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NOTICE

OF

MEETING

BERKSHIRE PENSION FUND PANEL

will meet on

MONDAY, 15TH MAY, 2017

at

4.00 pm

In

COUNCIL CHAMBER - TOWN HALL, MAIDENHEAD.

TO: MEMBERS OF THE BERKSHIRE PENSION FUND PANEL

COUNCILLORS JACK RANKIN, JOHN LENTON (CHAIRMAN), GEOFF HILL AND DAVID HILTON (VICE-CHAIRMAN)

ADVISORY MEMBERS: KHAULA USMANI (SLOUGH), CLLR GLENN DENNIS (READING), CLLR STANTON, CLLR WORRALL, SUE NICHOLLS, CLLR LAW, PATRICK FULLER AND ASIA ALLISON

Karen Shepherd - Democratic Services Manager
Issued: 05/05/2017

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

The agenda is available on the Council's web site at www.rbwm.gov.uk or contact the Panel Administrator **David Cook, david.cook@rbwm.gov.uk, 01635 796560**

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AGENDA

PART I

PRIVATE MEETING - PART II

MEMBERS' GUIDE TO DECLARING INTERESTS IN MEETINGS

Disclosure at Meetings

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

A member with a DPI or Prejudicial Interest **may make representations at the start of the item but must not take part in discussion or vote at a meeting.** The term 'discussion' means a discussion by the members of meeting. In order to avoid any accusations of taking part in the discussion or vote, Members should move to the public area or leave the room once they have made any representations. If the interest declared has not been entered on to a Members' Register of Interests, they must notify the Monitoring Officer in writing within the next 28 days following the meeting.

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

- Any employment, office, trade, profession or vocation carried on for profit or gain.
- Any payment or provision of any other financial benefit 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 licence 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.

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

A Member with a DPI should state in the meeting: ***'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Or, if making representations on the item: ***'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Prejudicial Interests

Any interest which a reasonable, fair minded and informed member of the public would reasonably believe is so significant that it harms or impairs the Member's ability to judge the public interest in the item, i.e. a Member's decision making is influenced by their interest so that they are not able to impartially consider relevant issues.

A Member with a Prejudicial interest should state in the meeting: ***'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Or, if making representations in the item: ***'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Personal interests

Any other connection or association which a member of the public may reasonably think may influence a Member when making a decision on council matters.

Members with a Personal Interest should state at the meeting: ***'I wish to declare a Personal Interest in item x because xxx'. As this is a Personal Interest only, I will take part in the discussion and vote on the matter.***

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BERKSHIRE PENSION FUND PANEL

MONDAY, 13 FEBRUARY 2017

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

ADVISORY MEMBERS: Cllr Law, Cllr Usmani, Cllr Stanton, Cllr Worrall, Mrs Nicholls, Mr Eryilmaz, Mr Ralfs and Mr Butcher.

INDEPENDENT ADVISOR: Mr Dhingra.

OFFICERS: Mr Greenwood, Mr Taylor, Mr Pardo, Mr Stubbs, Mr Bunn, Mr Boyton, Mr butcher and Mr Cook.

APOLOGIES

Apologies for absence were received by Cllr Rankin and Cllr Dennis.

It was noted that Billy Webster was no longer the Chairman of the Berkshire Pension Board.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

The Part I minutes of the meeting held on 16 January 2017 were approved as a true and correct record.

INTEGRATED RISK MANAGEMENT

The Pension Fund Manager informed the Panel that the Pensions Regulator had issued a new defined-benefit regulatory guidance in December 2015, “Integrated Risk Management” (IRM). Whilst this was guidance rather than a code of practice it would be considered by the Regulator to be best practice. Lincoln Pensions, a company that had extensive experience of undertaking IRM work for large private sector pension funds, had been commissioned to undertake an IRM project for the Fund.

The Panel received a presentation from Lincoln Pensions regarding the conclusion of an Integrated Risk Management study they had undertaken on behalf of the Pension Fund. Draft findings were circulated at the meeting with the final report awaiting approval from the Pension Fund Manager.

The Panel were informed that Lincoln's approach on integrated risk with regards to the Pension Fund looked at the impact of selected economic scenarios on both the Fund and the Sponsors. The scenarios were:

- 1973 - 1974 Recession
- 2001 – 2003 Dot Com Crash
- 2007 – 2008 Credit Crunch

To allow for consistent analysis they had prepared a forecast model based on historical data. Forecast assumptions were then applied to produce ten year forecast projections for each Sponsor’s operating result, asset base and the ability to afford estimated pension contributions. For this analysis the Fund was split into four Sponsor groups; Councils, Educational Bodies, Housing Associations and Individual Admitted Bodies.

The Panel were informed that there were limitations to the economic analysis used as there were unknown impacts on the risk analysis such as an aging population or a change in the political landscape.

The overall conclusion of the report was that the Fund' solvency level would be sensitive to an environment of exceptionally high interest rates and high inflation especially those Sponsors in the public sector. It was felt that three of the local authorities could struggle to meet their recovery plans under such scenarios.

The Panel were informed that it was felt that if the Fund was impacted by the stress scenarios it would require higher annual contributions to maintain a 20 year recovery period. It was recommended that recovery plans should be better aligned to the strengths of each of the sponsors.

The report set out Lincoln Pensions recommendations and next steps to address the risk that certain Sponsors were unable to afford the required contributions to meet a 20 year recovery period. They felt that the Fund should not rely on being able to go to Central Government to bail it out and they encouraged the Fund to look at its financial position and performance every 6 months. It was felt that as part of the review the Fund should also consider the impact of unprecedented 'black swan' events which captured highlighted potential risks facing the Fund.

The Panel were informed that thought should be given to potential recovery models such as formalising resilience arrangements that may be placed on central Government, the utilisation of Council capital portfolios or the potential use of a local referendum to increase council tax.
Cllr Hill asked if the Fund could withstand a 'black swan' event and was informed that on an aggregated basis it could withstand all of the stress scenarios apart from the 1973 – 1974 Recession.

Cllr Hill asked what would be the implications of such an event and was informed that debts would increase and a new recovery rate would have to be calculated. If such an event were to happen in the next three years it was felt that the Fund would eventually be unable to meet all of its liabilities.. Inflation would cause pension costs to increase whilst asset values would fall.

Cllr Stanton asked why three of the local authorities were particularlyvulnerable. The Panel were informed that it was felt that West Berkshire, RBWM and Bracknell Forest were more vulnerable to stress when their cash flow was stressed.

Cllr Hilton mentioned that as more Council's were outsourcing to community interest companies the Panel had recognised the risks associated with this and asked if Lincoln had a view of the sustainability of the local government pension scheme. The Panel were informed that when there was an increased shift from the public sector to the private sector the covenant would be weakened. Local Government Pension Funds were exposed to higher risks of underfunding and generally final salary schemes were unsustainable.

Cllr Lenton mentioned that the outcomes of the stress testing were in the report but not the calculations and also asked why certain councils were more susceptible. The Panel were informed that the calculations would be in the final full version of the report and that smaller councils were more vulnerable to changes such as demographic changes or population growth.

Cllr Hill mentioned that the analysis had been done but asked what could be done about potential stress events. The Panel were informed that the stress tests showed that if there were a future event the Panel could go to the Government and show that the Fund was at risk of running out of money. The Funds covenant was strong and had an AAA rating as council tax could be raised. Officers could produce a dashboard every 6 months highlighting potential threats and solutions.

The Chairman raised concern that the Fund had a number of admitted bodies whose covenant was not strong.

Cllr Law highlighted the paragraph that showed that the University of West London and East Berkshire College could not meet their contributions under any of the scenarios. Cllr Law also mentioned that Councils' could not borrow for revenue expenditure. The Panel were informed that one option was to borrow to fund the scheme better and that the Government could be asked to change legislation to allow this to happen.

Resolved unanimously: that the Panel note the report and approved that a dashboard be brought back to the Panel. Approved that the first risk scenario examined be out saucing of Council services.

ACTUARIAL VALUATION 2016

The Panel received a presentation from representatives of Barnett Waddingham, Actuary to the Fund, on the results of the 2016 Triennial Actuarial Valuation.

The Panel were informed that the purpose of the valuations was to show how much employers needed to pay in the future to have sufficient assets to pay benefits. GAD would be carrying out the Section 13 valuations.

The administrating authority had the responsibility for producing the Funding Strategy Statement that showed the assumptions that had been used. It was noted that revised CIPFA guidance had just been issued.

The Panel were shown how the valuation was done by projecting all possible benefits payments for each member, then attached probabilities to each possible payment and finally discounted expected payments to obtain the value. The main question was are assets sufficient to pay the cash flow.

The March 2013 valuation results showed a deficit of £527 million with the plan to eliminate over 27 years. The plan was to increase contributions from pensionable pay by 3% over a 6 year period.

