration of Board member interests found in Schedule C.

8 Personal Liability of Board members

The Government has indicated that individual members of the boards of public bodies who have acted honestly and in good faith will not have to meet out of their own personal resources any personal civil liability which is incurred in execution or purported execution of their board functions, save where the person has acted recklessly.

9 Openness and Responsiveness

The administering authority is subject to a number of legal requirements in relation to the information it holds including the Public Service Pension Act 2013, the Freedom of Information Act 2000 and the Data Protection Act 1998. Subject to these requirements, Board members are expected to conduct all their dealings in an open and responsible way. This should include:

- Making publicly available annual reports;
- Where practical and appropriate, holding open meetings;

- Releasing minutes or summary reports of meetings;
- Following best practice in making available information to all stakeholders and the public in general through the Berkshire Pension Fund website;
- Maintaining well publicised and easy-to-use complaints procedures.

10 *Accountability for Public Funds*

Board members have a duty to ensure the safeguarding of public funds and the proper custody of assets which have been publicly funded. They must carry out their fiduciary responsibilities effectively and at all times conduct its operations as economically and efficiently as possible with full regard the relevant statutory provisions set out by the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations 2013.

The Board should ensure that it can demonstrate that its resources are used to good effect, with propriety, and without grounds for criticism that public funds are being used for private, partisan or political purposes.

SCHEDULE A – The seven principles of public life

Selflessness

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merits.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

SCHEDULE B – Managing conflicts of interest

This schedule provides guidance as follows:

- 1 What is a conflict of interest?
- 2 The register of Board members' interests;
- 3 Definition of terms used in this schedule;
- 4 Definition of terms used in the register of interests declaration form.

1 What is a conflict of interest?

A conflict of interest arises when the work carried out on behalf of the Pension Board could be affected by a personal interest or personal association. It becomes significant if an independent third party might reasonably take the view that there is a risk that a Board member's resultant actions (or those of a personal associate) might be affected, whether or not they are affected.

Conflicts of interest may arise for example as a result of:

- A direct or indirect financial interest;
- A direct or indirect financial interest held by a commercial undertaking with which the Board member has connections;
- A significant relationship with those affected or likely to be affected by the matter;
- The interests of a connected person;
- An expectation of future interest (for example, future employment);
- In some cases, a previous association on the matter;
- An interest arising from a common interest grouping, such as a trade association, trades union membership or other private society.

The common law requires:

- That members of public bodies should not participate in the discussion or determination of matters in which they have a direct pecuniary interest; and
- That when an interest is not of a direct pecuniary kind, members should consider whether participation in the discussion or determination of a matter would suggest a real danger of bias. This should be interpreted in the sense that members might either unwittingly or otherwise unfairly regard with favour or disfavour the case of a party to the matter under consideration. In considering whether a real danger of bias exists in relation to a particular decision, members should assess whether they, or connected persons, are likely to be affected more than the generality of those affected by the decision in question.

Where, in accordance with the above, members do not participate in the discussion or determination of a matter, they should withdraw from the meeting, even if held in public,

when requested to do so by the chair of the meeting. This is because the continued presence of someone who has declared an interest might be thought likely to influence the judgement of other members present.

Whether or not Board members are able, in light of the consideration above, to participate in the discussion or determination of a matter, they should declare as soon as practicable after a meeting begins if they have an interest, pecuniary or other, in a matter being considered. They should also disclose any interests in it which they are aware on the part of connected persons and persons living in the same households as the Board member. In addition, Board members should consider whether they need to disclose relevant interests of other persons or organisations which members of the public might reasonably think could influence the member's judgement.

In addition to the disclosures in the register of interests, Board members also have a duty to declare to the chair any potential conflict of interest which arises in the course of their work whenever it becomes relevant.

2 *Personal dealings in shares and related investments*

Board members are expected to observe the highest standards in relation to their personal dealings and should declare any conflicts of interest that they feel may arise as a result of carrying out their work for the Pension Board.

All information relating to these arrangements will be treated as confidential.

3 *The register of board members' interests*

The purpose of this register is to ensure that the administering authority has a record of Board members' declarations of interest. It provides a mechanism whereby possible conflicts of interests can be identified. The existence of the register does not remove the obligation on Board members to declare interests as they arise in the course of the Board's work.

The register will list all interests that stakeholders and members of the public in general might reasonably think could influence Board members' judgement:

- Direct pecuniary interests;
- Indirect pecuniary interests (indirect pecuniary interests arise from connections with bodies which have a direct pecuniary interest or from being a partner of, or being employed by, a person with such interests);
- Non-pecuniary interests that relate closely to the Pension Fund's activities.

The register will be held by the administering authority. A summary of the register will be published and may be disclosed to the internal auditor, the administering authority's complaints adjudicator or the Secretary of State in the event that a complaint is raised concerning the conduct or judgement of a Board member.

Board members are expected to ensure their register of interests declaration is kept up to date.

4 Definitions

4.1 Terms used in Schedule B

Dealings	includes purchase, sales, subscriptions, acceptance of take-over and other offers and all other methods of acquiring or disposing of shares and related investments or any rights or interests in shares and related investments.
Significant relationship	means a relationship which an independent third party might reasonably consider could affect the actions taken or the actions taken by a personal associate (whether or not it does actually affect the actions taken).
Connected persons	means spouses and partners, children and step-children under the age of 18, persons for whom Board members take significant financial decisions and trusts of which a Board member is a 'trustee'.
Share and related investments	there is no requirement to seek permission to deal or to declare an interest in relation to collective investment schemes (such as unit trusts and OEICS including any held in a general PEP or ISA) and other investments where the Board member has no direct influence on the management of the investment.
Relevant organisation	means those companies or any company within the same group of companies, either seeking to be or currently listed in the UK and/or quoted and/or regulated in the UK as appropriate and includes those seeking clearance, or the subject or monitoring, enforcement or any other regulatory intervention by the Pensions Regulator.

4.2 Terms used in the register of interests declaration form

Current employment or office	refers to any post, other employment or fiduciary positions held by a Board member or held by a Board member in the past five years in connection with a relevant organisation.
Directorships	means remunerated directorships of companies, public or private, other remunerated posts and public appointments currently held by a Board member or connected persons and which come within the Pension Fund's sphere of operation.
Non-profit organisation	refers to offices held by a Board member in non-profit making organisations or trade associations or bodies whose activities could come within the Pension Fund's sphere of operations and responsibilities.

Consultancies and sponsorships refers to any current professional clients of a Board member whose business interests could come within the sphere or work of the Pension Fund.

Declarable shareholdings means the names of companies or other bodies in which a Board member has a beneficial interest or shareholding. This does not include shareholdings through collective investment schemes (e.g. unit trusts) or other arrangements where the member has no influence on financial management of the investment.

Occupational pension schemes means the names of any occupational pension scheme of which a Board member or connected person is a scheme member or 'trustee' or in which they hold office.

Personal/stakeholder pensions refers to the names of providers of personal or stakeholder pensions held by a Board member or a connected person.

SCHEDULE C – Register of Board members’ interests

Declaration Form

Name	
Education/Professional Qualifications/Decorations	
Trade or Profession	
Current employment or office	
Directorships	
Non-profit organisations with a link to the Berkshire Pension Fund	
Consultancies and sponsorships	
Trades union membership	
Occupational pension schemes	
Personal or stakeholder pensions	

Signed: _____

Date: _____



Report for ACTION
Item Number: 10

Contains Confidential or Exempt Information	NO - Part I
Title	Training Plan for the Berkshire Pension Board
Responsible Officer(s)	Kevin Taylor
Contact officer, job title and phone number	Kevin Taylor Deputy Pension Fund Manager 01628 796715
Member reporting	n/a
For Consideration By	Berkshire Pension Fund Board
Date to be Considered	26 November 2015
Implementation Date if Not Called In	n/a
Affected Wards	None
Keywords/Index	Pension Board

<p>Report Summary</p> <p>The purpose of this report is to request the Board to formally adopt the training plan and framework as now amended following discussions at the last Pension Board meeting on 3 August 2015.</p>

If recommendations are adopted, how will residents, fund members and other stakeholders benefit?	
Benefits to residents, fund members and other stakeholders and reasons why they will benefit	Dates by which they can expect to notice a difference
1. Better governance and administration of the Pension Fund	Ongoing

1. Details of Recommendations

In accordance with the Pension Regulators Code of Practice No. 14 (Governance and Administration of Public Service Pension Schemes) every individual member of the Berkshire Pension Board must:

- a) Be conversant with:
 - i) the rules of the Local Government Pension Scheme (LGPS), in other words the Regulations and other regulations governing the

- ii) LGPS (including the Transitional Regulations, the Investment Regulations and earlier regulations as they still apply); and
 - ii) any document recording policy about the administration of the Pension Fund, and
- b) Have the knowledge and understanding of:
- i) the law relating to pensions; and
 - ii) such other matters as may be prescribed.

The Pension Board must develop a training policy to meet the statutory requirements of ensuring all of its members have capacity to fulfil their obligations associated with their role.

The attached framework has been redesigned to take account of members' previous comments so that Board members gain the knowledge and understanding required of them in a structured way.

RECOMMENDATION: The Berkshire Pension Board is asked to approve the attached training framework.

2. Reason for Recommendation(s) and Options Considered

Pension Board members are required to have a 'working knowledge' of the Scheme and associated pension legislation in order to carry out their duties. It is implicit that Members of the Board understand their responsibilities and obligations as set out in the Terms of Reference and Members need to be able to challenge any failure to comply with the Scheme rules.

Pension Board members must continuously analyse their own training needs and personal development to ensure that they are confident in fulfilling their legal responsibilities.

3. Key Implications

Pension Board Members have a legal duty to fulfil their obligations with regard to the level of knowledge and understanding required. Failure to achieve this could lead to a loss of public confidence.

4. Financial Details

Failure by the Board to fulfil its statutory responsibilities could lead to fines being imposed by the Pensions Regulator.

5. Legal Implications

Failure by the Board to meet its statutory obligations under legislation could lead to a number of potential possibilities including the intervention of the Pensions Regulator, a judicial review, a complaint to the Local Government or Pensions Ombudsman or an adverse comment by the Administering Authority auditor or the national Scheme Advisory Board.

6. Value For Money

Not relevant.

7. Sustainability Impact Appraisal

There are no known implications.

8. Risk Management

Members of the Pension Board to be clear as to the legal responsibilities placed upon them in order to mitigate the risk of the Board being ineffective.

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

Immediate.

16. Appendices

None.

17. Background Information

Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 (as amended), The Pensions Regulator's Code of Practice, Shadow Scheme Advisory Board guidance.

Full name of report author	Job title	Full contact no:
Kevin Taylor	Deputy Pension Fund Manager	01628 796715

A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

1. TPR public service toolkit

- a. Conflicts of Interest
- b. Managing Risk and internal controls
- c. Maintaining accurate data
- d. Maintaining member contributions
- e. Providing information to members and others
- f. Resolving internal disputes
- g. Reporting breaches of the law

2. TPR Code of Practice No. 14: Governance and administration of public service pension schemes

- a. Governing your scheme
 - i. Knowledge and understanding required by pension board members
 - ii. Conflicts of interest and representation
 - iii. Publishing information about schemes
- b. Managing risks
 - i. Internal controls
 - ii. Managing risks
 - iii. Risk register
- c. Administration
 - i. Scheme record-keeping
 - ii. Maintaining contributions
 - iii. Providing information to members
- d. Resolving issues
 - i. Internal dispute resolution
 - ii. Reporting breaches of the law

3. Pensions legislation

- a. The legislative framework for pensions in the UK
- b. Specific LGPS regulations and statutory guidance
 - i. Understanding scheme membership and eligibility
 - ii. Understanding scheme benefits
- c. LGPS discretions and their impact on the pension fund, employers and local taxpayers
- d. Keeping up to date with changes to the rules
- e. Other related legislation
 - i. The Public Service Pensions (Record Keeping and Miscellaneous Amendment) Regulations 2014
 - ii. The Occupational and Personal (Disclosure of Information) Regulations 2013
 - iii. The Occupational Pension Schemes (Miscellaneous Amendments) Regulations 2000
 - iv. Part 8 of the Finance Act 2004

4. Pensions governance

- a. Understanding the governance structure, nationally and locally, and the roles each body plays
 - i. DCLG (Responsible Authority)
 - ii. The Administering Authority (Scheme Manager)
 - iii. The Scheme Advisory Board
 - iv. The Pensions Regulator
 - v. The Pensions Advisory Service
 - vi. The Pensions Ombudsman
 - vii. The Government Actuary
- b. Knowledge of the stakeholders of the pension fund and the nature of their interests
- c. Knowledge of consultation, communication and involvement options relevant to the stakeholders
- d. Governance policies
 - i. Cash management
 - ii. Due diligence
 - iii. Funding Strategy Statement
 - iv. Governance Compliance Statement
 - v. Investment Philosophy
 - vi. Statement of Investment Principles

5. Pensions administration

- a. Understanding best practice in pensions administration e.g. performance and cost measures
- b. Understanding the required and adopted scheme policies and procedures relating to:
 - i. Pension Administration Strategy
 - ii. Member data maintenance and record-keeping processes
 - iii. Contribution collection
 - iv. Scheme communications policy, documents and materials
 - v. Service Level Agreements
- c. Knowledge of how the pension fund interacts with HMRC
- d. Additional Voluntary Contributions – operation, investment choices, performance and payment schedule
- e. The role of the scheme employer
- f. Stewardship report

6. Pensions accounting and auditing standards

- a. An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice
- b. An understanding of the role of both internal and external audit
- c. An understanding of the roles played by third parties

7. Investment performance and risk management

- a. An understanding of the importance of monitoring asset returns relative to liabilities and a broad understanding of ways of assessing long-term risks
- b. An awareness of the Myners principles of performance management and the approach adopted by the administering authority
- c. Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime
- d. An understanding of the risk and return characteristics of the main asset classes and their role in long-term pension fund investing
- e. A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks
- f. An understanding of the limits placed by regulation on the investment activities of local government funds
- g. An understanding of how the pension fund interacts with HMRC and overseas taxation systems in relation to investments

8. Actuarial methods, standards and practices

- a. A general understanding of the role of the fund actuary
- b. Knowledge of the valuation process and inter-valuation monitoring
- c. An awareness of the importance of monitoring early and ill health strain costs
- d. An understanding of the implications of admitting new employers to the fund and the cessation of those employers
- e. A general understanding of the relevant considerations in relation to outsourcings and bulk transfers
- f. A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers

9. Pension services procurement and relationship management

- a. Current public procurement policy and procedures
- b. Brief overview of UK and EU procurement legislation
- c. Awareness of how the pension fund monitors and manages the performance of their outsourced providers

KNOWLEDGE AND UNDERSTANDING: TRAINING FRAMEWORK

UNIT 1: THE PENSION REGULATOR'S PUBLIC SECTOR ONLINE TOOLKIT

LEARNING NEEDS ANALYSIS		PERSONAL DEVELOPMENT		
Knowledge required	Rate my skills 1 = no knowledge 5 = highly skilled	Training requirements	Timescale	Where to go next
1A: Conflicts of interest	1 2 3 4 5			
1B: Managing risk and internal controls	1 2 3 4 5			
1C: Maintaining accurate data	1 2 3 4 5			
1D: Maintaining member contributions	1 2 3 4 5			
1E: Providing information to members and others	1 2 3 4 5			
1F: Resolving internal disputes	1 2 3 4 5			
1G: Reporting breaches of the law	1 2 3 4 5			

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KNOWLEDGE AND UNDERSTANDING: TRAINING FRAMEWORK

UNIT 2: TPR CODE OF PRACTICE No.14: GOVERNANCE AND ADMINISTRATION OF PUBLIC SERVICE PENSION SCHEMES

LEARNING NEEDS ANALYSIS		PERSONAL DEVELOPMENT		
Knowledge required	Rate my skills 1 = no knowledge 5 = highly skilled	Training requirements	Timescale	Where to go next
2A: Governing your Scheme				
i) Knowledge and understanding required by pension board members	1 2 3 4 5			
ii) Conflicts of interest and representation	1 2 3 4 5			
iii) Publishing information about schemes	1 2 3 4 5			
2B: Managing Risks				
i) Internal controls	1 2 3 4 5			
ii) Risk management	1 2 3 4 5			

iii) Risk register	1	2	3	4	5			
2C: Administration								
i) Scheme record-keeping	1	2	3	4	5			
ii) Maintaining contributions	1	2	3	4	5			
iii) Providing information to members	1	2	3	4	5			
2D: Resolving issues								
i) Internal disputes resolution	1	2	3	4	5			
ii) Reporting breaches of the law	1	2	3	4	5			

KNOWLEDGE AND UNDERSTANDING: TRAINING FRAMEWORK						
UNIT 3: PENSIONS LEGISLATION						
LEARNING NEEDS ANALYSIS			PERSONAL DEVELOPMENT			
		Rate my skills 1 = no knowledge 5 = highly skilled	Training requirements	Timescale	Where to go next	
176	Knowledge required					
3A:	The legislative framework for pensions in the UK	1	2	3	4	5
3B:	Specific LGPS regulations and statutory guidance					
i)	Understanding scheme membership and eligibility	1	2	3	4	5
ii)	Understanding scheme benefits	1	2	3	4	5
3C:	LGPS discretions and their impact on the pension fund, employers and local taxpayers	1	2	3	4	5
3D:	Keeping up to date with changes to the rules	1	2	3	4	5
3E:	Other related legislation					
i)	The Public Service Pensions (Record Keeping and Miscellaneous Amendment) Regulations 2014	1	2	3	4	5
ii)	The Occupational and Personal (Disclosure of Information)	1	2	3	4	5

Regulations 2013					
iii) The Occupational Pension Schemes (Miscellaneous Amendments) Regulations 2000	1	2	3	4	5
iv) Part 8 of The Finance Act 2004	1	2	3	4	5

KNOWLEDGE AND UNDERSTANDING: TRAINING FRAMEWORK					
UNIT 4: PENSIONS GOVERNANCE					
LEARNING NEEDS ANALYSIS			PERSONAL DEVELOPMENT		
<i>Knowledge required</i>	<i>Rate my skills</i> 1 = no knowledge 5 = highly skilled				
	<i>Training requirements</i>		<i>Timescale</i>		<i>Where to go next</i>
4A: Understanding the governance structure, nationally and locally, and the role each body plays	1	2	3	4	5
i) DCLG (Responsible Authority)	1	2	3	4	5
ii) The Administering Authority (Scheme Manager)	1	2	3	4	5
iii) The Scheme Advisory Board	1	2	3	4	5
iv) The Pensions Regulator	1	2	3	4	5
v) The Pensions Advisory Service (TPAS)	1	2	3	4	5
vi) The Pensions Ombudsman	1	2	3	4	5
vii) The Government Actuary	1	2	3	4	5
4B: Knowledge of the stakeholders of the pension fund and the nature of their interests	1	2	3	4	5
4C: Knowledge of consultation, communication and involvement options relevant to the stakeholders	1	2	3	4	5
4D: Governance policies	1	2	3	4	5
i) Cash management	1	2	3	4	5

ii) Due diligence	1	2	3	4	5		
iii) Funding Strategy Statement	1	2	3	4	5		
iv) Governance Compliance Statement	1	2	3	4	5		
v) Investment Philosophy	1	2	3	4	5		
vi) Statement of Investment Principles	1	2	3	4	5		

KNOWLEDGE AND UNDERSTANDING: TRAINING FRAMEWORK							
UNIT 5: PENSIONS ADMINISTRATION							
LEARNING NEEDS ANALYSIS					PERSONAL DEVELOPMENT		
<i>Knowledge required</i>	<i>Rate my skills</i> 1 = no knowledge 5 = highly skilled				<i>Training requirements</i>	<i>Timescale</i>	<i>Where to go next</i>
5A: Understanding best practice in pensions administration	1	2	3	4	5		
5B: Understanding the required and adopted scheme policies and procedures							
5C: Understanding the required and adopted scheme policies and procedures							
i) Pension Administration Strategy	1	2	3	4	5		
ii) Member data maintenance and record-keeping process	1	2	3	4	5		
iii) Contribution collection	1	2	3	4	5		
iv) Scheme communications policy, documents and materials	1	2	3	4	5		
v) Service Level Agreement	1	2	3	4	5		
5C: Knowledge of how the pension fund interacts with HMRC	1	2	3	4	5		
5D: Additional Voluntary Contributions – operation, investment choices, performance and payment schedule	1	2	3	4	5		
5E: The role of the scheme employer	1	2	3	4	5		
5F: Stewardship report	1	2	3	4	5		

KNOWLEDGE AND UNDERSTANDING: TRAINING FRAMEWORK

UNIT 6: PENSIONS ACCOUNTING AND AUDITING STANDARDS

LEARNING NEEDS ANALYSIS		PERSONAL DEVELOPMENT		
		<i>Rate my skills</i> 1 = no knowledge 5 = highly skilled	<i>Training requirements</i>	<i>Timescale</i>
Knowledge required				
6A: Understanding the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice	1 2 3 4 5			
6B: Understanding the role of both internal and external audit	1 2 3 4 5			
6C: Understanding the roles played by third parties	1 2 3 4 5			

KNOWLEDGE AND UNDERSTANDING: TRAINING FRAMEWORK

UNIT 7: INVESTMENT PERFORMANCE AND RISK MANAGEMENT

LEARNING NEEDS ANALYSIS		PERSONAL DEVELOPMENT		
		<i>Rate my skills</i> 1 = no knowledge 5 = highly skilled	<i>Training requirements</i>	<i>Timescale</i>
Knowledge required				
7A: Understanding the importance of monitoring asset returns relative to liabilities and a broad understanding of ways of assessing long-term risks	1 2 3 4 5			
7B: Awareness of the Myrers principles of performance management and the approach adopted by the administering authority	1 2 3 4 5			
7C: Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime	1 2 3 4 5			
7D: Understanding of the risk and return characteristics of the main asset classes and their role in long-term pension fund investing	1 2 3 4 5			
7E: Understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks	1 2 3 4 5			

7F: Understanding of the limits placed by regulation on the investment activities of local government funds	1	2	3	4	5		
7G: Understanding of how the pension fund interacts with HIMRC and overseas taxation systems in relation to investments	1	2	3	4	5		

KNOWLEDGE AND UNDERSTANDING: TRAINING FRAMEWORK							
UNIT 8: ACTUARIAL METHODS, STANDARDS AND PRACTICES							
LEARNING NEEDS ANALYSIS				PERSONAL DEVELOPMENT			
<i>Knowledge required</i>	<i>Rate my skills</i> 1 = no knowledge 5 = highly skilled			<i>Training requirements</i>	<i>Timescale</i>	<i>Where to go next</i>	
8A: General understanding of the role of the fund actuary	1	2	3	4	5		
8B: Knowledge of the valuation process and inter-valuation monitoring	1	2	3	4	5		
8C: Awareness of the importance of monitoring early and ill health strain costs	1	2	3	4	5		
8D: Understanding the implications of admitting new employers to the fund and the cessation of those employers	1	2	3	4	5		
8E: General understanding of the relevant considerations in relation to outsourcings and bulk transfers	1	2	3	4	5		
8F: General understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers	1	2	3	4	5		

KNOWLEDGE AND UNDERSTANDING: TRAINING FRAMEWORK							
UNIT 9: PENSION SERVICES PROCUREMENT AND RELATIONSHIP MANAGEMENT							
LEARNING NEEDS ANALYSIS				PERSONAL DEVELOPMENT			
<i>Knowledge required</i>	<i>Rate my skills</i> 1 = no knowledge 5 = highly skilled			<i>Training requirements</i>	<i>Timescale</i>	<i>Where to go next</i>	
9A: Current public procurement policy and procedures	1	2	3	4	5		

9B: Brief overview of UK and EU procurement legislation	1	2	3	4	5			
9C: Awareness of how the pension fund monitors and manages the performance of their outsourced providers	1	2	3	4	5			

Report for ACTION
Item Number: 11



Contains Confidential or Exempt Information	NO - Part I
Title	Reporting Breaches of the Law
Responsible Officer(s)	Kevin Taylor
Contact officer, job title and phone number	Kevin Taylor Deputy Pension Fund Manager 01628 796715
Member reporting	n/a
For Consideration By	Berkshire Pension Fund Board
Date to be Considered	26 November 2015
Implementation Date if Not Called In	n/a
Affected Wards	None
Keywords/Index	Pension Board

Report Summary
 The purpose of this report is to outline the legal requirement of Pension Board members to report breaches of the law and for the Board to adopt a traffic light framework for recording breaches as now amended following discussions at the last Pension Board meeting on 3 August 2015.

If recommendations are adopted, how will residents, fund members and other stakeholders benefit?	
Benefits to residents, fund members and other stakeholders and reasons why they will benefit	Dates by which they can expect to notice a difference
1. Better governance and administration of the Pension Fund	Ongoing

1. Details of Recommendations

To enable Pension Board members to fulfil their legal duty in reporting breaches of the law and to provide an overview of the requirements and responsibilities in identifying breaches and how they should be reported.

RECOMMENDATION: The Berkshire Pension Board is asked to:

- a) Accept the guide to reporting breaches of the law (attached to this report); and

- b) Adopt the traffic light framework for recording breaches as attached to this report.

2. Reason for Recommendation(s) and Options Considered

Anyone connected with the management and administration of the Berkshire Pension Fund, including Pension Board Members, has a legal duty under Section 70 of the Pensions Act 2004, to report any breaches of the law to the Pensions Regulator where they consider that they have a reasonable cause to believe that a legal duty which is relevant to the administration of the Scheme has not been, or is not being, complied with and that failure to comply is likely to be of material significance to the Pensions Regulator in the exercise of its functions.

3. Key Implications

The key implications of this legal duty, including details of who is required to report breaches of the law, what must be reported, the procedures for reporting and what a failure to report a breach means, are all included in the attached guide.

4. Financial Details

Failure by any person to comply with their obligation to report breaches of the law can result in the Pensions Regulator issuing a fine. However, it is not considered that there is any financial implication attached to this report.

5. Legal Implications

Failure by the Board to meet its statutory obligations under legislation could lead to a number of potential possibilities including the intervention of the Pensions Regulator, a judicial review, a complaint to the Local Government or Pensions Ombudsman or an adverse comment by the Administering Authority auditor or the national Scheme Advisory Board.

6. Value For Money

Not relevant.

7. Sustainability Impact Appraisal

There are no known implications.

8. Risk Management

Members of the Pension Board to be clear as to the legal responsibilities placed upon them in order to mitigate the risk of the Board being ineffective.

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

Immediate.

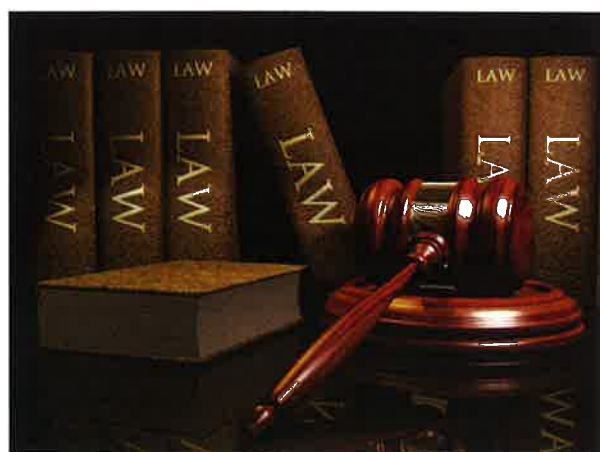
16. Appendices

None.

17. Background Information

Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 (as amended), The Pensions Regulator's Code of Practice, Shadow Scheme Advisory Board guidance.

Full name of report author	Job title	Full contact no:
Kevin Taylor	Deputy Pension Fund Manager	01628 796715



REPORTING BREACHES OF THE LAW



The Pensions Regulator

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1 INTRODUCTION

The Local Government Pension Scheme (LGPS) is a public service pension scheme which is highly regulated not only by scheme regulation but also by wider-reaching legislation.

In Berkshire the LGPS is governed by the Royal Borough of Windsor & Maidenhead as the administering authority (scheme manager) to the Royal County of Berkshire Pension Fund. The general powers and duties of the administering authority lie with the Pension Fund Panel as set out in Part 6 Section D of the Council's Constitution. The Pension Fund Panel is assisted by the Pension Fund Advisory Panel and also the Pension Board established in accordance with the Public Service Pensions Act 2013 and Regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).