The Panel were informed that the Advisory Board had asked actuaries why they did not use the same assumptions for all funds. The Board were informed that different funds had different strategies; however the Board have asked for standardised assumptions.

The Section 13 valuation provided an independent review by GAD of the valuation and employer contribution rates to asses they are appropriate and if remedial action was required.

(Cllr Hill left the meeting)

The Panel were informed that the new Section 13 valuation started on 1st April 2017 with the draft report expected late 2018 or early 2019.

The Panel were shown the 20 year inflation curve and were informed that the assumption was for long term salary increases of 1.5% more then the CPI.

With regards to the discount rate this had been based on a number of factors including the proportion of liabilities that were the responsibility of tax raising bodies, the ability of employers to pay more, the attitude to risk, the levels of volatility in the assumed asset returns and consistency with the 2013 valuation. The demographic assumptions used were updated every three years based on mortality rates.

The results of the valuation was that the funding assumption had decreased from 75% to 73% and thus more money was required to go into the Fund to pay for this deficit. As a result when looking at the standardised funding levels the Berkshire Fund was ranked at 72% when compared to other Funds with 50% of Funds in the 90% to 100% range.

As the rest of the discussion related to the financial affairs of Fund bodies the discussion continued in Part II – Private meeting.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

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

The meeting, which began at 4.00 pm, finished at 6.30 pm

CHAIRMAN……………………………….

DATE………………………………..........

Report Title:	Pension Fund Cash-Flow
Contains Confidential or Exempt Information?	*NO - Part I*
Member reporting:	
Meeting and Date:	Berkshire Pension Fund and Pension Fund Advisory Panels 15 May 2017
Responsible Officer(s):	Nick greenwood, Pension Fund Manager
Wards affected:	None

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Royal Borough of Windsor & Maidenhead

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Panel notes the report.

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

2.1 Following the triennial actuarial valuation and the imposition of new deficit recovery contribution rates Officers requested Barnett Waddingham, Actuary to the Fund, to prepare a cash-flow model for the fund. This has then been extended to include forecast operating expenses.

Two cases are presented – the base case (no-outsourcing of services) and the bear case (25% of payrolls out-sourced over 3 years). In reality the impact of out-sourcing is marginal as transferred employees will remain members hence their new employers will be paying future service contributions and previous employers will continue to make deficit recovery contributions.

Base Case

Year to 31 Mar	2018	2019	2020	2021	2022
Contributions £m	104.5	110.9	118.1	116.6	121.1
Benefits £m	(98.2)	(102.7)	(110.1)	(112.5)	(117.0)
Investment Costs £m	(7.0)	(7.7)	(8.2)	(8.7)	(9.2)
Administration £m	(1.2)	(1.0)	(1.0)	(1.1)	(1.1)
Net Cash-Flow £m	(1.9)	(0.5)	(0.9)	(5.7)	(6.2)

Bear Case

Year to 31 Mar	2018	2019	2020	2021	2022
Contributions £m	104.2	110.0	116.2	113.5	116.8
Benefits £m	(98.2)	(102.7)	(110.1)	(112.5)	(117.0)
Investment Costs £m	(7.0)	(7.7)	(8.2)	(8.7)	(9.2)
Administration £m	(1.2)	(1.0)	(1.0)	(1.1)	(1.1)
Net Cash-Flow £m	(2.2)	(1.4)	(3.1)	(8.8)	(10.5)

Notes: Investment costs forecast to increase 10% in 2019 (pooling) and 6% per annum thereafter based on asset growth assumption. Administration costs fall in 2019 (reduction in investment team). No allowance has been made for LPP costs.

2.2 Panel also requested modelling of the contributions receivable from an admitted body which does not allow new employees to join the Fund. The table below is hypothetical and assumes an initial payroll of £10 million, pay rises (including scale promotions of 2% per annum) and staff turnover of 14% per annum. It should be noted that this table only covers future service contributions, deficit contributions certified as at 31 March 2016 will be the responsibility of the ceding employer whilst any deficit recovery contributions certified in 2019 will, subject to any out-sourcing agreement, be the responsibility of the admitted body.

Table 1: Forecast Cash-Flows for a "closed" admitted body

Year to 31 March	Pensionable Pay Roll £	Contributions (Future Service Only)
2018	10,000,000	1,430,000
2019	8,772,000	1,254,396
2020	7,694,798	1,100,356
2021	6,749,877	965,232
2022	5,920,992	846,702
2023	5,193,894	742,727
2024	4,556,084	651,520
2025	3,996,597	571,513
2026	3,505,815	501,332

3. KEY IMPLICATIONS

Whilst the forecast cash-flow is better than previous estimates no allowance has been made for additional benefits payable due to early retirements nor capital sums received by the Fund in respect of those early retirements.

Overall there will still be a need for investment income albeit not at the 2% of assets (£39 m per annum) level previously targeted. Officers recommend that the current strategy, in particular the equity dividend growth strategy, should be maintained although this will be subject after 31 March 2018 to the whims and fancies of The Local Pensions Partnership.

.4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 Officers forecast that the Fund will require Investment Income to avoid selling assets to pay benefits. This requirement is forecast to grow over time.

5. LEGAL IMPLICATIONS

5.1 None

6. RISK MANAGEMENT

6.1 This report highlights the risk that contributions will be less than benefits paid and the mitigating affect of investment income to avoid selling assets to meet liabilities.

7. POTENTIAL IMPACTS

7.1 None

8. CONSULTATION

8.1 Barnett Waddingham modelled the whole fund forecasts in Section 2.

9. TIMETABLE FOR IMPLEMENTATION

9.1 Not Applicable

10. APPENDICES

10.1 None

11. BACKGROUND DOCUMENTS

11.1 None

Report Title:	**LGPS Pooling**
Contains Confidential or Exempt Information?	*NO - Part I*
Member reporting:	Cllr J Lenton
Meeting and Date:	Berkshire Pension Fund and Pension Fund Advisory Panels 15 May 2017
Responsible Officer(s):	Nick Greenwood Pension Fund Manager
Wards affected:	None

REPORT SUMMARY

1. This report includes a letter from Marcus Jones MP instructing the Berkshire Pension Fund to join the Local Pensions Partnership along with the Chairman's reply.
2. The Chairman, Vice Chairman of the Panel together with Cllr Law from West Berkshire and the Pension Fund Manager will meet representatives of the Local Pensions Partnership on 11th May and will give Panel a verbal report at this meeting.
3. This report seeks approval for the final terms and timings of the transfer of assets to the pool to be negotiated by the Pension Fund Manager in conjunction with the Chairman and Vice Chairman of the Panel.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Panel notes the report and:

- **i)** **Notes the instruction to join the Local Pensions Partnership issued by Marcus Jones MP.**
- **ii)** **Authorises Officers in conjunction with the Chairman and Vice Chairman of Panel to conclude discussions regarding terms and timings of any transfer of assets to the Local Pensions Partnership**
- **iii)** **Agrees that becoming a shareholder in the Local Pensions Partnership gives the Fund a role in the governance of the Local Pensions Partnership and provides resilience to the Fund across both investments and administration.**

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

2.1 Attached at Annex 1 is a letter from Marcus Jones MP, Minister for Local Government outlining his requirement for the Berkshire Pension Fund to commit to joining the Local Pensions Partnership ("LPP") and to confirm to him by the end of June. Members will note his desire for a meeting with both parties during June, however, the General Election has prevented such a meeting being arranged.

2.2 Attached at Annex 2 is the Chairman's response to this letter.

2.3 The Chairman, Vice Chairman of the Panel together with Cllr Law from West Berkshire and the Pension Fund Manager will meet representatives of the Local Pensions Partnership on 11th May and will give Panel a verbal report at this meeting.

2.4 It is the opinion of the Chairman, Vice Chairman and Officers that pooling is inevitable and the best (but by no means optimal) solution is for Berkshire to become a shareholder in LPP to at least gain some role in the governance of LPP. Joining LPP will also offer resilience in both investments (reducing key man risk) and administration.

2.5 Panel are requested to note that Officers have yet to see any evidence that pooling will reduce costs for the Fund.

Table 1

Option	Comments
Do not pool	Not recommended as Berkshire has been instructed to pool
Become an investment client of LPP	Not recommended as this leaves Berkshire with no governance role in LPP
Become a shareholder in LPP	**Recommended**

3. KEY IMPLICATIONS

3.1 Success will be best measured by whether or not the Fund meets the Government's requirement to have joined an investment pool and to have started pooling its investments by 1 April 2018.

Defined Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered by
Pool investments	No pooling achieved	Pooling achieved	Pool some investment	n/a	1 April 2018

Defined Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered by
			s prior to 1 April 2018		

4. FINANCIAL DETAILS

Financial impact on the budget

4.1 There is no immediate impact on budgets.

5. LEGAL IMPLICATIONS

5.1 The Fund is required by DCLG to pool its investments with other LGPS funds.

A legal review of the documents required for the Fund (or RBWM as the administering authority of the Fund) to become a shareholder in or investment client of LPP or an investment client of the London CIV will be required.