A Local Government Pension Fund has a different legal status when compared to trust based schemes in the private sector and so the Royal County of Berkshire Pension Fund does not have, in the strictest meaning, trustees. However, those making decisions on behalf of the administering authority are required, in many ways, to act as if they were trustees in terms of their duty of care.

Following a review of public service pension provision by Lord Hutton of Furness in 2011, a number of recommendations were made to the Government on how to ensure that public service pension schemes remain sustainable and affordable in the future. These recommendations were carried forward into the Public Service Pensions Act 2013 resulting in changes to the LGPS regulations with effect from 1 April 2014.



The result of all of this is that the LGPS, and public service pension schemes in general, are now under greater scrutiny than ever before. The Public Service Pensions Act 2013 introduced the framework for the governance and administration of public service pension schemes and provided an extended regulatory oversight to the Pensions Regulator.

2 THE REQUIREMENT TO REPORT BREACHES OF THE LAW

Under Section 70 of the Pensions Act 2004 (see below), certain people are required to report breaches of the law to the Pensions Regulator where they consider that they have a reasonable cause to believe that a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with and that failure to comply is likely to be of material significance to the Pensions Regulator in the exercise of its functions.

Not all breaches need to be reported to the Pensions Regulator, only those where there is likely to be a material significance, but all breaches should be recorded and retained for future reference.

70. Duty to report breaches of the law.

- (1) Subsection (2) imposes a reporting requirement on the following persons—
 - (a) a trustee or manager of an occupational or personal pension scheme;
 - (aa) a member of the pension board of a public service pension scheme;
 - (b) a person who is otherwise involved in the administration of an occupational or personal pension scheme;
 - (c) the employer in relation to an occupational pension scheme;
 - (d) a professional adviser in relation to such a scheme;

- (e) a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.
- (2) Where the person has reasonable cause to believe that—
- (a) a duty which is relevant to the administration of the scheme in question, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with, and
 - (b) the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions,
- he must give a written report of the matter to the Regulator as soon as reasonably practicable.
- (3) No duty to which a person is subject is to be regarded as contravened merely because of any information or opinion contained in a written report under this section. (*i.e. Duty to report overrides other obligations like duty of confidentiality, except where legal professional privilege applies*) This is subject to section 311 (protected items). (*Deals with exemption for legal professional privilege*)
- (4) Section 10 of the Pensions Act 1995 (c. 26) (civil penalties) applies to any person who, without reasonable excuse, fails to comply with an obligation imposed on him by this section.

3 WHO IS REQUIRED TO REPORT BREACHES OF THE LAW?

Those people who are subject to the reporting requirement ('reporters') for public service pension schemes is set out in Section 70 of the Pensions Act 2004 but in practical terms it is necessary for a senior officer of the administering authority to have responsibility for the management and execution of these procedures. Whilst any suspected breach should, where appropriate, be reported to the Pension Fund Manager for escalation, the designated officer with overall responsibility for reporting breaches to the Pensions Regulator is the s.151 Officer for the administering authority or where the s.151 Officer is unavailable (or in the unlikely event of being implicated in the breach) the Monitoring Officer for the administering authority.

All reporters need to take due consideration as to who could be implicated in the perceived breach of the law when reporting their findings and ensure that the perceived breach is not worsened by making any individual or individuals who may be implicated in the breach of the law aware that a report is to be made.

4 WHAT MUST BE REPORTED?

Those responsible for reporting breaches of the law to the Pensions Regulator will need to consider when they have reasonable cause to believe there has been a breach that is likely to be of material significance to the Pensions Regulator.

Reasonable Cause

Having reasonable cause means more than merely having a suspicion that cannot be substantiated. For example, a suspicion that scheme assets may have been misappropriated may in fact be a direct result of something out of the fund manager's control such as drop in the stock market leading to investment returns being lower than anticipated.

Any reporter must ensure that they know the full facts of the suspected breach and may need to check with members of the Pension Board, the Scheme Manager or anyone else they consider to be in a position to confirm the events leading up to the suspected breach of the law. However, reporters need to take care as to who they discuss their suspicions with where they have a cause to believe that theft, fraud or other serious offences may have occurred as

they would not want to alert those potentially implicated or hinder the actions of the police or a regulatory authority. In such cases the Pensions Regulator should be contacted without delay.

Whilst a reporter should endeavour to fully understand the legal position regarding a suspected breach, they do not have to gather all of the evidence that the Pensions Regulator may require before taking legal action especially where a delay in reporting the breach could exacerbate or increase the risk of the breach.

Material significance

What is of material significance can be considered from four aspects:

1. Cause – dishonesty, poor governance or administration, poor advice, acting (or failing to act) in deliberate contravention of the law
2. Effect – if the matter appears to be the effect of non-compliance with the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations, poor administration, inaccurate payments or theft
3. Reaction to the breach – if no prompt and effective action has been taken to deal with the breach and to identify and tackle the causes so as to minimise the risk of recurrence
4. Wider implications – if the breach suggests wider undetected problems

To be able to consider these aspects all people who have a legal requirement to report breaches of the law, as set out in section 3, will need to ensure that they have sufficient knowledge and understanding of the pension law and regulations that govern the LGPS.

In forming a view as to whether or not the breach is of material significance reporters will need to consider other breaches of which they are aware but be careful to ensure that any such breaches have not already been addressed and resolved.

The aim of the Pensions Regulator is to protect the benefits of pension scheme members, reduce calls upon the Pension Protection Fund and to promote good administration of work-based pension schemes. Therefore, the following are important elements that the Pensions Regulator may consider to be of material significance:

- The right money is paid into the Scheme at the right time
- Assets are appropriately safeguarded
- Payments out of the Scheme are legitimate, accurate and paid at the right time to the right person(s)
- The Scheme Manager is complying with the legal requirements of Scheme funding
- The Scheme Manager is properly considering their investment policies and investing in accordance with them
- The Scheme is being administered properly in accordance with Scheme regulations
- Appropriate records are maintained and are accurate
- Scheme members receive accurate, clear and impartial information without delay

The Pensions Regulator will not normally regard a breach as material if the Scheme Manager has taken prompt and effective action to investigate and resolve a breach and put in place the necessary procedure to ensure that such a breach will not reoccur.

However, the Pensions Regulator will be concerned where the Scheme Manager has failed to act promptly and effectively to identify, resolve and remedy the causes for the breach. If the proper corrective action has not been taken the Pensions Regulator is likely to deem the impact as material.

The wider implications of a breach are the concern of the Pensions Regulator where the fact that the breach has occurred in the first place will make it more likely that future breaches will arise because the Scheme Manager lacks the appropriate skills and knowledge needed to fulfil the requirements of their role.

A traffic light framework, as supplied by the Pensions Regulator, has been set up as a reference tool for reporters considering whether breaches of the law have a material significance and so should be reported to the Pensions Regulator. This framework document should be used by all reporters and continually updated as breaches are identified. It provides possible investigation outcomes and requires the reporter to consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach being considered. This document will be made available to all persons responsible for reporting breaches of the law as part of Pension Board meetings and will be made available on the Pension Fund website.

A breach will be in the red category and therefore must always be reported to the Pensions Regulator, because one or more of the following apply:

- It was caused by dishonesty, poor scheme governance, poor advice or by deliberate contravention of the law;
- Its effect is considered to be significant;
- Inadequate steps have been taken to put matters right;
- It has wider implications.

A breach will be in the green category, and will not need to be reported to the Pensions Regulator but should be recorded, because one or more of the following apply:

- It was not caused by dishonesty, poor scheme governance, poor advice or by deliberate contravention of the law;
- Its effect is NOT significant;
- Proper steps are being taken to put matters right;
- It does NOT have wider implications.

A breach will be in the amber category when it is not obviously either red or green. The decision whether or not to report will require a balanced judgement based on the cause, effect, reaction and wider implication of the case under consideration. Other previous reported or unreported cases may be relevant when coming to a decision whether to report or not and consideration needs to be given to the adequate oversight and controls adopted by the scheme manager.

Examples of red, amber and green breaches are set out in the traffic light framework and must be referred to each time a breach of the law is suspected.

5 PROCEDURES FOR REPORTING BREACHES OF THE LAW

Anyone who has a responsibility to report breaches of the law during the course of their association with the Scheme should be alert to the potential for breaches to occur and to have properly established procedures in place to enable them to evaluate any potential breaches and the need to report them.

The scheme manager keeps a 'register of breaches of the law' in which all breaches must be recorded regardless of whether or not they are or ever have been reported to the Pensions Regulator. This register is available to all responsible persons and forms part of the agenda for meetings of the Pension Board.

The flowchart at Annex 1 to this guide sets out the steps to be taken when considering breaches of the law but the details are also described in this section of the guide.

The following steps should be taken:

1. If the person suspecting the breach is not designated to deal with breaches they should inform a designated person immediately taking due consideration of who could be implicated in the case. The designated person is the s.151 officer for the administering authority or in the event that the s.151 is not available or indeed is implicated in the breach, the Monitoring Officer for the administering authority.
2. A designated person should investigate if there is a reasonable cause to believe a breach has occurred by firstly checking the register and the traffic light framework.
3. If the designated person has no reasonable cause to believe that a breach has occurred there is no duty to report the case to the Pensions Regulator.
4. The designated person should clarify the facts around the suspected breach and obtain any clarification of the law that may be required, liaising with other appropriate people as considered necessary with due regard to who could be implicated in the case.
5. Consider whether the breach is likely to be of material significance to the Pensions Regulator. If it is considered to be very serious it must be reported immediately to the Pensions Regulator. If this is the case a written report can be preceded by a telephone call to the Pensions Regulator on 0870 6063636. Any breach that is so serious that it must always be reported to the Pensions Regulator will always be recorded as a red category breach in the register. If the breach is considered not to be of material significance to the Pensions Regulator and is a clear cut green breach then it does need to be reported to the Pensions Regulator but should be recorded as a green category breach in the register.
6. If the breach is considered to be red, but not so serious that it needs to be notified to the Pensions Regulator immediately, a report should be sent to the Pensions Regulator as soon as is reasonably practicable ensuring that any delay will not result in the breach becoming more serious thereby incurring the risk of the Pensions Regulator issuing a civil penalty (see section 7 of this guide). Good practice would provide that such a case is reported within 10 working days.
7. If the breach is considered to be an amber breach (not a clear cut red or green breach) further consideration needs to be given to the case by further considering the context of the case and how it relates to the principles of cause, effect, reaction and wider implication. Good practice would provide that such a case is dealt with within 20 working days.
8. It may be that the breach needs to be referred to the appropriate level of seniority at which decisions can be made on whether to report to the Pensions Regulator but consider who may be implicated in the breach of the law when discussing your suspicions with other individuals.
9. If the breach is a particularly difficult case seek input from relevant experts. This may require a sub-committee of the Pension Board to be appointed to discuss the events leading up to the reporter's suspicion that a breach of the law may have occurred.
10. Keep in mind the appropriate timeframe for submitting a report to the Pensions Regulator (i.e. green cases do not need reporting, red cases should be reported immediately or if not within 10 working days and amber cases should be considered and acted upon within 20 working days and where ultimately deemed to be in the red

category, reported immediately, at the point within that timeframe, that a decision has been made).

11. Once the decision has been made that the breach falls into the red category, submit a report on the breach to the Pensions Regulator in accordance with the guidance provided in section 6.
12. If it is decided that the breach is not of material significance and so should not be reported to the Pensions Regulator update the register and close the case.
13. Where a report has been submitted to the Pensions Regulator, the reporter must ensure that they receive an acknowledgement from the Pensions Regulator within 5 working days of submitting the report. If not, the reporter should contact the Pensions Regulator to ensure that the report has been received.
14. Ensure that the register is updated at each stage of the process so that the case can be monitored and dealt with effectively and efficiently.

6 HOW SHOULD REPORTS BE MADE?

All reports must be made in writing to the Pensions Regulator as soon as is reasonably practicable. They should be sent preferably to the Pensions Regulator via its online system, 'Exchange' at www.tpr.gov.uk/exchange, but can be sent by post to The Pensions Regulator, Napier House, Trafalgar Place, Brighton, BN1 4DW, or electronically to customersupport@thepensionsregulator.gov.uk or by fax to 0870 2411144.

The report should be dated and include as a minimum the following details:

- Full name of the scheme;
- Description of the breach or breaches;
- Any relevant dates;
- Name of the Scheme employer and/or Scheme Manager (where known);
- Name, position and contact details of the person reporting the breach;
- The role of the person reporting the breach in relation to the Scheme.

Further information should be supplied wherever possible including for example:

- The reason the breach is thought to be of material significance;
- The address of the Scheme;
- The contact details of the Scheme Manager (The Royal Borough of Windsor & Maidenhead);
- Whether the concern has been reported before.

If the matter of concern is considered to be particularly serious a phone call (0870 6063636) can be made to the Pensions Regulator prior to the submission of a written report.

7 FAILURE TO REPORT A BREACH OF THE LAW

Failure by any person to comply with their obligation to report breaches of the law to the Pension Regulator is a 'civil offence' unless a 'reasonable excuse' can be given.