6. VALUE FOR MONEY

6.1 By combining all the pension services managed by RBWM into LPP cost savings and efficiencies are expected ultimately to be achieved.

7. SUSTAINABILITY IMPACT APPRAISAL

7.1 None

8. RISK MANAGEMENT

8.1

Risks	Uncontrolled Risk	Controls	Controlled Risk
Poor governance of pool	No clear governance structure in place leading to a lack of accountability	Agree appropriate governance structures	Clear accountability
No cost savings generated	Investment costs are not controlled	Pooling of investments should lead to better negotiating ability and lower fees	Investment costs are controlled

9. LINKS TO STRATEGIC OBJECTIVES

9.1 None

10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION

10.1 An Equality Impact Assessment will be required once approval to join LPP has been given by Panel.

11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS

11.1 Staff will be transferred to LPP or one of its subsidiaries. RBWM will need to appoint a Liaison Officer.

12. PROPERTY AND ASSETS

12.1 Assets (e.g. lease on Minster Court, computers and office equipment) may be transferred to LPP.

13. ANY OTHER IMPLICATIONS

13.1 The impact on stakeholders will be mixed. Members of the Fund will continue to deal with the Administration team in Maidenhead, however, there could well be significant implications for Employers as unless there is an improvement in investment returns to offset the higher investment management costs employers' contributions will ultimately rise.

14. CONSULTATION

14.1 Pension Fund Panel
Local Pensions Partnership

15. TIMETABLE FOR IMPLEMENTATION

15.1 DCLG require a commitment to join LPP by 30 June 2017 and investment pooling to be achieved by 1 April 2018.

16. APPENDICES

Annex 1 – Letter from Marcus Jones MP
Annex 2 - Response to DCLG

17. BACKGROUND INFORMATION

Local Government Pension Scheme: Investment Reform Criteria and Guidance (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479925/criteria_and_guidance_for_investment_reform.pdf)

LGPS Investment Pooling Update – Pension Fund Panel 11 April 2016
LGPS Investment Pooling – Local Pensions Partnership – Pension Fund Panel 6 June 2016
LGPS Investment Pooling – Local Pensions Partnership Update – Pension Fund Panel 11 July 2016
Local Pensions Partnership – Update – Pension Fund Panel 12 September 2016
LGPS Pooling Update – Pension Fund Panel 7 November 2016

Department for
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Marcus Jones MP
Minister for Local Government

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Cllr John Lenton
Chair, Berkshire Pension Fund

Dear Councillor Lenton.

1 5 MAR 2017

LOCAL GOVERNMENT PENSION SCHEME (LGPS) INVESTMENT POOLING

As you will be aware, it is now well over a year since the Government set the framework for reform of the investment function of the LGPS, through the guidance and criteria for pooling published in November 2015. Authorities across the scheme have responded to the challenge and come together to form partnerships of their own choosing based on a shared view of investment strategy. This is a substantial programme of reform which aims to deliver reduced costs while maintaining performance, and to develop capacity and capability for greater investment in infrastructure.

I have made it clear that I expect every administering authority in the LGPS to join a pool and to place all assets in their chosen pool, taking account of the benefits across the pool and across the scheme, as well as to their own fund. I am therefore concerned to note that Berkshire is now the only administering authority which has not formally committed to participation in a pool.

I understand that you have been in discussion with the Local Pensions Partnership (LPP) for some time and that joining another pool is no longer a realistic option. I consider that these negotiations must now be brought to a conclusion, with a spirit of compromise on both sides and a determination to arrive at an agreement satisfactory to all.

We have set the deadline of April 2018 for the pools to be operational, and participation by all funds is a vital component. I expect Berkshire to complete negotiations with LPP as soon as possible with a view to Berkshire formally committing to LPP by the end of June. My office will be in touch to set a date for a meeting with both parties to review progress in June.

I am writing in similar terms to LPP.

Yours Sincerely.

Marcus Jones

MARCUS JONES MP

Annex 2 – Response to DCLG

Dear Mr Jones

Thank you for your letter of 15 March (copy attached). I would refer the Minister to my letter dated 11 April 2016 to him whereby I expressly requested the Minister's Department to confirm that the Local Pensions Partnership would become an authorised LGPS Investment Pool – I am still waiting this confirmation but assume from your letter that this authorisation is or will be given.

We have in fact executed a letter of intent to join LPP and have in place ready for completion extensive documentation prepared by Eversheds and reviewed by Lawyers retained by ourselves and with which we have no major problems.

However we have been unable to find any cost savings, quite the reverse

Further we do not consider that the primary objective of the Fund is to "develop capacity and capability for greater investment in infrastructure". Our primary objective is to achieve the returns necessary to meet our liabilities to our members; liabilities that will be payable over the next 70 years or so and to do so at minimum cost to our future Council Tax payers. We are investing in infrastructure projects that meet our investment criteria and believe that our substantial commitments (exceeding 10% of the Fund's assets) demonstrate our commitment to this area of investment. However we would comment that size is not everything in Infrastructure and would particularly highlight our recent announcement with Gresham House regarding the establishment of a fund (open to all LGPS and private sector funds) to invest in Housing, Infrastructure and Innovation which as you will be aware are 3 of the key themes articulated by the Chancellor in the Autumn Statement 2016.

We have no objection in principle to pooling with other funds and most certainly would welcome an arrangement that would strengthen our resilience. As outlined above, we are continuing our discussions with LPP. However we are looking for costs savings, not increases and have yet to see how such savings will be achieved.
.

As you will be aware the Berkshire Fund is responsible for the pension arrangements for the employees of 6 Unitary Boroughs (of varying political compositions) quite apart from 200 or so admitted bodies. I will find it rather difficult to persuade the 6 Unitary Authorities to accept a pooling arrangement that will increase costs. It is possible that some will raise the matter with their Members of Parliament.

Yours sincerely

Cllr John Lenton

Deputy Mayor Royal Borough of Windsor and Maidenhead

Chairman Royal County of Berkshire Pension Fund Panels.

Title: **Pension Fund Policy Documents**	
Contains Confidential or Exempt Information?: *NO - Part I*	
Member reporting: Councillor Lenton, Chairman Berkshire Pension Fund and Pension Fund Advisory Panels	
Meeting and Date: Berkshire Pension Fund and Pension Fund Advisory Panels – 13 March 2017	
Responsible Officer(s): Nick Greenwood, Pension Fund Manager	
Wards affected: None	

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Royal Borough of Windsor & Maidenhead

REPORT SUMMARY

1. This report requests Panel to approve for publication two policy documents The Funding Strategy Statement and the Investment Strategy Statement.
2. The Funding Strategy Statement has been approved by Panel on previous occasions but has been updated to reflect the assumptions used in and the results of the 2016 Actuarial valuation of the Fund. The Investment Strategy Statement is a new requirement and replaces the Statement of Investment Principles previously published by the Fund.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Panel notes the report and authorises the publication of:

i) The Funding Strategy Statement
ii) The Investment Strategy Statement

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

2.1 The LGPS Regulations require the administering authority to publish a number of policy documents two of which, the Funding Strategy Statement and the Investment Strategy Statement, are linked to the Actuarial valuation of the Fund.

2.2 The Funding Strategy Statement has been updated to reflect the assumptions used in and the results of the 2016 Actuarial valuation of the Fund. The Investment Strategy Statement which replaces the Statement of Investment Principles covers the 6 objectives set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. This statement has been reviewed by the Investment Working Group and circulated to Berkshire Treasurers. Employers and made available on request to Fund members. Their comments have been incorporated into the statement.

Table 1: Options Analysis

Option	Comments
Publish both statements	**Recommended as publication is a statutory requirement**
Do not publish either statement	Not recommended both statements are required by statute to be published
Publish one but not the other statement	Not recommended both statements are required by statute to be published

10. APPENDICES

- Appendix 1 – The Funding Strategy Statements
- Appendix 2 – The Investment Strategy Statement

THE ROYAL COUNTY OF BERKSHIRE PENSION FUND

FUNDING STRATEGY STATEMENT

CONTENTS

1 INTRODUCTION

1.1 This is the Funding Strategy Statement ("FSS") for the Royal County of Berkshire Pension Fund ("the Fund") which is administered by The Royal Borough of Windsor of Maidenhead ("the Administering Authority"). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013.

1.2 This statement should be read in conjunction with the Fund's Investment Strategy Statement ("ISS")

Purpose of the Funding Strategy Statement

1.3 The purpose of the FSS is to explain the Fund's approach to meeting the employer's pension liabilities and in particular:

- To establish a clear and transparent Fund-specific strategy which will identify how employers' pension liabilities are best met going forward;

- To take a prudent longer-term view of funding those liabilities; and
- To support the regulatory framework to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme, and where possible to maintain as nearly constant Scheme employer contribution rates as possible.