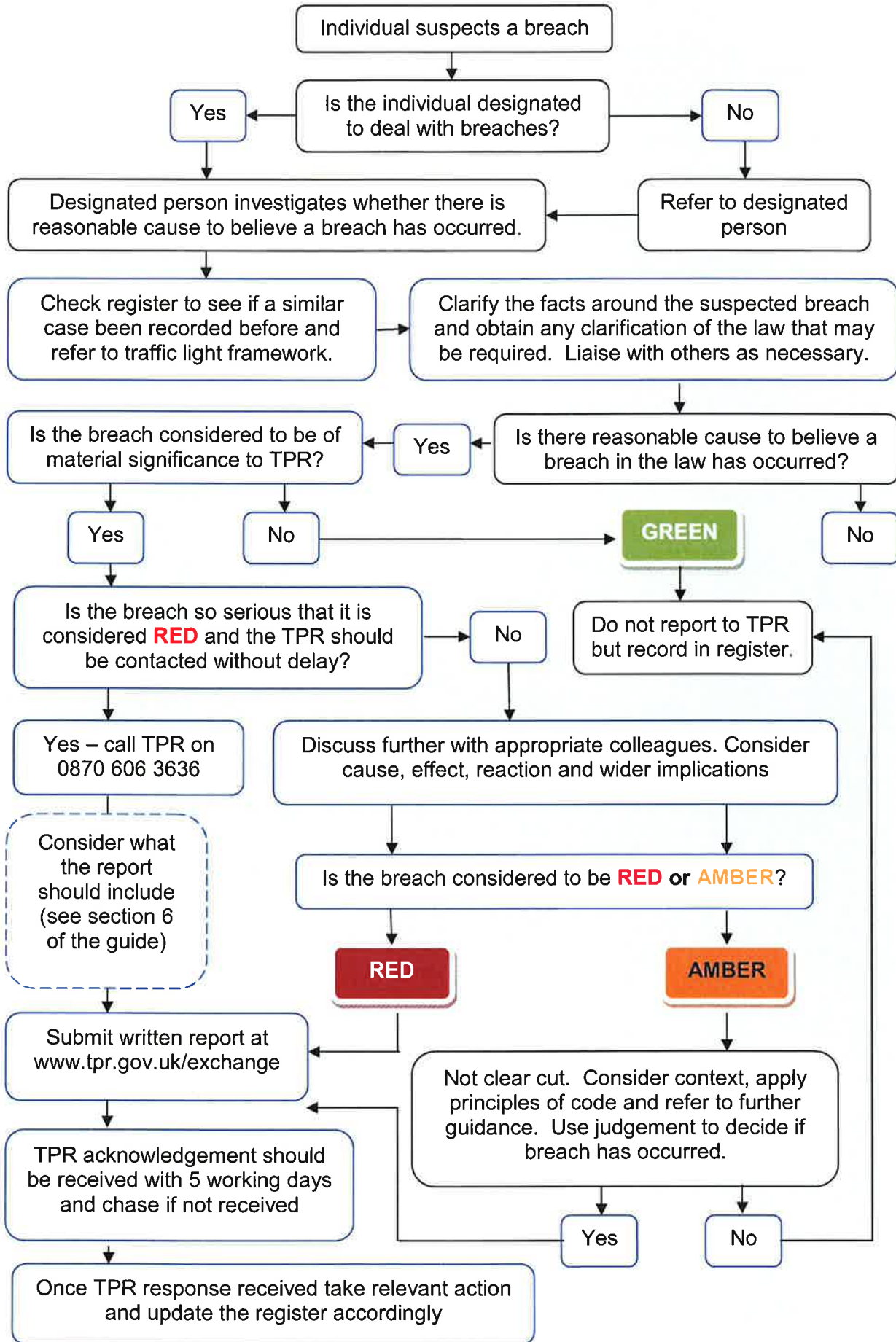
To decide if a report has a reasonable excuse for not reporting a breach, or reporting a breach later than would be expected, The Pensions Regulator may consider the following:

- The legislation, case law and codes of practice issued by the Pensions Regulator;
- The role of the reporter in relation to the Scheme;

- The training provided to the reporter and the level of knowledge that the reporter could reasonably be expected to have;
- The procedures put in place to identify and evaluate breaches and whether those procedures have been followed;
- The seriousness of the breach and whether or not the breach should have been reported immediately;
- Any reasons given for a delay in the report;
- Any other relevant considerations relating to the case in question.

If the Pensions Regulator considers issuing a civil penalty a warning notice will be sent to the affected party or parties identifying the alleged breach. In addition the Pensions Regulator may consider it appropriate to make a complaint to the reporters professional or other governing body.

ANNEX 1 – FLOWCHART - REPORTING BREACHES OF THE LAW TO TPR



REPORTING BREACHES OF THE LAW

TRAFFIC LIGHT FRAMEWORK

BREACHES OF THE LAW – TRAFFIC LIGHT FRAMEWORK

Under Section 70 of the Pensions Act 2004 certain people are required to report breaches of the law to the Pensions Regulator where they consider that they have a reasonable cause to believe that a legal duty which is relevant to the administration of the pension scheme has not been, or is not being, complied with and that failure to comply is likely to have a material significance to the Pensions Regulator in the exercise of its functions.

Responsible people include scheme managers, members of local pension boards, scheme employers, professional advisers and anyone involved in the administration of the scheme.

This traffic light framework should be used when considering whether to report breaches of the law to the Pensions Regulator. Breaches can be broken down onto 3 categories:

1. Red breaches – must be reported
2. Amber breaches – are less clear cut and responsible people should use their judgement to decide whether the breach should be reported or not
3. Green breaches – do not need to be reported but should be recorded.

When using the traffic light framework it is important to consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach before considering all four together.

As each breach will have a unique set of circumstances, there may be elements which apply from one or more of the red, amber or green sections. It is important to judge and determine which overall reporting traffic light the breach falls into.

As new breaches arise it is important to continually update and refer to this framework as it will grow into a useful tool to be assist in the decision making process.

This framework should also used in conjunction with the guide 'Reporting breaches of the law' and the register of breaches of the law.

BREACHES OF THE LAW – TRAFFIC LIGHT FRAMEWORK

POTENTIAL INVESTIGATION OUTCOMES				
	CAUSE	EFFECT	REACTION	WIDER IMPLICATIONS
BREACH	KNOWLEDGE AND UNDERSTANDING REQUIRED BY PENSION BOARD MEMBERS - The scheme manager has breached a legal requirement because pension board members failed to help secure compliance with scheme rules and pensions law.			
RED	Pension board members have failed to take steps to acquire and retain the appropriate degree of knowledge and understanding about the scheme's administration policies.	A pension board member does not have knowledge and understanding of the scheme's administration policy about conflicts of interest. The pension board member fails to disclose a potential conflict which results in the member acting improperly	<p>Pension board members do not accept responsibility for their failure to have the appropriate knowledge and understanding or demonstrate negative/non-compliant entrenched behaviours.</p> <p>The scheme manager fails to take appropriate action to address the failing in relation to conflicts.</p>	<p>Is it highly likely that the scheme will be in breach of other legal requirements. The pension board do not have an appropriate level of knowledge and understanding and in turn are in breach of their legal requirement. Therefore, they are not fulfilling their role to assist the scheme manager and the scheme is not being properly governed.</p> <p>It is possible that the scheme will be in breach of other legal requirements. It is possible that the pension board will not be properly fulfilling their role in assisting the scheme manager.</p>
AMBER	Pension board members have gaps in their knowledge and understanding about some areas of the scheme's administration policies and have not assisted the scheme manager in securing compliance with internal dispute resolution requirements.	Some members who have raised issues have not had their complaints treated in accordance with the scheme's internal dispute resolution procedure (IDRP) and the law.	The scheme manager has failed to adhere to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits.	<p>It is unlikely that the scheme will be in breach of other legal requirements. It is unlikely that the pension board is not fulfilling their role in assisting the scheme manager.</p> <p>Pension board members take action to review and improve their knowledge and understanding to enable them to properly exercise their functions and they are making quick progress to address gaps in their knowledge and understanding. They assist the scheme manager to take prompt and effective action to remedy the breach.</p>
GREEN	Pension board members have isolated gaps in their knowledge and understanding.	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits.	Pension board members take action to review and improve their knowledge and understanding to enable them to properly exercise their functions and they are making quick progress to address gaps in their knowledge and understanding. They assist the scheme manager to take prompt and effective action to remedy the breach.	<p>It is unlikely that the scheme will be in breach of other legal requirements. It is unlikely that the pension board is not fulfilling their role in assisting the scheme manager.</p> <p>Pension board members take action to review and improve their knowledge and understanding to enable them to properly exercise their functions and they are making quick progress to address gaps in their knowledge and understanding. They assist the scheme manager to take prompt and effective action to remedy the breach.</p>

BREACHES OF THE LAW – TRAFFIC LIGHT FRAMEWORK

POTENTIAL INVESTIGATION OUTCOMES				
BREACH	CAUSE	EFFECT	REACTION	WIDER IMPLICATIONS
	SCHEME RECORD KEEPING – An evaluation of member data has identified incomplete and inaccurate records.			
RED	Inadequate internal processes that fail to help employers provide timely and accurate data indicating a systemic problem	All members affected (benefits incorrect/not paid in accordance with the scheme rules, incorrect transactions processed and poor quality information provided in benefit statements).	Action has not been taken to identify and tackle the cause of the breach to minimise the risk of recurrence nor to notify members.	It is highly likely that there are wider scheme issues caused by inadequate processes and that the scheme will be in breach of other legal requirements.
AMBER	A failure by some – but not all – participating employers to act in accordance with scheme procedures indicating variable standards of implementing those procedures.	A small number of members affected.	Action has been taken to identify the cause of the breach but progress to tackle it is slow and there is a risk of recurrence.	It is possible that there are wider scheme issues and that the scheme may be in breach of other legal requirements.
GREEN	A failure by one participating employer to act in accordance with scheme procedures indicating an isolated incident.	No members affected at present.	Action has been taken to identify and tackle the cause of the breach and minimise the risk of recurrence.	It is unlikely that there are wider scheme issues or that the scheme manager will be in breach of other legal requirements.
POTENTIAL INVESTIGATION OUTCOMES				
BREACH	CAUSE	EFFECT	REACTION	WIDER IMPLICATIONS
	MULTIPLE BREACHES REPORTED – Several 'green' breaches within a short period			
RED	Breaches caused by lack of internal controls at either scheme manager level or within a service provider or if there are several underlying causes.	Significant delays are expected before the problems can be fixed or the effects on members remedied.	Little attempt to alleviate or remedy problems or initial appropriate action not carried through to a proper conclusion.	Implications for future breaches because scheme manager does not have necessary skills and knowledge and are not taking their responsibilities seriously.
AMBER	Breaches caused by a failure to have proper documented processes in place below scheme manager level or due to	Affects a small number of scheme members.	Efforts being taken to resolve the issue and effected scheme members being kept informed with a suitable work-around being	It is possible that the scheme manager could be in breach of other legal requirements if action to remedy cause is slow.

BREACHES OF THE LAW – TRAFFIC LIGHT FRAMEWORK

	service provider.		applied.		
GREEN	Breaches effectively stemming from a single cause, largely beyond the scheme manager's control such as a system failure or the short term absence of a critical member of staff.	Effects of the breach likely to be short-lived.	Those responsible are taking effective and speedy action to alleviate and remedy the problem.	It is unlikely there are wider scheme issues or that the scheme manager will be in breach of other legal requirements.	
POTENTIAL INVESTIGATION OUTCOMES					
	CAUSE	EFFECT	REACTION	WIDER IMPLICATIONS	
BREACH	CALCULATION OF SCHEME BENEFITS – The scheme auditor discovers that benefits for some scheme members are incorrect.				
RED	The administrator's inadequate systems or checking procedures.	A high proportion of members affected. The extent of the problem is not known but potentially widespread. The problem extends back in time over several years. The problem needs extensive investigation and there is little prospect of an immediate solution.	The scheme manager is either taking no action or the action they are taking is neither effective nor commensurate with the problem. Scheme members are not being kept informed.	It is likely that the reported funding level of the scheme could be significantly misleading.	
AMBER	Multiple employers are misreporting pay for pension purposes to scheme manager.	A significant number of members are affected although the matter does not cover an extensive historical period.	The scheme manager, their advisers and service providers have identified the issue and are taking steps to remedy the situation whilst keeping scheme member informed.	It is possible that the scheme manager could be in breach of other legal requirements if action to remedy cause is slow.	
GREEN	Long standing administrative practice not in line with scheme rules. Inadvertent misreporting to scheme manager by an employer of pay for pension purposes.	Only a few members affected. The problem is only likely to have been present for a short historic period.	The scheme manager, their advisers and service providers are taking robust action to identify the extent of the problem and take corrective action. Affected members are being kept informed.	It is unlikely there are wider scheme issues or that the scheme manager will be in breach of other legal requirements.	

BREACHES OF THE LAW – TRAFFIC LIGHT FRAMEWORK

POTENTIAL INVESTIGATION OUTCOMES				
BREACH	CAUSE	EFFECT	REACTION	WIDER IMPLICATIONS
	APPLYING REGULATIONS – Actions have been taken that do not meet the requirements of the scheme regulations.			
RED	Acting (or failing to act) in the full knowledge that doing so contravenes the scheme's provisions. Failing to take advice when it would have been reasonable to have done so.	A significant worsening of security for some classes of scheme member.	Scheme manager not taking action to correct even where new advice indicates that such action is needed.	One or more of the scheme managers may not be a fit and proper person to take on the responsibility.
AMBER	Failure to interpret regulations appropriately and to gather proper advice when it would have been reasonable to do so.	A relatively small number, or specific group, of scheme members affected.	Scheme manager has identified problem and is considering what action to take.	One scheme manager may not be a fit and proper person to take on the responsibility as matter is not yet resolved. It is possible that the scheme could be in breach of other legal requirements.
GREEN	An inadvertent error. Acting on advice later proved to be wrong.	No significant effect on members' benefits or security.	Scheme manager taking corrective action.	It is unlikely there are wider scheme issues or that the scheme manager will be in breach of other legal requirements.
POTENTIAL INVESTIGATION OUTCOMES				
BREACH	CAUSE	EFFECT	REACTION	WIDER IMPLICATIONS
	PROVIDING INFORMATION TO MEMBERS – Late issue of annual benefits statements			
RED	Inadequate internal controls for issuing annual benefit statements indicating a systemic problem.	All active and deferred members may have been affected.	Action has not been taken to correct the breach and/or identify and tackle its cause to minimise the risk of recurrence.	It is highly likely that the scheme will be in breach of other legal requirements.
AMBER	An administrative oversight indicating variable implementation of internal processes.	A small number of members may have been affected.	Action has been taken to correct the breach but not to identify its cause.	It is possible that the scheme will be in breach of other legal requirements.