1.4 The purpose of the Fund is to:

- Collect monies in respect of employee and employer contributions, transfer values and investment income;
- Facilitate payment of Local Government Pension Scheme (LGPS) benefits, transfer values, costs, charges and expenses; and
- Accumulate and invest money received and facilitate the management of this.

Funding Objectives

1.5 Contributions are paid to the Fund by Scheme members and Scheme employers to provide for the benefits which will become payable to Scheme members when they fall due.

1.6 The funding objectives are to

- Set levels of employer contributions that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund and ensure the solvency of the Fund;
- Set contributions which maximise the long-term cost efficiency. Broadly, this means that paying contributions as soon as possible so that any deficit is addressed quickly is preferable;

- Build up the required assets in such a way that produces levels of employer contributions that are as stable as possible;

- Minimise the risk of employers leaving with unpaid deficits, which then fall to the other employers;

- Ensure effective and efficient management of employer liabilities; and

- Allow the return from investments to be maximised within reasonable risk parameters.

2 KEY PARTIES

2.1 The parties directly concerned with the funding aspect of the Pension Fund are contained in this section of the FSS. A number of other key parties, including investment managers and external auditors also have responsibilities to the Fund but are not key parties in determining funding strategy.

The Administering Authority

The Administering Authority for the Royal County Berkshire Pension Fund is the Royal Borough of Windsor & Maidenhead. The main responsibilities of the Administering Authority are as follows:

- Collect and account for employee and employer contributions;

- Pay the benefits to Scheme members and their dependants as they fall due;

- Invest the Fund's assets ensuring sufficient cash is available to meet the liabilities as and when they become due;

- Take measures as set out in the regulations to safeguard the Fund against the consequences of employer default;

- Manage the Actuarial valuation process in conjunction with the Fund Actuary;

- Prepare and maintain the FSS and also the ISS (Investment Strategy Statement) and after consultation with other interested parties;

- Monitor all aspects of the Fund's performance and funding to ensure that the FSS and the ISS are updated as necessary; and

- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer.

Scheme employers

2.3 The responsibilities of each individual Scheme employer which participates in the Fund, including the Administering Authority in its capacity as a Scheme employer, are as follows:

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary within the statutory timescales;

- Promptly notify the Administering Authority of any new Scheme members and any other membership changes in accordance with the pension administration service level agreement;

- Promptly notify the Administering Authority of any Scheme member who leaves or retires from their employment in accordance with the pension administration service level agreement;

- Promptly notify the Administering Authority of all Scheme member data and information required by the Administering Authority in accordance with the pension administration service level agreement so that the Administering Authority is able to accurately calculate the value of benefits payable to each Scheme member;

- Exercise any discretions permitted under the Scheme Regulations and to produce, maintain and publish a policy statement with regard to the exercise of those discretions;

- Meet the costs of any augmentations or other additional costs such as Pension Fund strain costs resulting from decisions to release early Scheme members' retirement benefits in accordance with Scheme regulations and agreed policies and procedures;

- Provide any information as requested to facilitate the Actuarial valuation process.

Fund Actuary

2.4 The Fund Actuary for the Royal County of Berkshire Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare the Actuarial Valuation having regard to the FSS and the Scheme Regulations;

- Prepare annual FRS102/IAS19 (accounting standards) reports for all Scheme employers requiring such a report for their annual report and accounts;

- Advise interested parties on funding strategy and completion of Actuarial valuations in accordance with the FSS and the Scheme Regulations;

- Advise on other actuarial matters affecting the financial position of the Fund.

3 FUNDING STRATEGY

3.1 The funding strategy seeks to achieve (via employee and employer contributions and investment returns) two key objectives:

- A funding level of 100% as assessed by the Fund's appointed actuary, triennially, in accordance with the Scheme Regulations;

- As stable an employer contribution rate as is practical.

3.2 The funding strategy recognises that the funding level will fluctuate with changing levels of employment, retirements, actuarial assumptions and investment returns and that the employer contribution has to be adjusted to a level sufficient to maintain the pension Fund's solvency and to achieve a funding level of 100% over the longer term.

3.3 The Actuarial valuation process is essentially a projection of future cash-flows to and from the Fund. The main purpose of the triennial valuation is to determine the level of employers' contributions that should be paid over an agreed period to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

3.4 The last Actuarial valuation was carried out as at 31st March 2016 with the assets of the Fund found to be 73% of the accrued liabilities for the Fund.

Funding Method

3.5 The funding target is to have sufficient assets to meet the accrued liabilities for each Scheme employer in the Fund. The funding target may, however, also depend on certain Scheme employer circumstances and will, in particular, have regard to whether a Scheme employer is an "open" employer (which allows new recruits access to the Fund) or a "closed" employer (which no longer permits new employees access to the Fund). The expected period of participation by a Scheme employer in the Fund may also affect the chosen funding target.

3.6 For all Scheme employers the Actuarial funding method adopted considers separately the benefits in respect of service completed before the Valuation date ("past service") and benefits in respect of service expected to be completed after the Valuation date ("future service"). This approach focuses on:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service after making allowance for future increases to members' pay and pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities whereas a funding level of less than 100% indicates a deficit.

- The future funding rate i.e. the level of contributions required from the individual Scheme employers which together with employee contributions are expected to support the cost of benefits accruing in the future.

3.7 For "open" Scheme employers, the Projected Unit method is used which, for the future service rate, assesses the cost of one year's benefit accrual.

3.8 For "closed" Scheme employers the funding method adopted is known as the Attained Age Method. This gives the same results for the past service funding level as the Projected Unit Method but for the future cost it assesses the average cost of the benefits that will accrue over the remaining working lifetime of the active Scheme members.

Valuation Assumptions and Funding Model

3.9 In completing the Actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

3.10 The assumptions adopted at the valuation can therefore be considered as:

- The statistical assumptions which generally speaking are estimates of the likelihood of benefits and contributions being paid; and
- The financial assumptions which generally speaking will determine the estimates of the amount of benefits and contributions payable and their current or present value.

Future Price Inflation

3.11 The base assumption in any triennial valuation is the future level of price inflation. This is derived by considering the average difference in yields from conventional and index linked gilts during the 6 months straddling the valuation date using a point from the Bank of England RPI Inflation Curve. This gives an assumption for Retail Prices Index (RPI) inflation, which is then adjusted to get an assumption for Consumer Prices Index (CPI) inflation. At the 2016 valuation, CPI was assumed to be 0.9% per annum lower than RPI, giving a CPI inflation assumption of 2.4% per annum.

Future Pay Inflation

3.12 As benefits accrued before 1st April 2014 (and in the case of some protected members after 31st March 2014) are linked to pay levels at retirement it is necessary to make an assumption as to future levels of pay inflation. The assumption adopted in the 2016 valuation is that pay increases will, on average over the longer term, exceed CPI by 1.5% per annum. In the short term in anticipation of Government policy, it has been assumed that pay increases for the 4 year period to 31 March 2020 would be limited to CPI.

Future Pension Increases

3.13 Pension increases are assumed to be linked to CPI.

Future Investment Returns/Discount Rate

3.14 To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

3.15 The discount rate adopted depends on the funding level target adopted for each Scheme employer.

3.16 For “open” Scheme employers the discount rate applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields and indicators in the 6 months straddling the valuation date. This discount rate so determined may be referred to as the “ongoing” discount rate.

The level of prudence at the 2016 valuation differed between the major councils and the remaining employers, to reflect the difference in covenant strength. This gave a discount rate of 5.7% per annum for the unitary authorities (and the employers pooled with them) and of 5.5% per annum for the other employers.

3.17 For “closed” employers an adjustment may be made to the discount rate in relation to the remaining liabilities once all active members are assumed to have retired if at that time (the projected “termination date”) the Scheme employer either wishes to leave the Fund or the terms of their admission requires it.

3.18 The Fund Actuary will incorporate such an adjustment after consultation with the Administering Authority.

3.19 The adjustment to the discount rate is essentially to set a higher funding target at the projected termination date so that there are sufficient assets to fund the remaining liabilities on a “minimum risk” rather than on an ongoing basis to minimise the risk of deficits arising after the termination.

Asset Valuation

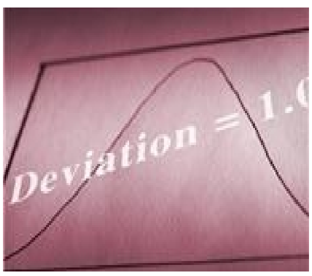
3.20 The asset valuation is a market value of the accumulated Fund at the triennial valuation date adjusted to reflect average market conditions during the 6 months straddling the triennial valuation date.

Statistical Assumptions

3.21 The statistical assumptions incorporated into the triennial valuation such as future rates of mortality etc are based on national statistics but then adjusted where deemed appropriate to reflect the individual circumstances of the Fund and/or individual Scheme employers. For the 2016 valuation, the Fund received a bespoke analysis of the pensioner mortality and the results of this analysis were used to aid in setting a suitable assumption for the Fund.

Deficit Recovery/Surplus Amortisation Periods

3.22 Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.



3.23 Where the Actuarial valuation discloses a significant surplus or deficit then the levels of required Scheme employers’ contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years. At the 2016 valuation, a deficit was revealed and contributions were set to recover this deficit over a period no longer than 24 years.

3.24 The period that is adopted for any particular Scheme employer will depend upon:

- The significance of the surplus or deficit relative to that Scheme employer's liabilities;

- The covenant of the individual Scheme employer and any limited period of participation in the Fund; and

- The implications in terms of stability of future levels of Scheme employers' contributions.

3.25 At the 2016 triennial valuation the period adopted to recover the deficit was:

Type of Scheme Employer	Maximum Length of Recovery Period
Unitary Authorities and Associated Employers	24 years
Housing Associations	14 years
Colleges	14 years
Academies	17 years
Community Admission Bodies	14 years
Transferee Admission Bodies	Future working life of current employees or contract period whichever is the shorter period

3.26 Where a Scheme employer's contribution has to increase significantly then the increase may be phased in over a period not exceeding 6 years although this may only be allowed for some Scheme employer types or if the increase in contributions would increase the risk of an employer insolvency, leaving an unpaid deficit and adversely affecting other employers' contributions and the solvency of the Fund as a whole.

Pooling of Individual Scheme employers

3.27 The policy of the Fund is that each individual Scheme employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly contribution rates are generally set for individual employers to reflect their own particular circumstances.

3.28 However, certain groups of individual Scheme employers may be pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

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

- Colleges

- Academies

- Community Admission Bodies

- Housing Associations

3.30 The main purpose of pooling is to produce more stable Scheme employer contribution levels in the longer term whilst recognising that ultimately there will be some level of cross subsidy of pension cost amongst pooled Scheme employers.

Cessation Valuations

3.31 On the cessation of a Scheme employer's participation in the Fund, the Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the Scheme employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the Scheme employer will transfer within the Fund to another participating Scheme employer.

3.32 In assessing the deficit on termination, the Actuary may adopt a discount rate based on gilt yields or other lower risk assets and adopt different assumptions to those used at the previous triennial valuation to protect the other Scheme employers in the Fund from having to fund any future deficits from the liabilities that will remain in the Fund.

Early Retirement Costs

3.33 The Actuary's funding basis makes no allowance for premature retirement except on grounds of permanent ill health. Scheme employers are required to pay additional contributions whenever an employee retires before attaining the age at which the triennial valuation assumes that benefits are payable. The calculation of these costs is carried out with reference to a calculation approved by the Actuary to the Fund.

3.34 The Fund monitors each Scheme employer's ill health experience on an ongoing basis. If the cumulative number of ill health retirements in any financial year exceeds the allowance at the previous triennial valuation by a statistically significant amount, the Scheme employer may be charged additional contributions on the same basis as apply for non-ill health cases.

Triennial Valuation

3.35 The next triennial valuation is due as at 31st March 2019.

4 LINKS WITH THE INVESTMENT STRATEGY STATEMENT (ISS)

4.1 The main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS and the expected rate of investment return which is expected to be achieved by the underlying investment strategy as set out in the ISS.

4.2 As explained above the ongoing discount rate adopted in the Actuarial valuation is derived by considering the expected return from the underlying investment strategy and so there is consistency between the funding strategy and the investment strategy.

5 RISKS AND COUNTER MEASURES

5.1 Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of Scheme employer contributions, it is recognised that there are a number of risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

5.2 The major risks for the funding strategy are financial risks although there are external factors including demographic risks, regulatory risks and governance risks.

Financial Risks

5.3 The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors including market returns being less than expected and/or chosen fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets. The triennial valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.1% per annum in the real discount rate will decrease/increase the liabilities by 2% and decrease/increase the required Scheme employer contribution by around 1.0% of payroll.

5.4 The Pension Fund Panel regularly monitor the investment returns achieved by the fund managers and seek advice from Officers and independent advisors on investment strategy. In the inter-valuation period 2013 to 2016 such monitoring activity saw investment returns slightly lower than assumed in the 2013 valuation.

5.5 In addition the Fund Actuary provides monthly funding updates between triennial valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic Risks

5.6 Allowance is made in the funding strategy via the actuarial assumptions of continuing improvement in life expectancy. However, the main risk to the funding strategy is that it might underestimate the continuing improvement in mortality. For example an increase in 1 year to life expectancy of all members in the Fund will reduce the funding level by around 2%

5.7 The actual mortality of retired members in the Fund is, however, monitored by the Fund Actuary at each Actuarial valuation and assumptions kept under review.

5.8 The liabilities of the Fund can also increase by more than has been planned as a result of early retirements (including redundancies).

5.9 However, the Administering Authority monitors the incidence of early retirements and procedures are in place that require individual Scheme employers to pay additional amounts to the Fund to meet any additional costs arising from early retirements thereby avoiding unnecessary strain on the Fund.

Regulatory Risks

5.10 The benefits provided by the Scheme and employee contribution levels are set out in Statutory Regulations as determined by central Government. The tax status of the invested assets is also determined by central Government.

5.11 The funding strategy is therefore exposed to the risks of changes in the Statutory Regulations governing the Scheme and changes to the tax regime which increase the cost to individual Scheme employers of participating in the Scheme.

5.12 The Administering Authority actively participates in any consultation process of any change in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

Governance

5.13 Several different Scheme employers participate in the Fund. Accordingly it is recognised that a number of Scheme employer specific events could impact on the funding strategy including:

- Structural changes in an individual Scheme employer's membership;
- An individual Scheme employer deciding to close the Scheme to new employees;
- A Scheme employer ceasing to exist without having fully funded their pension liabilities; and
- New Scheme employers being created out of existing Scheme employers.

5.14 The Administering Authority monitors the position of Scheme employers participating in the Fund particularly those that may be susceptible to the aforementioned events and takes advice from the Fund Actuary when required.

5.15 In addition the Administering Authority keeps in close touch with all individual Scheme employers participating in the Fund and regularly holds meetings with Scheme employers to ensure that, as Administering Authority, it has the most up to date information available on individual Scheme employer situations and also to keep individual Scheme employers fully briefed on funding and related issues.

6 MONITORING AND REVIEW

6.1 This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial valuation process.

6.2 The Administering Authority also monitors the financial position of the Fund between triennial valuations and may review this FSS more frequently if deemed necessary.

Approved by the Berkshire Pension Fund Panel 13 March 2017

Next Review date: March 2020

Investment Strategy Statement

The Royal Borough of Windsor & Maidenhead ("RBWM") acting as the administering authority for The Royal County of Berkshire Pension Fund, a constituent member of The Local Government Pension Scheme in England & Wales, is required by Section 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 to publish an Investment Strategy Statement.

This is the first such statement published by the Royal Borough and in accordance with the Regulations it will be reviewed regularly and at no more than 3 year intervals.

The Regulations require the administering authority to outline how it meets each of 6 objectives:

1. A requirement to invest fund money in a wide range of instruments.

RBWM's policy is that the pension fund should have a highly diversified investment portfolio spread across different asset classes and different asset managers using differing approaches as appropriate. This ensures that the fund money is invested in a wide range of instruments.

RBWM's Pension Fund Panel has established an Investment Working Group which meets at least quarterly to review the pension fund's performance, asset allocation and ability to meet its target return. In addition the Investment Working Group reviews potential new investment ideas and products and opines whether such ideas are consistent with the investment strategy of the fund and a suitable investment.

The Investment Working Group receives advice from suitably qualified Officers and Independent Strategy Advisers. It also makes use of information derived from investment managers. It will commission specialist work from an external adviser when it believes that neither Officers nor the Independent Strategy Advisers have sufficient experience or expertise in a particular field.

To achieve sufficient diversification the fund divides assets across 4 broad categories: equities, bonds, real assets and absolute return strategies. The size of each bucket will vary depending on investment conditions but each bucket will itself be diversified.

Any investment strategy will have associated risks, including primarily that of not meeting the returns required to ensure the long-term ability of the fund to pay benefits as they fall due. To mitigate these risks the Investment Working Group regularly reviews both the performance and the expected returns from the portfolio to measure whether it has met and is likely to continue to meet its return objective.

In addition the Investment Working Group notes that there will be an increasing gap between contributions received and benefits – i.e. that the fund is cash-flow negative. The Pension Fund Panel does not wish the fund to sell assets to pay benefits. Consequently, it has resolved that a secondary objective of the investment strategy of the fund should be to ensure that there is sufficient investment income generated from the fund's investments to meet any cash-flow shortfall. This has been formalised as a medium term objective to generate a 2% income return across the investment portfolio (i.e. investment income should be at least equivalent to 2% of the fund's assets).