BREACHES OF THE LAW – TRAFFIC LIGHT FRAMEWORK

GREEN	An isolated incident has occurred caused by a one-off system error.	Only one member appears to have been affected.	Action has been taken to correct the breach, identify and tackle the cause and the member has been informed.	It is unlikely that the scheme will be in breach of other legal requirements.
POTENTIAL INVESTIGATION OUTCOMES				
	CAUSE	EFFECT	REACTION	WIDER IMPLICATIONS
BREACH	PAYMENT OF CONTRIBUTIONS – Employee and employer contributions not paid to the Pension Fund within specified deadlines.			
RED	Inadequate internal controls for monitoring receipt of contributions from scheme employers indicating a systemic problem.	All contributions received after the specified deadline as set out in regulation.	Scheme manager not taking action to correct the breach and to tackle the cause to minimise the risk of future recurrence.	Loss of investment returns resulting in misleading funding levels being reported. The scheme will be in breach of other legal requirements.
AMBER	A number of scheme employers fail to make payment of contributions within specified deadlines	Some contributions received after specified deadline as set out in regulation.	Service provider taking action to correct the breach and to tackle the cause to minimise the future risk of recurrence by issuing notices of poor performance and reporting to scheme manager..	Some loss on investment returns leading to funding levels being wrongly reported. It is likely that the scheme will be in breach of other legal requirements.
GREEN	One scheme employer continually fails to meet payment of contribution deadline	Relatively small amount being received after the specified deadline as set out in regulation.	Service provider taking action to correct the breach and tackle the future risk of recurrence by issuing notices of poor performance and reporting to scheme manager.	Whilst not considered to be materially significant continual failure to make late payment of contributions should be recorded for future reference and possible reporting to the Pensions Regulator.
POTENTIAL INVESTIGATION OUTCOMES				
	CAUSE	EFFECT	REACTION	WIDER IMPLICATIONS
BREACH				
RED				

BREACHES OF THE LAW – TRAFFIC LIGHT FRAMEWORK

AMBER					
GREEN					
POTENTIAL INVESTIGATION OUTCOMES					
	CAUSE	EFFECT	REACTION	WIDER IMPLICATIONS	
BREACH					
RED					
AMBER					
GREEN					

Report for: ACTION
Item Number: 12



Contains Confidential or Exempt Information	NO - Part I
Title	Pension Administration Strategy
Responsible Officer(s)	Kevin Taylor
Contact officer, job title and phone number	Kevin Taylor Deputy Pension Fund Manager 01628 796715
Member reporting	n/a
For Consideration By	Berkshire Pension Fund Board
Date to be Considered	26 November 2015
Implementation Date if Not Called In	n/a
Affected Wards	None
Keywords/Index	<i>Insert relevant key words</i>

<p>Report Summary</p> <p>This report deals with a revised and updated Pension Administration Strategy produced in accordance with Regulation 59 of the LGPS Regulations 2013 (as amended).</p>

If recommendations are adopted, how will residents, fund members and other stakeholders benefit?	
Benefits to residents, fund members and other stakeholders and reasons why they will benefit	Dates by which they can expect to notice a difference
1. Better governance and administration of the Pension Fund	Ongoing

1. Details of Recommendations

The Pension Administration Strategy has been prepared by the administering authority to support its strategic aim in providing the most efficient and cost effective service to Scheme members.

RECOMMENDATION: That Pension Board members approve the Pension Administration Strategy.

2. Reason for Recommendation(s) and Options Considered

The Royal Borough of Windsor and Maidenhead has prepared a Pension Administration Strategy in accordance with Regulation 59 of the LGPS Regulations 2013 (as amended). Whilst that regulation does not place a compulsion upon an administering authority to prepare and publish such a statement the administering authority's strategy is to adopt the highest possible standards of governance and administration in order to achieve the most efficient and cost effective means by which to deliver the best possible service to Scheme members and so such a strategy is deemed to be necessary.

The Pension Administration Strategy should be seen as a road map to success which sets out how the strategic aims of the administering authority can be achieved by working in partnership with its key stakeholders (Scheme members and Scheme employers).

The Pension Fund is seeking the approval of the strategy document in order to support officers in formulating and delivering to scheme employers, training with regard to their statutory obligations under scheme regulations.

The Pension Administration Strategy must be considered and referred to by both the administering authority and scheme employers when carrying out their administrative duties. Once approved, the Pension Administration Strategy will be circulated to Scheme employers for a period of consultation designed to run alongside the proposed scheme employer training.

3. Key Implications

Failure to meet the standards set out in the Pension Administration Strategy could have significant implications for the administering authority (Scheme Manager) and its Scheme employers. The Pensions Regulator has published a 'Compliance and Enforcement Policy for Public Service Pension Schemes' which can in the worst case scenario lead to fines being imposed for poor performance.

4. Financial Details

There are no direct financial implications in agreeing to this Pension Administration Strategy.

5. Legal Implications

None.

6. Value For Money

Not applicable.

7. Sustainability Impact Appraisal

There are no known implications.

8. Risk Management

The adoption of a Pension Administration Strategy with mitigate a certain amount of risk in particular the potential intervention of the Pensions Regulator where poor performance

9. Links to Strategic Objectives

Linked to the strategic objectives of the Pension Fund in accordance with overriding 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

Once approved the Pension Administration Strategy will be circulated to all Scheme employers for their comment.

15. Timetable for Implementation

To be implemented following completion of consultation period and all employer training.

16. Appendices

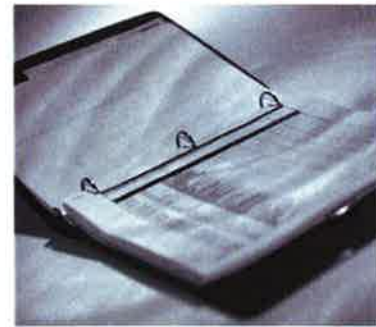
See attached Pension Administration Strategy.
Pension Regulator's compliance and enforcement policy for public service pension schemes.

17. Background Information

Local Government Pension Scheme Regulations 2013 (as amended), the Pensions Regulator's

Report History

Full name of report author	Job title	Full contact no:
Kevin Taylor	Deputy Pension Fund Manager	01628 796715



PENSION ADMINISTRATION STRATEGY

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INTRODUCTION

This Pension Administration Strategy has been prepared by the Royal Borough of Windsor and Maidenhead as the Administering Authority to the Royal County of Berkshire Pension Fund in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013 and sets out the strategic aims of the Administering Authority with regard to how the LGPS should be governed and administered in Berkshire.

The Administering Authority will keep this strategy under review and make revisions as are appropriate following a material change in any of the matters contained in the strategy.

In preparing, reviewing or making revisions to this strategy, the Administering Authority will consult with its Scheme employers and publish the strategy statement to each Scheme employer and to the Secretary of State.

The Administering Authority and its Scheme employers must have regard to this pension administration strategy when carrying out their Scheme functions, including those functions carried out by the Administering Authority in its capacity as a Scheme employer.



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

MATTERS TO BE CONSIDERED

All of the following matters are to be considered to ensure that the aims of this administration strategy are achieved.

Procedures for liaison and communication...

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

Establishment of levels of performance...

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

Compliance with statutory requirements...

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

Procedures for improving the flow of communication...

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

Circumstances for issuing notices of underperformance...

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



Procedures for producing performance statistics...

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

Production of a Pension Administration Service Level Agreement (SLA)...

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

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

LIAISON AND COMMUNICATION



Pension administration relies largely on information supplied to the Administering Authority by its Scheme employers. The pension administration team can be contacted at any time during normal office hours on 0845 602 7237 although direct dial numbers are provided to all Scheme employers. An office helpdesk is also available at:

info@berkshirerpensions.org.uk

Each Scheme employer must nominate a pension liaison officer to deal with initial enquiries received from the Administering Authority. If preferred a number of officers can be nominated (up to a maximum of 4) by the Scheme employer in Appendix A to the Pension Administration Service Level Agreement, provided that their specific responsibilities are identified (e.g. HR or payroll; formulating policy statements; ensuring payment of monthly contributions and

submitting returns). The Scheme employer will inform the Administering Authority immediately if these details are amended in anyway.

The Scheme employer will provide the following details in respect of their pension liaison officer(s):

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

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

The Administering Authority will maintain a Pension Fund website with a dedicated Scheme employer area. This will include (but is not limited to):

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



The Administering Authority will hold quarterly meetings with the pension liaison officers of the six Unitary Authorities to discuss current pension issues and administration procedures. An annual meeting will be held to which all Scheme employers will be invited in accordance with the Administering Authority's 'Statement of Policy Concerning Communications'.

Further details regarding communications between the Administering Authority and its Scheme employers are contained within the Royal County of Berkshire Pension Fund's 'Statement of Policy Concerning Communications'.

LEVELS OF PERFORMANCE

The Administering Authority has a number of service standards that it publishes to Scheme members. From these service standards a number of performance targets are set and need to be maintained.

The pension administration team works to a number of Key Performance Indicators (KPIs) that are reported to the Berkshire Pension Fund Panel, Pension Fund Advisory Panel and Pension Board as part of a Stewardship report.

The 4 main KPIs to be achieved are:

1 - Setting up a new member record on the pension administration system and produce an on-line membership certificate within 20 working days of receipt of all relevant information from the Scheme employer.

2 - Calculating leaver benefits and notifying members of their rights upon termination of pensionable employment within 20 working days of receipt of all relevant information from the Scheme employer.

3 - Calculating retirement benefits and notifying members of their benefit options within 5 working days of receipt of all relevant information from the Scheme employer

4 - Making payment of a retirement lump sum to a member within 30 calendar days of their retirement date subject to all relevant information having been received from the Scheme employer and the Scheme member.



The Administering Authority will consult with its Scheme employers if the KPIs are amended in anyway.

Many of the targets to be met by the pension administration team rely on the receipt of accurate data as supplied by Scheme employers. A key strategic aim of the Administering Authority is to ensure that pension data is accurate and up to date at all times thereby meeting all of the statutory requirements laid down in regulation and the standards set out in the Pensions Regulator's codes of practice. The Administering Authority is committed to working with Scheme employers to ensure that levels of performance meet the highest standards possible. In order to achieve this, the Administering Authority's strategy is to receive, send and provide data in an electronic format that is compliant with all Data Protection and Data Security requirements.

The level of performance of both the Administering Authority and Scheme employers will be continually scrutinised and reported to the Berkshire Pension Fund Panel, Pension Fund Advisory Panel and Pension Board. Where performance levels fall below expected targets steps will be taken to resolve the issues and if considered to be of a material significance, reported to The Pensions Regulator.

STATUTORY REQUIREMENTS

A number of statutory requirements are made by the Scheme regulations. For the purpose of this strategy statement the key requirements are detailed in this section of the strategy.

Each Scheme employer is required to produce, publish and maintain a statement of policy regarding the exercise of certain discretionary functions available to them in accordance with Regulation 60 of the Local Government Pension Scheme Regulations 2013 and Schedule 2 of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. This policy statement must be kept under review and where revisions are made, the revised policy statement must be published before the expiry of one month from the effective date of revision. A copy of the policy statement must be sent to the Administering Authority.

Each Scheme employer must specify the name, job title, address and telephone/e-mail contact details of a person to whom applications under Stage 1 of the Internal Disputes Resolution Procedures should be made. When an amendment to these details is made, a notification of the change must be sent to the Administering Authority immediately.



Each Scheme employer must determine the rate at which its employees should contribute to the Scheme with effect from 1 April each year and where an employee holds more than one post, the rate applicable to each post. Where there is a material change to a member's pensionable pay in the course of a financial year, the employer may re-determine the contribution rate to be applied.

Each Scheme employer must pay to the Administering Authority all contributions deducted from the pay of its scheme members and the respective employer contributions. Payment must be made no later than the 19th of the month following the period for which the pension contributions have been deducted and (unless contribution data has been submitted on a monthly basis via i-Connect) a breakdown of the contributions between employee standard contributions, employee additional contribution and employer contributions, along with other supporting information, must be submitted to the Pension Fund at the same time.

Following the end of each financial year, a Scheme employer must (unless they have already submitted this data over the course of the year via i-Connect) submit a schedule to the Administering Authority, by 30th April, giving full and accurate data in the format determined by the Administering Authority in respect of each of their scheme members (and each post that their scheme members may hold).



Each Scheme employer must pay to the Administering Authority any charge identified by the Administering Authority as a result of the Scheme employer's decision to release any pension benefits prior to a member's normal retirement age (capital or strain cost). Such payments should be made within 21 calendar days from the date that the invoice is raised and issued by the Administering Authority.

Each Scheme employer must also pay to the Administering Authority any charge identified by the Administering Authority as a result of the Scheme employer's decision to award any additional benefits to a scheme member in accordance with its statement of policy regarding the exercise of certain discretionary functions. Such payments should be made within 21 calendar days from the date that the invoice is raised and issued by the Administering Authority.

IMPROVING THE FLOW OF COMMUNICATION

The Administering Authority is committed to the ongoing improvement in communication with its Scheme employers and Scheme members. The Administering Authority has produced a 'Statement of Policy Concerning Communications' which is available from the Pension Fund website www.berkshirerpensions.org.uk.

For the purposes of this pension administration strategy the Administering Authority has a number of strategic aims for improving communication with Scheme employers. One area

that the Administering Authority is particularly keen to focus on is ensuring the highest standards of administration are maintained by having the most efficient and effective processes by which pension data is submitted by Scheme employers to the Administering Authority. One of the Administering Authority's key strategic aims is to work with Scheme employers in implementing and using i-Connect, a secure automatic data transfer system, as the method by which pension data is transferred between the Scheme employer and the Administering Authority.

i-Connect provides many benefits for both the Scheme employer and the pension fund that support the Administering Authority's strategic aims for improving levels of performance:

- Data is encrypted and submitted in real time on each occasion that a payroll is run meaning that, not only is data transmitted securely, Scheme members have instant access to the most up to date membership information;
- The need for Scheme employers to complete paper forms, spreadsheets and year end returns is removed;
- All membership data is submitted at the correct time thereby ensuring that no data is missing and eliminating the risk of data inputting errors;
- All data protection requirements are met and security risks are significantly reduced;
- Instant reconciliation of Scheme contribution payments;
- Addresses auto-enrolment obligations thereby minimising the risk of fines from the Pensions Regulator;
- Automatically maintains membership data in line with the requirements set out in Record-Keeping regulations and to the standard required by the Pensions Regulator.

Other key strategic aims of the Administering Authority are to:

- Provide Scheme employers with access to an Employer Self-Service (ESS) facility giving them access, through a secure link, to member data in respect of their own employees who are currently or have previously been members of the LGPS;
- Provide Scheme employers with training sessions to assist in understanding not only complex pension legislation but also procedures and processes to be adopted by Scheme employers with regard to their statutory responsibilities;
- Maintain a dedicated Scheme employers section on the Berkshire Pension Fund website and continue to develop on-line forms and administration guides;
- Provide direct dial numbers for all officers connected with the Pension Fund and not operate an automated telephony service;
- Commit to attending meetings with Scheme employers (or groups of Scheme employers) at their offices (or at a nearby location) to discuss all LGPS-related matters as set out in an agenda agreed between the Scheme employer (or employers as the case may be) and the Administering Authority;
- Have Scheme employers represented at meetings of the Pension Board by a number of appointed Scheme employer representatives. All Scheme employers will be encouraged to raise any issues with the Pension Fund through the Pension Board, the results of which will be circulated to all Scheme employers for reference or action.

WRITTEN NOTICE OF UNSATISFACTORY PERFORMANCE

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

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

- Where, in the opinion of the Administering Authority, it has incurred additional costs as a result of a Scheme employer's unsatisfactory performance the Administering Authority will give a written notice to the Scheme employer setting out the reasons for forming its opinion, the amount the Administering Authority has determined the Scheme employer should pay in accordance with Regulation 69(1)(d) and the basis upon which the amount has been calculated;
- Where a Scheme employer fails to make payment of employee and employer contributions by the 19th of the month following the period in relation to which the contributions were deducted;
- Where a Scheme employer persistently fails to provide the necessary documentation in support of the contribution payment;
- Where a Scheme employer has failed to settle an invoice for any additional costs arising as a result of their early retirement decisions within the prescribed 21-day deadline;
- Where a Scheme employer has failed to notify the Administering Authority that one of its employees has become entitled to the release of their pension benefits and, as a result of which, payment of any lump sum is made later than 30 calendar days from the date that pension benefits become payable;



Governance and administration of public service pension schemes

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

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

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

The Administering Authority will always assist the Scheme employer to resolve any issues but where persistent failure by a Scheme employer to meet payment deadlines can be evidenced,

or where a Scheme employer continually fails to meet statutory requirements and/or the performance standards set out in the pension administration service level agreement, further consideration will be given to whether or not that Scheme employer should be reported to the Pensions Regulator in line with Code of Practice number 14, 'Governance and Administration of Public Service Pension Schemes'.

PERFORMANCE STATISTICS AND REPORTS

Performance statistics will be produced in respect of both the Administering Authority and the Scheme employers and performance levels monitored closely.

The Administering Authority will keep records of the performance of each Scheme employer on an ongoing basis and report back to the Scheme employer as part of any meeting scheduled between the two parties.

The Administering Authority will produce and publish an annual performance report that will be made available to all Scheme employers. This will be published on the Royal County of Berkshire Pension Fund website and will include the KPIs for the pension administration team.

The Administering Authority will proactively assist Scheme employers who under-perform to improve their future performance.

Performance statistics to be recorded in respect of Scheme employers and reported to the Berkshire Pension Fund Panel, Pension Fund Advisory Panel and Pension Board as part of a Stewardship will include:

- All instances where a written notice of unsatisfactory performance has been issued, as prescribed in the relevant section of this strategy statement, and reasons for issuing those notices;
- A Scheme employers failure to provide monthly data to the Administering Authority within the prescribed deadlines set out in clauses 4.2.1 (*new scheme members*) and 4.2.2 (*contract variations*) of the pension administration SLA;
- A Scheme employers failure to notify the Administering Authority that a Scheme member has left the Scheme within the prescribed deadline set out in clause 4.2.3 (*Leavers: No entitlement to Immediate Release of Pension Benefits*) of the pension administration SLA;
- A Scheme employers failure to notify the Administering Authority of a Scheme member's retirement within the prescribed deadline set out in clause 4.2.4 (*Retirements (including Normal Age, Redundancy, Efficiency, Ill Health, Flexible and Voluntary Retirements) and Deaths*) of the pension administration SLA;
- A Scheme employer's failure to provide an annual return to the Administering Authority within the prescribed deadline set out in clause 4.2.9 (*Annual Returns*) of the pension administration SLA;
- A Scheme employer's failure to produce statements of policy as required by the Statutory Regulations within the prescribed deadlines set out by those Regulations;
- A Scheme employer's persistent failure to comply with the statutory requirements of the LGPS Regulations and associated legislation.

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

PENSION ADMINISTRATION SERVICE LEVEL AGREEMENT

In order to achieve and monitor performance targets, the Administering Authority will consult with its Scheme employers and produce a Pension Administration Service Level Agreement (SLA) between itself and each Scheme employer, setting out the responsibilities of both the Administering Authority and the Scheme employer in administering the Local Government Pension Scheme.

The SLA is a contract or 'promise' made between the Administering Authority and the Scheme employer which sets out a mutually agreed set of performance standards and timescales by which certain duties and responsibilities are expected to be carried out.

Once agreed the SLA will be signed off by the Administering Authority in its capacity as both the Scheme Manager and the Pension Administrator and by an officer of the Scheme employer who is responsible for ensuring that the performance standards set out in the SLA are monitored and maintained and who can take any action felt necessary to resolve any unsatisfactory levels of performance.

Should a Scheme employer not sign off the SLA, having had the opportunity to enter into consultation with the Administering Authority concerning its content, it will be reported to the Berkshire Pension Fund Panel, Pension Fund Advisory Panel and Pension Board. The Scheme employer's performance will continue to be monitored in line with the standards set out in the SLA.

The Administering Authority will keep the SLA under review and consult with its Scheme employers should amendments be required.

SCHEDULE 1 – WRITTEN NOTICES OF UNSATISFACTORY PERFORMANCE

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

NOTES

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

Compliance and enforcement policy for public service pension schemes

June 2015

The Pensions
Regulator

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1. Introduction

The Pensions Regulator (the regulator) was established under the Pensions Act 2004 (the 2004 Act) as a non-departmental public body, sponsored by the Secretary of State for Work and Pensions, to regulate work-based pensions.

The Public Service Pensions Act 2013, together with the Public Service Pensions Act (Northern Ireland) 2014, introduces an expanded role for the regulator in overseeing the major work-based pension schemes for those working in the public services throughout the UK. Our expanded role includes regulating public service schemes in relation to the new governance and administration requirements introduced by those Acts¹.

This policy sets out our approach to compliance and enforcement in relation to public service pension schemes, which are those principally covering civil servants, the judiciary, local government workers, teachers, health service workers, fire and rescue workers and members of police and armed forces. It describes our expectations for compliance with relevant legal requirements and how we will proceed in cases of non-compliance, including when we may use our enforcement powers.

This document sits under our approach to regulating work-based pensions and our public service regulatory strategy. We refer throughout to provisions of English law. References to provisions of English legislation which do not apply to Northern Ireland or Scotland should be read as references to the provisions of any corresponding Northern Ireland and Scottish legislation.

¹
The Public Service Pensions Act 2013 (in NI, the Public Service Pensions Act (Northern Ireland) 2014) introduces new requirements about the governance and administration of public service pension schemes and extends our regulatory responsibility, including by making amendments to the 2004 Act (in NI, the Pensions (Northern Ireland) Order 2005).

1.1 Approach to regulation of public service schemes

Our public service regulatory strategy sets out how we approach the regulation of public service schemes in light of our statutory objectives. We aim to ensure that all schemes meet the new governance and administration requirements as soon as possible.

Our primary focus will be on educating and enabling schemes to improve standards of governance and administration and comply with legal requirements. We will also be developing our own systems and processes to enable us to better monitor standards, assess where schemes are falling short and best direct our resources to enable them to improve standards and become compliant. We will share this information with the public service schemes to enable them to understand how they are performing alongside their peers.

Public service pension schemes have a total membership of around 13 million and there are approximately 25,000 participating employers spanning the public, private and third sectors. These reforms are significant and those involved with public service schemes face complex and challenging conditions. There are new governance and administration requirements and therefore there may be some scheme managers and pension board members who will fail to comply with the duties because they have not fully understood them. In these cases, we will focus on working with schemes in the early stages of the new regulatory regime to help them become compliant.

We expect those involved in the governance and administration of public service schemes to comply with the law and strive to deliver good outcomes for members, recognising that governance and administration standards and practices impact upon the overall service provided to members and other beneficiaries throughout their membership, including the payment of the correct benefits to the right people at the right time.

However, we are aware that there may be situations where some schemes do not fulfil their responsibilities. We regard failures to address poor standards and non-compliance with the law as unacceptable. Should a scheme manager or pension board member (or other person responsible for complying with legal requirements) fail to comply with their legal requirements under pensions legislation, we may select from one or more of our enforcement options. These range from statutory compliance notices and monetary penalties, to criminal prosecution.

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1.1 Approach to regulation of public service schemes continued...

We expect scheme managers, assisted by pension boards as appropriate, to:

- ▶ identify and understand the root causes of an issue which is resulting in poor standards of governance and administration and non-compliance with legal requirements
- ▶ develop an improvement plan which will address the root causes of that issue within a reasonable time period, and
- ▶ demonstrate implementation of their plan.

Most of our activities will be focused on educating and enabling schemes to improve standards of governance and administration – particularly in the early stages of the new regulatory regime as schemes reform and adapt to meet the new legal requirements. We will focus on:

- ▶ promoting the public service code of practice and educational tools for public service schemes
- ▶ surveying schemes to understand the extent to which they are meeting the standards and practices we expect
- ▶ engaging with schemes to understand how they are addressing poor standards and non-compliance through the development and implementation of improvement plans, focusing on key risk areas, and
- ▶ undertaking thematic reviews, focusing on key risk areas, to gather information in relation to a particular issue or set of issues and report back to our regulated community about best practice and risks.

Where scheme managers or pension board members fail to address poor standards resulting in non-compliance with the law, we may consider escalating our activities and taking enforcement action.

In considering whether to use our regulatory powers, including any enforcement action, we will take into account all of the circumstances and will act fairly and proportionately.

We will keep this policy under review and update it as required.

1.2 Who does this policy relate to?

This policy relates to public service pension schemes established under the Public Service Pensions Act 2013 and Public Service Pensions Act (Northern Ireland) 2014, new public body pension schemes and other statutory pension schemes which are connected to those schemes. It is not relevant to schemes in the wider public sector which are not public service pension schemes within the meaning of section 318 of the Pensions Act 2004 or Article 2 of the Pensions (Northern Ireland) Order 2005.

This policy is relevant to anyone who has legal requirements or responsibilities relating to the management or administration of a public service pension scheme, or where those responsibilities have been delegated or outsourced – for example scheme managers, pension boards and administrators. It is also relevant to anyone else who could be subject to any of our statutory powers of investigation and enforcement, such as employers and professional advisers.

2. Risk framework

2.1 Our approach to risk in relation to public service pension schemes

In this section, we explain how we will take a risk-based and proportionate approach. A key aspect underpinning our approach is how we will identify and respond to risks and prioritise our activities. In setting our strategic approach to regulating public service schemes, we are primarily guided by two of our five statutory objectives:

- ▶ To protect the benefits of members of occupational pension schemes, and
- ▶ To promote, and to improve understanding of, the good administration of work-based pension schemes.

All public service schemes must be governed and administered in accordance with the requirements of the law. Across all public service schemes, governance and administration standards and practices impact upon the overall service provided to members and other beneficiaries, including the payment of benefits.

Code of practice 14² provides practical guidance for schemes to support them in improving standards of governance and administration and complying with the legal requirements. In considering where to focus our resources on improving standards we will initially concentrate on the risks we have identified as posing the greatest threats to the effective governance and administration of public service schemes and legal requirements not being met, as well as the protection of member benefits where relevant.

We will ensure that any action we take is proportionate and evidence-based. While our key risk areas will be consistent across all public service schemes, what we consider to be tolerable at a particular point in time may vary. We will develop internal risk assessment processes, which will support our operational activity and ensure we are targeted and proportionate. We will ensure our approach to managing risk is proportionate and consistent by obtaining and analysing information from a variety of sources in order to maintain an informed strategic view across public service schemes. This will enable us to:

- ▶ swiftly detect patterns and causes of potential non-compliant behaviour, and
- ▶ establish and maintain effective risk assessment processes to direct and inform our activities.

² The Pensions Regulator is required to issue a code of practice relating to the following specific matters: i) Knowledge and understanding required by pension board members, ii) Conflicts of interest and representation, iii) Information to be published about schemes, iv) Internal controls, v) Scheme record-keeping, vi) Maintaining contributions, vii) Information to be provided to members, viii) Internal dispute resolution and ix) Reporting breaches of the law (section 90A of the 2004 Act).

2.2 Monitoring and reviewing our compliance activities

Gathering information

In order to maintain an informed strategic view, we will identify, obtain and analyse information from a variety of sources, which may include:

- ▶ scheme returns
- ▶ enquiries and reports we receive
- ▶ media analysis
- ▶ horizon scanning
- ▶ intelligence reports
- ▶ internal and external research, and
- ▶ exchange of information with key parties.

We are required to maintain a register of scheme information which forms the bedrock of information about schemes. We will assist managers for new public service schemes which have arisen out of the new legislation, to meet the legal requirement to register with us and we plan to introduce a bespoke version of the statutory scheme return for all public service schemes. This will request 'registrable information'³ (including information about the scheme, managers of the scheme and employers linked to the scheme) as well as other information which we may reasonably require to exercise our functions.

We plan to engage with schemes in the early stages of the new regulatory regime. While these interactions are primarily intended to enable schemes to raise standards of governance and administration and comply with the legal requirements, we will also gather information. This will be used to inform the risk-based prioritisation of our regulatory activities.

We will conduct an annual governance and administration survey with schemes to understand the extent to which they are meeting the standards and practices we expect. The first survey, which we plan to conduct in 2015, will comprise of a short online questionnaire. This will serve as an enablement tool for schemes and will help inform our risk assessment processes.

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³ 'Registrable information' is certain information relating to a scheme specified in section 60 of the 2004 Act. Managers must provide this information when registering a scheme and keep it up to date. The regulator must ask for this information in scheme return notices and record it in the register of pension schemes.

2. Risk framework

2.2 Monitoring and reviewing our compliance activities continued...

Generally, we do not expect to specify how schemes should evidence any improvement activities, although we may seek or require information in a certain format on a case-by-case basis. Wherever possible, we will seek to make use of information that has already been gathered or reported by a scheme, to avoid duplication and unnecessary burdens. We will be proportionate in our activities, focusing on key areas that will help managers and others involved with public service schemes to improve governance and administration standards and comply with the law, and we will consistently work to minimise burdens on schemes.