2. The authority's assessment of the suitability of particular investments and types of investments.

In assessing the suitability of investments RBWM takes into account a number of factors including prospective return, risks, concentration or diversification of risk as well as geographic and currency exposures.

Performance benchmarks are set for the fund as a whole (target return UK CPI+4.5%) as well as for individual allocations. The fund's target return is greater than the actuarial discount rate used to value liabilities and has been set at a level sufficient to assist in meeting the funding gap whilst not taking excessive investment risk. Furthermore the Pension Fund Panel has agreed that the fund should aim to achieve its target return with a low level of volatility in those returns. Whilst the fund as a whole has an absolute return target, RBWM recognises that for measuring the performance of individual asset classes and managers performance relative benchmarks may be more appropriate.

In ensuring the suitability of investments RBWM pays regard to both the potential returns and risk (including possible interactions with other investments in the portfolio). RBWM will also consider the reputational risk of being connected with or investing in any investment proposal. RBWM expects its managers where possible to take into account Environmental, Social and Governance issues when making an investment. When making a direct investment the Investment Working Group will pay attention to these issues prior to authorising or recommending an investment.

RBWM measures the returns and the volatility of those returns on a quarterly basis and publishes the results relative to a global group of investment funds with a similar diversified approach to investment on the pension fund web-site.

3. The authority’s approach to risk, including the ways in which risks are to be measured and managed

There are a variety of risks to be addressed when managing a pension fund with investment risk being just one of them. In accordance with the principles of Pensions Regulator guidance, in 2016 RBWM commissioned Lincoln Pensions to undertake an Integrated Risk Management (“IRM”) study of the Fund. This study looked at the interaction of employer covenant risk – the ability of the employers to meet future contributions, support the investment risk (volatility of returns) and underwrite funding risk (volatility of actuarial deficit). The study concluded that:

- The future contributions estimated by the Fund’s Actuary (on the GAD’s funding test, i.e. aimed at removing an actuarial deficit over 20 years) are likely to be affordable across the Fund’s employers over the next 10 years.
- Some of the Fund’s larger employers, notably unitary authorities, do face a number of challenges in the near term which could constrain affordability of future contributions, particularly given their statutory duties to provide adequate services.

In reaching these conclusions, the Fund’s assets, liabilities, and its participating employers have been subjected to a number of adverse stress scenarios to assess resilience, which serve to test and constrain affordability. Where employers find themselves under stress, they would be required to identify and utilise financial levers in order to maintain contributions at the level required. Such levers could include support from central Government or other employers, increases in council tax rates, increasing borrowings (subject to restrictions) and pledging assets to the Fund.

As part of the IRM study, Lincoln will now recommend a number of key performance indicators which can be included as part of the normal monitoring framework which will help the RBWM to identify on a timely basis any material risks which may be crystallising. In addition, the RBWM may wish to develop more detailed risk responses and contingency plans as part of their ongoing IRM framework. RBWM will also be seeking to work alongside council representatives as they continue to explore the possibility of formalising the reliance that can be placed on central Government support.

Looking specifically at investment risk RBWM is of the view that the diversification of the pension fund investment portfolio is so broad that investment risk (volatility of returns) is low and will continue to be low. Ex ante volatility estimates require forecasts by asset class of volatility and correlation and whilst historic data can be used to estimate volatility for listed assets, it is much more difficult for unlisted (e.g. private equity, infrastructure, real estate) assets. Furthermore RBWM note that correlations continually change and in times of financial stress all risk assets trend to a correlation with each other of 1. This “tail risk” means that most risk models either understate risk in times of stress or conservatively over-estimate volatility in normal markets.

The fund targets a long-term return of UK CPI+4.5%; this is sufficient for it to meet its long-term liabilities. In setting the investment strategy, the Pension Fund Panel decided that this return should be achieved with a low degree of volatility – currently the fund targets volatility below 10% per annum over the medium term.

As a patient long-term investor the fund is prepared to ride-out short term volatility in investment markets and may, if suitable opportunities arise, adapt its investment strategy accordingly. At each review of the Investment Strategy Statement the assumptions on risk and return and their impact on asset allocation will be reviewed.

4. The authority’s approach to pooling investments, including the use of collective investment vehicles.

RBWM has broad experience of investing in pooled vehicles be they collective investment vehicles or other “collectives” such as multi-partner Limited Partnerships.

When deciding whether to invest in a collective scheme or to seek a segregated account RBWM, will pay close attention to:

- The relative costs between a collective investment scheme and a segregated account with a focus on the Total Cost of Ownership
- The suitability and ability of a collective investment scheme to meet the mandate requirements of RBWM.

RBWM recognises the government’s requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures that maximum cost effectiveness for the pension fund. In this respect RBWM exchanged a Letter of Intent with the Local Pensions Partnership (“LPP”). RBWM is reviewing the quantum of assets to be pooled with LPP. It has judged that initially liquid assets will achieve the most instant benefits from pooling. The only liquid assets that Berkshire holds are listed equities in Developed, Emerging and Frontier markets currently (September 2016) these represent 34% of the fund’s assets. RBWM believes that it would be uneconomic to pool existing investments in private funds (private debt, private equity and Infrastructure) or real estate funds largely due to the costs of transfer and the inequality created by sharing future returns. When future investments in these types of funds are considered

RBWM will take into account suitable investment opportunities made available by its pooling partners.

When it has become clear that the RBWM has become an investment client of LPP or a shareholder in LPP this document will be updated to provide detail on the structure and governance arrangements of LPP. At that time the RBWM will be able to provide clarity what (if any) services that it will share or jointly procure.

The table below sets out (as at September 2016) the assets that will not initially be invested through a pool:

Asset Class	% of Fund
Private Debt	9.3%
Private Equity	10.1%
Absolute Return Funds	14.7%*
Infrastructure	4.8%
Pooled Real Estate Funds	11.6%
Local Assets**	0.3%

* In November 2016 RBWM resolved to reduce this allocation to less than 5% of the fund by 31 December 2017

** Investment in Glassford LLP a private rented accommodation unit in Wokingham

5. **The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.**

RBWM accepts that stakeholders will have differing views on how social, environmental and corporate governance considerations should be taken into account and believes that no "onesize fits all" policy can possibly be implemented across such a diverse portfolio such as that of the pension fund. Nevertheless RBWM seeks to protect its reputation as an institutional investor and ensures that its investment managers take into account these issues when selecting investments for purchase, retention or sale. RBWM will not place social, environmental or corporate governance restrictions on its managers but relies on them to adhere to best practices in the jurisdictions in which they are based, operate and invest.

6. **The authority's policy on the exercising of the rights (including voting rights) attaching to investments.**

RBWM expects its managers to exercise all rights attaching to investments including voting in accordance with recognised responsible investment guidelines. Where an asset is owned directly by RBWM on behalf of the pension fund it will exercise all rights and vote shares in a responsible manner. Managers' approaches to incorporating these factors into their investment philosophy and process are but one of the many factors RBWM takes into account when selecting managers.

RBWM expects its managers to comply with the principles of the UK Stewardship Code and does so itself where holdings are owned directly by the Fund.

RBWM confirms that the Berkshire Pension Fund has no investments in entities that are connected with the authority but if in future it does these will be limited to no more than 5% of the Fund's assets.

The table overleaf sets out the asset class limits as agreed by the Berkshire Pension Fund Panel on 11 April 2016 and amended on 7 November 2016.

Annex 1 – Agreed Asset Class Limits

Asset Class	Proposed Max % (11 April 2016)	Amended limit (7 November 2016)	Single Investment Limit % (of fund)
Bonds	**35**		**n/a**
"Conventional" Gilts	25		25% in any single issue
"Index-Linked" Gilts	25		25% in any single issue
Investment Grade Bonds	25		2% in any single issue
Non-investment grade bonds ("High Yield")	10		0.5% in any single issue or 5% in any single fund
Private Fixed Interest	20		5% in any single fund
Convertible Bonds	10		5% in any single fund
Equities	**60**		**n/a**
Developed World Listed Equities	40		5% in any single company
Emerging & Frontier Market Equities	25		5% in any single fund
Private Equity	15		5% in any single fund 0.5% in any single co-investment
Absolute Return ("Hedge Funds")	**20**	**5***	**2.5% in any single fund**
Infrastructure	**15**		**n/a**
Global Infrastructure Funds	10		2.5% in any single fund
UK Infrastructure	5		5% in any single fund
Commodities	**5**		**n/a**
Commodity funds	3		3% in any single fund
Single Commodity Exchange Traded Funds	2		2% in any single commodity
Property	**20**		**n/a**
UK Funds	5		5% in any single fund of funds
Global Funds	10		10% in any single fund of funds
Private Rented Residential	5		3% in any single development
Cash	**15**		**2% in any single "money fund"**

*** Redemptions are currently underway to bring the current investments to within this limit. This is expected to be achieved by 31 December 2017.**

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Royal Borough of Windsor & Maidenhead

Title: Stewardship Report	
Contains Confidential or Exempt Information?: NO - Part I	
Member reporting: Councillor Lenton, Chairman Berkshire Pension Fund and Pension Fund Advisory Panels	
Meeting and Date: Berkshire Pension Fund and Pension Fund Advisory Panels - 16 May 2017	
Responsible Officer(s): Nick Greenwood, Pension Fund Manager	
Wards affected: None	

REPORT SUMMARY

1. This report deals with the stewardship of the Pension Fund for the period 1 October 2016 to 31 March 2017
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 on a regular basis
4. There are no financial implications for RBWM in this report

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Panel notes the report and:

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

Please note that Stewardship Reports are provided to each quarter end date (30 June, 30 September, 31 December and 31 March) and presented at each Panel meeting subsequent to those dates. On this particular occasion this report covers 2 periods as an opportunity to report to 31 December 2016 has not previously been available.