Reporting breaches of the law

People involved in running or advising public service schemes are required by statute to report 'materially significant' breaches of the law to us under section 70 of the Pensions Act 2004. Those people include scheme managers, members of pension boards, anyone else involved in the administration of a scheme, employers, professional advisers and anyone who is otherwise involved in advising the scheme manager in relation to the scheme. Our public service code of practice provides guidance on how to assess 'material significance'.

We expect whistleblowers to follow our guidance on reporting breaches, which requires two key judgements:

1. Does the reporter have reasonable cause to believe there has been a breach of the law?
2. If so, does the reporter believe the breach is likely to be of material significance to The Pensions Regulator?

Receiving a report of a breach will not necessarily result in enforcement action. It may inform our education and enablement activities or the focus of a thematic review. In line with our risk framework, we will initially concentrate on the risks we have identified as posing the greatest threats to the effective governance and administration of public service schemes and legal requirements not being met, as well as the protection of member benefits where relevant. We will assess reports against a range of risk factors to determine the best course of action.

continued over...

2. Risk framework

2.2 Monitoring and reviewing our compliance activities continued...

Whistleblowing is an important component in our public service monitoring activity. We understand that when an individual provides information to us it may have a potential impact on the relationship between them and those to whom they report, particularly in the case of a scheme manager and member of a pension board. Individuals can always opt to report anonymously to us. However, having an individual's contact details is useful in case we need to ask for more information so we can investigate the concerns raised.

The Employment Rights Act 1996 provides certain protection for employees and workers making a whistleblowing disclosure to us. We will seek to protect a reporter's identity (if requested) and will not explicitly disclose the information except where lawfully required to do so. We will take all reasonable steps to maintain confidentiality, but we cannot give any categorical assurances as the circumstances may mean that the identity of a reporter becomes apparent during the course of an investigation, or we may be ordered by a court to disclose it. We will ensure that individuals who provide information have a specific point of contact and any witnesses are supported throughout our process.

2.3 Risk-based prioritisation

When undertaking risk assessment, we will focus on risks in the following critical areas:

- ▶ **Knowledge and understanding⁴**
Members of pension boards must comply with the requirement to have the appropriate knowledge and understanding, to be able to assist their scheme manager effectively. Failure to do so is a breach of law.
- ▶ **Conflicts of interest⁵**
Scheme managers must ensure that pension board members do not have any conflicts of interest. A failure to do so is a breach of the law and could, for example, result in the advice and/or decisions of the pension board being open to challenge and, ultimately, the ineffective governance of the scheme.
- ▶ **Records⁶**
Legislation specifies the records that must be kept and failure to comply is a breach of the law. The completeness and accuracy of these records will be key to the effective and efficient operation of schemes, including ensuring that the right benefits are paid to the right person at the right time. This will be supported by operating appropriate internal controls.
- ▶ **Internal controls⁷**
Scheme managers must establish and operate internal controls. Failure to comply with this requirement is a breach of the law and it may also result in schemes not being run in accordance with the law and/or risks not being identified, mitigated and managed properly.
- ▶ **Member communication⁸**
The quality of the information provided to members in terms of accuracy, timeliness and clarity is an important factor in achieving good member outcomes. Failure to comply with disclosure requirements is a breach of the law and may indicate incomplete or inaccurate record-keeping and/or inadequate internal controls.
- ▶ **Dealing with internal disputes⁹**
Where we become aware of matters that are raised under internal dispute resolution procedures, this can be an indicator of wider systemic issues which may impact the effective governance and administration of schemes.

4
As required under section 248A of the 2004 Act.

5
Scheme regulations must require scheme managers to be satisfied that pension board members do not have a conflict of interest (section 5(4) of the Public Service Pensions Act 2013).

6
Section 16 of the Public Service Pensions Act 2013 and the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 (in particular).

7
Section 249B of the 2004 Act.

8
Section 14 of the Public Service Pensions Act 2013, section 113 of the Pension Schemes Act 1993 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (in particular).

9
Dispute resolution procedures must be made and implemented in accordance with section 50 of the Pensions Act 1995.

continued over...

2. Risk framework

2.2 Risk-based prioritisation continued..

In prioritising risk-based regulatory activities, we will consider factors such as schemes' ability and willingness to put matters right and the likely impact of the various types of intervention available to us.

We will adopt a 'test and learn' approach to investigations and regulatory action in relation to public service pension schemes. We plan to use a governance and administration survey, conducted in 2015, to baseline standards and monitor improvement in the following years. We will also learn through our early scheme engagements and feed that learning into the development of our risk-based approach.

3. Our activities to support compliance and enforcement

3.1 Education and enablement

In addition to Code of practice 14 providing practical guidance for schemes to support them to improve standards of governance and administration and comply with the legal requirements on how to comply with regulations, we will produce specific guidance for schemes through educational tools.

These will include e-learning modules aligned to the themes covered in code of practice 14, such as conflicts of interest, managing risk, internal controls and maintaining accurate member data.

We expect scheme managers and pension boards to make use of educational tools and products, whether they are products the regulator has provided, or others. This will help schemes address gaps in knowledge and understanding and assist in compliance. We will consider requests for us to attend training sessions for board members, although we will not lead these sessions.

The practical guidance in Code of practice 14 and the educational tools we have developed may also be used by employers and others to understand the legal requirements of the Public Service Pensions Acts and how their role may be relevant in helping scheme managers comply with them.

We will engage with scheme managers and pension boards to understand how they are addressing poor standards and non-compliance through the development and implementation of improvement plans, focusing on key risk areas.

We will encourage and facilitate those involved with different public service schemes to learn from each other via peer support, challenge networks and action learning sets. We will share best practice that we see as part of these engagements, working with scheme advisory boards, as appropriate, where they have a remit to promote best practice.

We plan to annually survey schemes to assess the extent to which they are meeting the standards and practices that we expect. We intend to publish the results of our surveys and encourage schemes to use the findings to review and refresh systems and controls, monitor risks and prioritise actions.

3.2 Thematic reviews

We will undertake thematic reviews, focusing on key risk areas, to gather information in relation to a particular issue or set of issues. The main purpose of these reviews will be to report back to our regulated community about best practice and risks. They will also improve our understanding of public service schemes and key risk areas, which will inform our activities and enable us to provide targeted and proportionate support.

Thematic reviews across all or part of the public service scheme landscape will be a particularly useful way for us to engage and communicate efficiently with the numerous scheme managers and pension boards of the locally administered schemes. Where appropriate, they will also enable us to engage and communicate with those to whom legal requirements or responsibilities relating to the management or administration of a public service pension scheme apply, or have been delegated or outsourced – for example, employers, administrators and professional advisers.

Selecting a theme for review

We will select the theme for each review based on key risk areas and issues that are identified through different channels, including:

- ▶ educating and enabling activities
- ▶ enquiries and reports we receive
- ▶ horizon scanning
- ▶ intelligence reports
- ▶ information from key parties, which may include scheme advisory boards
- ▶ media analysis.

We may select a theme based on a particular risk area such as record-keeping or internal controls, in order to understand practices in a particular area and help us develop our ongoing regulatory work.

Alternatively, we may choose to focus a review on a particular segment of public service schemes – for example, funded or unfunded, locally or centrally administered schemes – or groups involved in the management or administration of schemes such as scheme managers, pension boards, employers or administrators.

Participation in the review

Where we commence a review, we will expect scheme managers, pension boards and any other parties involved in the management or administration of public service schemes to respond to all requests for information or provide an explanation as to why they can't or won't supply the information. We expect to be able to gather the information on a voluntary basis, but if needed, we may also consider using our formal information-gathering powers under section 72 of the 2004 Act.

3.3 Enforcement

We may become aware of breaches of the law, or significant risks of breaches and a failure to address them, by any of the ways in which we gather information, as well as enquiries or reports we receive.

Actual or potential breaches may be identified via engagement with schemes, thematic reviews or reports. Where an actual or potential breach is identified, we will assess the risk and decide how to proceed.

We expect scheme managers, assisted by pension boards as appropriate, to:

- ▶ identify and understand the root causes of an issue which is resulting in poor standards of governance and administration and non-compliance with legal requirements
- ▶ develop an improvement plan which will address the root causes of that issue within a reasonable time period, and
- ▶ demonstrate implementation of their plan.

Generally, we expect to educate and enable scheme managers and pension board members, so they comply with legal requirements. However, where scheme managers or pension boards fail to address poor standards and non-compliance with the law within a reasonable time period, we will consider escalating our activities, undertaking further investigations and taking regulatory action where there has been a breach of pensions legislation. In certain circumstances we may consider it appropriate to go straight to enforcement action. Further information about how we undertake investigations, our powers and our decision-making process can be found in the Appendix on page 16.

A number of our powers extend to third parties such as employers, for example the power to provide information, education and assistance, or to issue third party notices when we believe a breach by a person is, wholly or partly, a result of a failure of another person.

Appendix

Our regulatory powers and decision-making process

Undertaking investigations

Where we investigate, we may need to make some further enquiries to gather evidence, including for those schemes where we have already made information requests as part of a thematic review. This could include assessing the individual circumstances, the context of any breach of the law, any factors which may affect a decision to take enforcement action and the form that enforcement action might take.

We may seek information, documentation or an explanation from scheme managers and/or pension boards or any other relevant person. A reasonable period of time will be allowed for a response to be provided, taking into account the complexity and amount of information requested and the breach to which it relates.

Before making decisions, we may ask scheme managers and/or pension boards to provide us with information or other evidence of compliance with legal requirements. This may include (but is not limited to) copies of:

- ▶ pension board meeting minutes
- ▶ pension board training plans or logs
- ▶ registers of interest
- ▶ risk registers
- ▶ third party contracts and service level agreements
- ▶ scheme-approved policies and procedures
- ▶ stewardship reports
- ▶ statements of assurance
- ▶ audit reports
- ▶ annual reports and accounts.

continued over...

Appendix continued...

Undertaking investigations continued...

We may also contact other persons or third parties if we believe they may be in possession of relevant information or documents. These parties may include:

- ▶ third parties giving advice or providing business services to scheme managers and/or pension boards, and
- ▶ participating employers.

We may gather information through written requests, telephone calls or face-to-face meetings.

All information and evidence gathered during an investigation which amounts to personal data will be held securely and disposed of in accordance with the Data Protection Act 1998. We will disclose information only where we can lawfully do so and in line with the 2004 Act¹⁰ and the Data Protection Act 1998, which govern the disclosure of information we receive in the exercise of our statutory functions.

Any investigation activity will only be undertaken when it is proportionate and reasonable to do so. We will record our decision-making and the justification for our actions and we will assess the risk of each case to ensure the appropriate course of action is taken. Investigations will be conducted in line with our legal obligations including compliance with the Human Rights Act 1998 and the Equality Act 2010.

continued over...

10
Sections 82 to 87
of the 2004 Act.

Statutory information-gathering powers

While we expect to be able to gather information on a voluntary basis, where a person fails to respond to information requests without explanation, or we otherwise consider it necessary, we may consider using our formal information-gathering powers.

Under section 72 of the 2004 Act, we can require any person to provide information, or produce any documents in the manner, place and period as specified in the notice.

If we consider it necessary and to be a reasonable and proportionate way of obtaining the relevant information we need during an investigation, we can enter premises at any reasonable time (potentially including those of an employer or other third party) and conduct an inspection for the purpose of investigating whether scheme managers and pension boards have not complied, or are not complying, with certain legislative provisions, as set out under section 73(2) of the 2004 Act.

We may conduct an inspection where we have reason to believe the information could not be obtained under a section 72 request as the information or documents may be destroyed or altered. In these circumstances, we may decide to inspect premises without prior notice and arrive at premises unannounced.

Where a person does not have access to the documents or the information requested in the section 72 notices or they require a longer period in which to locate or gather together the requested information, they should tell us, otherwise sanctions may be imposed for non-compliance with the notice¹¹. We will not refuse reasonable requests for an extension of time without good reason.

Where there is a failure to comply with a section 72 notice without reasonable excuse, we may consider criminal prosecution under section 77, or if false or misleading information is provided, under section 80 of the 2004 Act.

We may also consider the use of a 'Skilled Persons' report under section 71 of the 2004 Act. Provided the appropriate conditions are met, we may also use our powers to apply for a warrant under section 78 of the 2004 Act.

11
Section 77 of
the 2004 Act.

Deciding whether to take enforcement action

Once we have completed our investigations, we will determine what, if any, action should be taken in relation to a particular breach of the law, including enforcement action where there has been a breach of pensions legislation. Where enforcement action is undertaken, we will follow our case team and Determinations Panel procedures¹² which describe how determinations on cases are made and how they can be appealed.

In deciding our approach and whether to take enforcement action in relation to a breach of pensions legislation, we will take into account factors such as the immediacy and materiality of the risk or issue, or the reaction of the parties involved. We will focus on the outcome that the action would provide.

The factors we will consider when deciding whether or not to take enforcement action will vary on a case-by-case basis. However, a key factor will be the extent to which scheme managers, assisted by pension boards as appropriate, have taken steps to:

- ▶ identify and understand the root causes of an issue which is resulting in poor standards of governance and administration and non-compliance with legal requirements
- ▶ develop an improvement plan which will address the root causes of that issue within a reasonable time period, and
- ▶ demonstrate implementation of their plan.

continued over...

12
Available at: www.tpr.gov.uk/procedures

Deciding whether to take enforcement action continued...

Some general examples of other factors are provided below. These examples are not exhaustive, nor are they prescriptive or weighted in any way:

- ▶ The number of members affected.
- ▶ The extent to which there is a systemic problem.
- ▶ The financial impact on individual and/or groups of members.
- ▶ The severity and duration of the breach.
- ▶ Whether the breach could have easily been prevented.
- ▶ The degree to which practices relating to the breach in question are inconsistent with Code of practice 14.
- ▶ Whether the scheme manager or pension board has deliberately sought to conceal their non-compliant behaviour by giving false or misleading information to members and/or us.
- ▶ Whether members of pension boards are able to demonstrate that they have adequate knowledge and understanding and have training plans in place.
- ▶ Reaction of the scheme manager and pension board once the non-compliance has been brought to their attention. For example:
 - the speed and co-operation shown to resolve any issues brought to their attention
 - whether they accept responsibility for the non-compliance or demonstrate negative/non-compliant entrenched behaviours, and
 - willingness to engage and co-operate with us.
- ▶ The track record of the scheme manager and/or pension board in complying with their duties and obligations, and
- ▶ Evidence of dishonesty or wilful failures to comply.