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

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

3. KEY IMPLICATIONS

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

4. FINANCIAL DETAILS / VALUE FOR MONEY

Not applicable.

5. LEGAL IMPLICATIONS

None.

6. RISK MANAGEMENT

None.

7. POTENTIAL IMPACTS

None.

8. CONSULTATION

Not applicable.

9. TIMETABLE FOR IMPLEMENTATION

Not applicable.

10. APPENDICES

None.

11. BACKGROUND DOCUMENTS

None.

STEWARDSHIP REPORT

QUARTERS 3 AND 4– 2016/17

1 October 2016 TO 31 March 2017

TABLE OF CONTENTS

1. INVESTMENT PERFORMANCE AND ASSET ALLOCATION

1.1 Pension Fund key financial indicators

Table 1	March 2013	March 2016	March 2017
Asset Value (Smoothed)	£1,561.8m	£1,645.0m	£1,894.8m
Asset Value (Unsmoothed)	£1,572.4m	£1,655.8m	£1,919.0m
Liabilities (Smoothed)	£2,088.8m	£2,242.0m	£2,555.2m
Liabilities (Unsmoothed)	£2,107.7m	£2,256.2m	£2,534.7m
Deficit (Smoothed)	£527.0m	£597.0m	£660.4m
Deficit (Unsmoothed)	£535.3m	£600.4m	£615.8m
Funding Level (Smoothed)	75%	73%	74%
Funding Level (Unsmoothed)	75%	73%	76%
Deficit Recovery Period	27 years	24 years	23 years
Nominal Discount Rate (Smoothed)	6.1%	5.7%	5.7%
Real Discount Rate (Smoothed)	3.4%	3.3%	2.9%
Investment Performance Target (CPI + 4%)	6.7%	6.4%	6.8%
Nominal Earnings Inflation Assumption	4.5%	3.9%	4.3%
Consumer Price Index Inflation Assumption	2.7%	2.4%	2.8%
Employers Contributions – Future Service	12.7%	14.3%	16.0%
Employers Contributions – Past Service Deficit	6.9%	7.7%	7.8%

1.2 Change in the smoothed liabilities

Table 2	31 March 2017
Liability reconciliation	**£m**
Disclosed smoothed liability at 31/03/2016	**2,242.0**
New liabilities (excluding transfers in)	98.8
Liabilities extinguished	-104.2
Net new liabilities from bulk transfers in/out	-
Interest on liabilities	132.4
Change due to discount rate	-14.4
Change due to inflation assumption	200.5
Increase in Liabilities	**313.2**
Smoothed liability at 31 March 2017	**2,555.2**

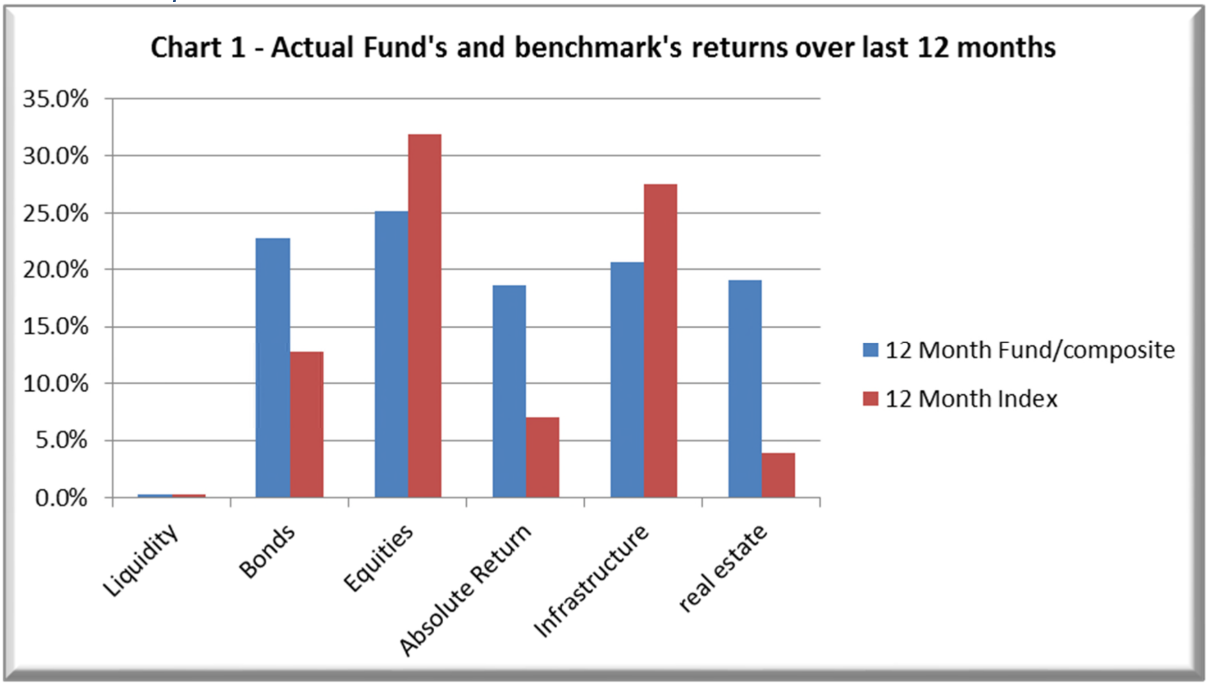
NOTE: The actuary smooths liabilities by taking the average liability figure over the last 6 months. The liabilities are now valued on the 2016 basis and consistent with the 2016 actuarial valuation, the value of the longevity swap is now included in the asset value rather than the liability value (but not in the Fund NAV and returns calculated by JP Morgan).

1.3 Market returns in GBP

All Fund and Index returns in the first three columns of the table below are denominated in GBP. Following the strong depreciation of GBP post Brexit returns of non-Sterling assets were significantly higher in sterling terms than in their local currencies. The right most column show 12-month returns in US Dollars as a proxy for the 12-month local currency returns, except for the Absolute Return portfolio as calculated by Grosvenor Capital and Global Property ex-UK as calculated by Aviva (valued quarterly in arrears).

Table 3		3 month in GBP	12 month in GBP	36 month in GBP	12 month in USD
Liquidity	**Fund**	0.08%	0.33%	0.35%	
1 Week GBP Libor	**Index**	0.06%	0.33%	0.43%	
	Relative	0.03%	0.00%	-0.07%	
Bonds	**Fund**	1.27%	22.79%	13.85%	6.83%
Barclays Global Aggregate	**Index**	0.56%	12.76%	9.63%	-1.90%
	Relative	0.72%	10.03%	4.22%	8.73%
Developed Markets Equities	**Fund**	5.20%	25.59%	n/a	9.26%
Morgan Stanley Capital International (MSCI) World	**Index**	5.12%	31.92%	n/a	14.77%
	Relative	0.08%	-6.33%	n/a	-5.51%
Emerging Markets Equities	**Fund**	9.60%	30.29%	11.49%	13.35%
Morgan Stanley Capital International EM Equities	**Index**	10.13%	34.73%	11.35%	17.21%
	Relative	-0.52%	-4.44%	0.13%	-3.86%
Private Equity	**Fund**	-1.79%	17.80%	n/a	2.48%
9% per annum	**Index**	2.17%	9.01%	n/a	9.01%
	Relative	-3.97%	8.78%	n/a	-6.53%
Total Equities	**Fund**	4.67%	25.13%	12.80%	8.86%
Morgan Stanley Capital International World	**Index**	5.12%	31.92%	16.13%	14.77%
	Relative	-0.44%	-6.79%	-3.34%	-5.91%
Absolute Return	**Fund**	0.67%	18.57%	10.81%	7.37%
7% per annum	**Index**	1.68%	7.00%	7.00%	7.00%
	Relative	-1.02%	11.57%	3.81%	0.37%
Infra-structure	**Fund**	0.41%	20.65%	12.49%	4.97%
FTSE Global Core 50/50	**Index**	6.96%	27.46%	17.97%	10.89%
	Relative	-6.54%	-6.81%	-5.49%	-5.92%
Real Estate	**Fund**	3.57%	19.09%	12.61%	6.37%
UK Investment Property Databank	**Index**	2.35%	3.89%	11.14%	
	Relative	1.23%	15.20%	1.47%	
Total Fund Nominal	**Fund**	3.19%	15.83%	8.67%	
UK CPI	**Index**	0.59%	2.30%	0.94%	
Total Fund Real	**Relative**	2.59%	13.24%	7.66%	
Total Fund Target (4% real)		0.97%	4.00%	4.00%	