Deciding what enforcement action to take

Our enforcement options derive from legislation. We may select from one or more enforcement options, which range from statutory compliance notices and monetary penalties to criminal prosecution.

Our enforcement powers can variously be applied to scheme managers, members of pension boards, employers or third parties such as administrators. We will ensure that we act in accordance with all our legal obligations, including those contained within the Data Protection Act 1998 and Human Rights Act 1998.

Statutory notices

If we believe that a breach of pensions legislation has occurred (as defined in section 13 of the 2004 Act) and that a statutory remedy is needed to secure compliance, we can issue statutory notices to scheme managers, pension board members or third parties, such as participating employers or outsourced payroll providers.

There are specific rules governing the use of different statutory notices. They may be used to direct a person to take, or not to take, specific actions within a specified timeframe. We will consider the circumstances in each case when deciding the most appropriate course to achieving compliance. We may consider the following interventions:

- ▶ Under section 13 of the 2004 Act, we may issue an Improvement Notice requiring specific action to be taken within a certain time, if a person has contravened pensions legislation. An Improvement Notice may direct compliance with a code of practice and will be preceded by a Warning Notice under section 96 of the 2004 Act.
- ▶ Under section 14 of the 2004 Act, we may issue a Third Party Notice requiring specific action to be taken (or to be refrained from being taken) within a certain time. This notice may be issued when we believe a contravention of pensions legislation is, wholly or partly, a result of a failure of another person (as defined in section 13 of the 2004 Act) and will be preceded by a Warning Notice under section 96 of the 2004 Act.

Non-compliance with a statutory notice may result in a penalty.

continued over...

Civil penalties

We may impose a penalty under section 10 of the Pensions Act 1995. The maximum amount of a penalty in relation to each breach is £5,000 in the case of an individual and up to £50,000 in any other case.

Other statutory powers and orders

We have a variety of statutory powers, which include the following:

- ▶ **Power to recover unpaid contributions**
If an employer does not make a contribution payment towards an occupational or personal pension scheme on or before the due date, we may, on behalf of the scheme manager, exercise such powers as the scheme managers have to recover that contribution payable under section 17 of the 2004 Act.
- ▶ **Power to appoint a skilled person**
Under section 14A of the 2004 Act, we can assist a pension board in the discharge of its functions where we consider it desirable for the purpose of ensuring compliance with pensions legislation (within the meaning given in section 13 of the 2004 Act). The pension board must have regard to the advice of the skilled person and their costs will be met by the scheme manager.

Publishing the outcome of activity

We may publish reports of our regulatory activities in order to encourage learning and show lessons learned through our work. A decision to publish a report (under section 89 of the 2004 Act) will be taken on a case-by-case basis in line with our publication policy. We will usually engage with those directly involved in advance of publication.

Publishing the outcomes of our regulatory activities is an important way of encouraging improved standards and practices. Publication also raises awareness of the risks to the good governance and administration of schemes and should assist others in avoiding problems.

Publication also enables third parties to understand how their actions may have an impact on schemes. We put great emphasis on preventing problems from occurring, providing guidance to build good practice in collaboration with the regulated community.

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Compliance and enforcement policy for public service pension schemes

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The Pensions
Regulator

Report for ACTION
Item Number: 13



Contains Confidential or Exempt Information	NO - Part I
Title	Pension Board - Future work programme
Responsible Officer(s)	Howard Pearce
Contact officer, job title and phone number	Kevin Taylor Deputy Pension Fund Manager 01628 796715
Member reporting	n/a
For Consideration By	Berkshire Pension Fund Board
Date to be Considered	26 November 2015
Implementation Date if Not Called In	n/a
Affected Wards	None
Keywords/Index	Pension Board

Report Summary

The purpose of this report is to bring to the Pension Board a strategic rolling work plan designed to ensure that the Board fulfils its primary purpose in helping the Scheme Manager to secure compliance with LGPS regulations, associated legislation and the requirements of the Pensions Regulator.

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

Benefits to residents, fund members and other stakeholders and reasons why they will benefit	Dates by which they can expect to notice a difference
1. Better governance and administration of the Pension Fund	Ongoing

1. Details of Recommendations

Whilst the Pension Board has no decision making powers it has a duty to advise and make recommendations to the Pension Fund Panel and Pension Fund Advisory Panel to ensure that they are compliant with all of the statutory responsibilities placed upon them. The purpose of the work plan is to identify the key strategic aims of the Board and the areas within the normal cycle of a Pension Fund where Board members will want to make sure that they are fulfilling their statutory duties in assisting the Scheme Manager to be compliant with their governance and administrative responsibilities.

RECOMMENDATION: That the Berkshire Pension Board considers this paper and adopt a future work programme.

2. Reason for Recommendation(s) and Options Considered

The Pension Board has a statutory duty to assist the Administering Authority (Scheme Manager) in securing compliance with all governance and administration issues. The implementation of a future work programme will assist the Board meet its statutory obligations.

3. Key Implications

Failure to fulfil the role and purpose of the Pension Board 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

Immediate.

16. Appendices

None.

17. Background Information

The Pensions Regulator's Code of Practice No. 14: Governance and administration of public service pension schemes.

Full name of report author	Job title	Full contact no:
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Pension Board – future work programme

Introduction

The Pension Board is reminded that its primary purpose is to help the fund secure compliance with the LGPS regulations and the Pension Regulator requirements.

The Pension Fund Panel is the decision making body and the Pension Board has no decision making powers. It can only advise or make recommendations to the Pension Fund Panel.

Therefore the Pension Board needs to be cognizant that:

- Its work programme should take account of the Fund's own work programme and seek to add value
- Servicing the Pension Board will consume Fund management resources and time
- The Senior Fund Officer serving the Pension Board may on some fund performance issues be personally compromised and conflicted and we need to find ways to avoid this if at all possible
- For some work items the Pension Board may need the Fund to budget for the costs of using specialist external consultancy resources to undertake and advise it rather than using the Senior Officer servicing the Fund.

Strategy

Based on LGPS and TPR guidance on the role of Pension Boards it would seem appropriate that the Pension Board business focus should be around:

- Its own training, knowledge and understanding
- Avoiding any conflicts of interest
- Ensuring its own statutory compliance
- Checking Fund governance
- Reviewing Fund risks and internal systems and controls
- Checking Fund external advisors/service providers and their internal controls
- Reviewing Fund member record keeping
- Checking Fund contributions
- Reviewing Fund administration
- Benchmarking Fund performance and VFM
- Fraud prevention
- Employer and member communications
- Complaints and dispute resolution
- Reporting regulatory breaches

And more specifically on the latter

1) Identifying any areas of financially material breaches/ areas of regulatory non-compliance that need remediation action such as

Things not done to statutory timescales by the Fund or employers or members – for

example

- repeated late contributions by employers
- excessively late transfers in/out
- issuing ABS late
- late first pension payments

Things done on time (or late) but done incorrectly – for example

- incorrect contributions
- incorrect transfers
- incorrect benefit calculations

Things not done but should be done – for example

- Data checking, cleansing and validation
- Data back ups and security checks
- Checking the resilience of the Fund website and external e-links
- Disaster recovery planning exercises

2) Identifying the underlying causes of Fund non-compliance and helping ensure rectification plans are being carried out to agreed timescales – for example in relation to

- Risk management
- Data quality - common/conditional
- IS/IT issues
- Staff error
- Resource shortage

Just as important to its scrutiny role described above the Pension Board should also

3) Wherever possible undertake joint training and demonstrate it has a positive role in helping the Fund deliver good-best practice relative to other LGPS Funds for example by reviewing the results of annual external benchmarking surveys by

- DCLG/ONS (fund statistics)
- National LGPS Scheme Advisory Board (governance/performance)
- Pensions Regulator (governance/risk/training)
- CIPFA (benefits administration)
- WM-State Street (investments)
- Other Pension Board commissioned benchmarking surveys

and then if appropriate making recommendations to improve the Fund's performance in specific areas.

Fund business cycles

The Pension Board also needs to take account of and work with the Fund's cyclical annual and triennial business. Some of these items have been included on the draft forward look of Pension Board business. Other items need prioritising and to be included/excluded from 2015-17 work plan.

Annual cycle items

Pension Board Governance

Pension Board Work Plan
Pension Board Annual Training Plan
Pension Board Annual Report

Fund governance

Review/input to the Governance Compliance Statement
Annual review of fund declarations of interest (all fund committees)
Annual review of external advisor appointments/process and internal SLAs
Annual review of fraud risk prevention and mitigation measures
Review of the fund draft annual report and audited accounts

Fund risk management

Review of Fund risk register and its use by Pension Fund Panel and officers
Input to annual internal and external auditing plan
Consider/comment draft internal and draft external audit reports

Regulatory Compliance

Pension Board commissioned external reviews

- Fund compliance with TPR Code 14
- Fund compliance with other TPR codes (data quality)

Annual review of Fund delegations and internal controls
Annual review of employers' compliance (vis member data and contributions)
Annual review of reported breaches and actions taken

Fund performance

Quarterly stewardship reports by officers and by external advisors/suppliers
Input to the Fund annual external benchmarking plan (DCLG, SAB, TPR surveys, CIPFA, WM)
Pension Board plan for externally commissioned benchmarking exercises
Review and comment on Fund and Pension Board commissioned benchmark reports
Annual review VFM of Fund administration strategy – costs v LGPS/DB average via benchmarking
Annual review VFM of Fund investment strategy - returns v costs v LGPS/DB average via benchmarking

Member records and communications

Annual review/input to the Fund administration strategy
Annual review of the Fund communications strategy
Annual review of Fund website
Review the timeliness of issuance of Annual Benefit Statements for active and deferred members
Annual review of application of Fund (and employer?) discretions policies
Annual review of Fund complaint handling and IDRP case outcomes

2016 triennial valuation cycle items

Review the actuarial training provided, the rationale for the key assumptions used, and the range of liability reducing options considered and used
Review/comment on the timing of finalising the Funding Strategy Statement
Review of contribution setting, employer risks, and funding covenant implementation
Review/comment on process/timing of reviewing the Fund future investment strategy

Meeting agendas

The Pension Board will have 4 meetings a year lasting no more than 4 hours each. Realistically at its meetings it will only have time to

- raise matters arising from last meeting
- consider its own governance items required by LGPS regulations
- discuss and make recommendations on key Fund issues
- provide advice and support to the Fund where it can most add value

It is recommended each Pension Board meeting has a 3 part agenda structured as follows

- Standard initial items say 1.5 hrs
 - 1) *Apologies for absence*
 - 2) *Declarations of interest in relation to items on the agenda*
 - 3) *Minutes of last Pension Board meeting and matters arising not on agenda*
 - 4) *Scheme legal and regulatory update - consultations and surveys issued by DCLG, SAB, TPR others and fund response*
 - 5) *Fund update and any Pension Board comments on the minutes of last Pension Fund Panel and Pension Fund Advisory Panel*
 - 6) *Risk register update*
 - 7) *A training item on a topic relevant to an item on the agenda*
- Main business items say 2hrs
 - 8-13) *No more than 6 items*
- Standard end of meeting items say 0.5hr
 - 14) *How did we do*
 - 15) *Forward Look of Pension Board Business - future meeting agenda items 1 year ahead*
 - 16) *Date of next meeting*

As stated above a forward look of Pension Board business will be a standing end of meeting item on each Pension Board meeting agenda. This is to enable the Pension Board work programme to be dynamically managed to respond to new issues and developments at and between meetings and each year.

The Pension Board is invited to discuss and comment on this paper and specifically the forward look of Pension Board business on the attached spreadsheet and to prioritise at least its near term training and main business for the next 6-12 months.

Howard Pearce
Independent Chair

Local Pension Board

	Nov-15	Feb-16	May-16	Aug-16	Nov-16	Feb-17	May-17	Aug-17	Nov-17	Feb-18	May-18	Aug-18	Nov-18	Feb-19
Standing Items:														
Apologies for absence	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Declaration of Interest	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Minutes of last Board & matters arising not on agenda	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Scheme Legal & Regulatory update	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Fund update & comments on minutes of PC & ISC	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Review of Risk Register	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Training item relevant to agenda		tPR Code 14 and record keeping	2016 Triennial Valuation	Annual Reporting requirements	Data protection and quality standards	Complaints and disputes handling	Fraud prevention and mitigation		TBC		TBC	TBC	TBC	
Review - how did we do?	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Forward work plan review	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Recurring annual, biennial or triennial main business items:														
Board Budget setting		1				1				1				1
Board KPIs to monitor		1					1				1			
Board Annual Report			1				1				1			
Review Board's Terms of Reference (if and as required)					1				1				1	
Board Annual Training Plan	1				1				1				1	
Review Fund training programme		1				1				1				1
Code of Conduct & Conflicts of Interest Policy	1												1	
Review all fund declarations of Interest				1				1				1		
Review Fund Annual Report and Accounts	1				1				1				1	
tPR Code of Practice 14/record keeping compliance survey results		1								1				
Input to Annual External Audit Plan	1				1				1				1	
Review External Audit Report	1				1				1				1	
Input to Annual Internal Audit Plan	1				1				1				1	
Review Internal Audit Report	1				1				1				1	
Review Fund Annual Business Plan			1				1				1			
Review Admin Strategy	1				1				1				1	
Review fund delegations and internal controls						1								1
Review Governance Compliance Statement			1				1				1			
Review external advisor appointments process/controls and internal SLAs					1								1	
Review Admin Authority Discretions		1								1				
Review employers compliance (data)		1				1			1				1	
Review fund fraud risk prevention and mitigation measures					1								1	
Review of data security & business recovery				1				1				1		
Review Fund Comms (employers/members)			1				1				1			
Review fund website contents/resilience						1								1
Review of Fund IDRP procedures & cases						1								1
Review Triennial Valuation Process					1									
Review Funding Strategy Statement							1							
Review Statement of Investment Principles/compliance with FRC stewardship code				1				1				1		
Results national LGPS KPI survey and funds own KPIs				1				1				1		
Review CIPFA Admin and WM investment and other fund benchmarking results						1				1				1
Other ad hoc or irregular business items:														
Review GMP reconciliation process									1					
Total number of Agenda Items:	17	18	17	14	21	19	259	16	19	16	17	16	21	17