1.4 *Fund performance in GBP*



1.5 *Exception Traffic Lights*

Table 4

Traffic Lights March 2017

Colour		£ m	Fund %	Comment	Date Traffic Light Changed
	BONDS				
	Convertible Bonds				
Amber	Aviva	36.9	1.9%	Change in management team & weak performance	Jul-14
Amber	Blue Bay Global	27.5	1.4%	Currency volatility has resulted in disappointing GBP returns.	Jul-14
	EQUITIES				
	Private Equity				
Amber	South East Growth Fund	2.4	0.1%	Terms of additional extension to fund life agreed	Jul-13
Amber	Stafford Sustainable Fund	4.9	0.2%	Disappointing performance. Buyer not found	Jul-13
	Absolute Return				
Red	Grosvenor	175.9	8.9%	Disappointing performance in 2016	Oct-16
	INFRASTRUCTURE				
Amber	Macquarie SBI Infrastructure Ltd	4.4	0.2%	Performance adversely affected by delays in construction of key assets	Jul-13
	Total Fund Valuation (excl prepaid contribs)	**1,985.8**			

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 perfomance:** 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	**31/03/2013**	**31/03/2016**	**31/03/2017**	**12m change**	**36m change**
Liquidity	**1.1%**	**5.1%**	**5.7%**	**0.6%**	**3.4%**
Investment Grade Debt	7.9%	5.0%	3.2%	-1.7%	-3.3%
Other Debt	8.7%	9.4%	10.0%	0.6%	1.5%
Total Debt	**16.6%**	**14.3%**	**13.2%**	**-1.1%**	**-1.8%**
Developed Market Equities	17.2%	22.1%	24.1%	2.1%	6.4%
Developing Market Equities	14.7%	12.4%	12.6%	0.2%	-1.4%
Private Equity	9.2%	10.1%	11.7%	1.6%	2.3%
Total Equities	**41.1%**	**44.6%**	**48.4%**	**3.8%**	**7.4%**
Absolute Return	**17.3%**	**17.4%**	**9.1%**	**-8.3%**	**-7.9%**
Infrastructure	4.7%	4.7%	6.7%	2.0%	2.7%
Commodities	9.8%	2.6%	2.8%	0.2%	-5.8%
Real Estate	9.8%	11.1%	13.1%	2.0%	1.0%
Other	-0.3%	0.2%	1.1%	0.8%	0.9%
Real Assets	**23.9%**	**18.5%**	**23.6%**	**5.0%**	**-1.1%**
Fund Total	**100%**	**100%**	**100%**		

1.7 Solvency

Chart 2 - Actual vs Target Solvency (rebased to March 2016)

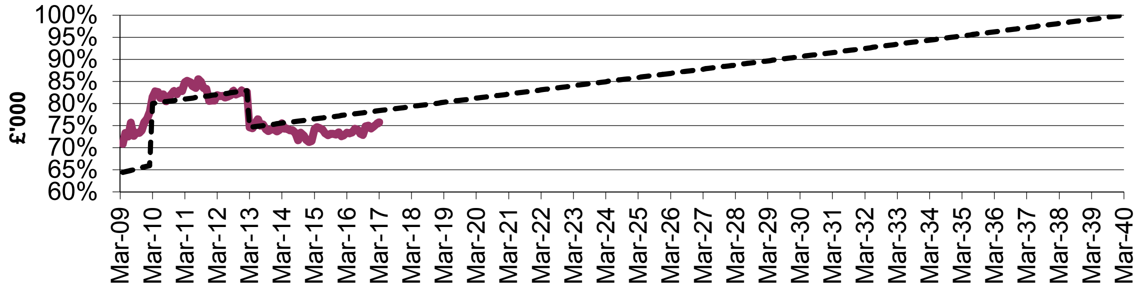


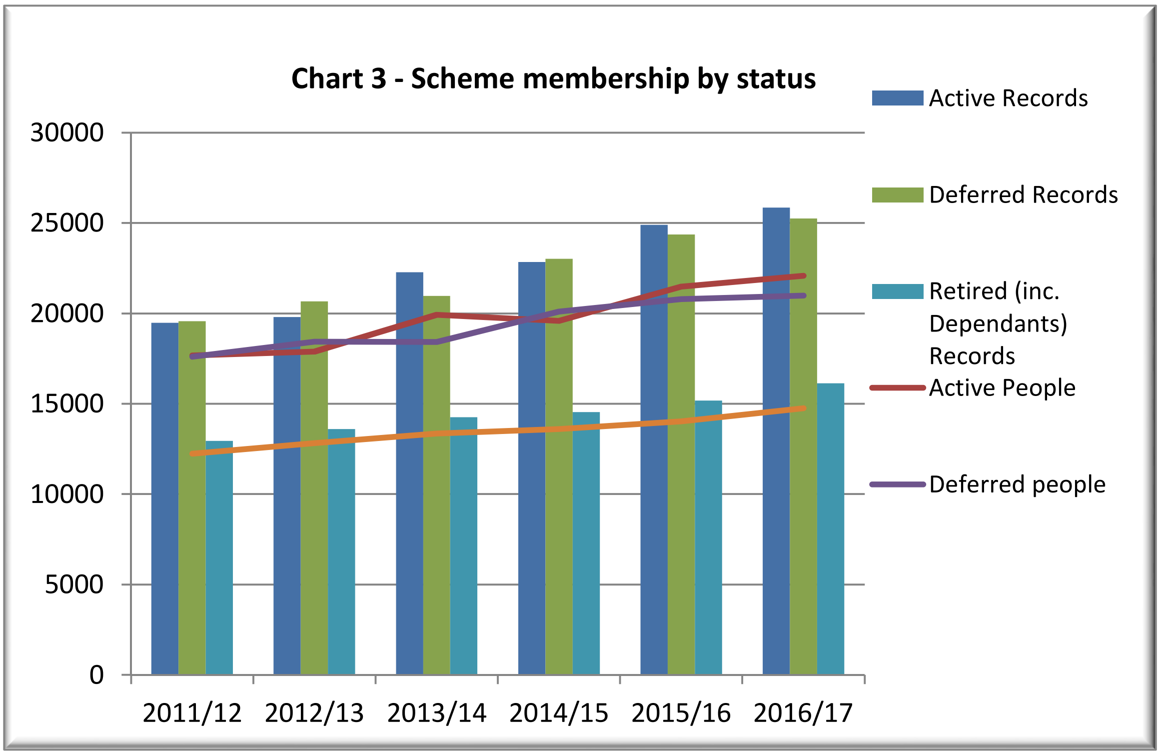
Table 6 – Funding Level (12 months)				
	Smoothed		**Unsmoothed**	
Month	Surplus/Deficit £000s	Funding Level	Surplus/Deficit £000s	Funding Level
April 2016	(610,743)	73%	(606,411)	73%
May 2016	(624,046)	73%	(603,573)	73%
June 2016	(606,181)	74%	(603,343)	74%
July 2016	(631,662)	74%	(621,480)	74%
August 2016	(660,867)	73%	(658,752)	73%
September 2016	(666,477)	73%	(674,843)	73%
October 20016	(616,716)	75%	(623,205)	75%
November 2016	(635,182)	75%	(608,174)	75%
December 2016	(657,657)	74%	(640,167)	74%
January 2017	(634,263)	75%	(631,781)	75%
February 2017	(650,028)	74%	(623,114)	75%
March 2017	(660,393)	74%	(615,796)	76%

Table 7 - Cashflow	Year to 31/03/15 (actual) £'000's	Year to 31/03/16 (actual) £'000's	Year to 31/03/17 (forecast) £'000's
Contributions	87,691	92,957	96,500
Transfers received	1,916	4,761	6,300
Employers' early retirement payments	1,400	1,058	1,300
Investment income via Custodian	23,762	25,868	25,600
Pension paid (gross)	-73,625	-77,854	-82,000
Retirement lump sums	-18,045	-17,213	-20,600
Transfers paid	-67,201	-7,831	-2,700
Investment management costs	-3,654	-5,783	-6,200
Employee & Other costs	-1,799	-1,212	-1,200
Net cash flow	**-49,555**	**14,751**	**17,000**

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

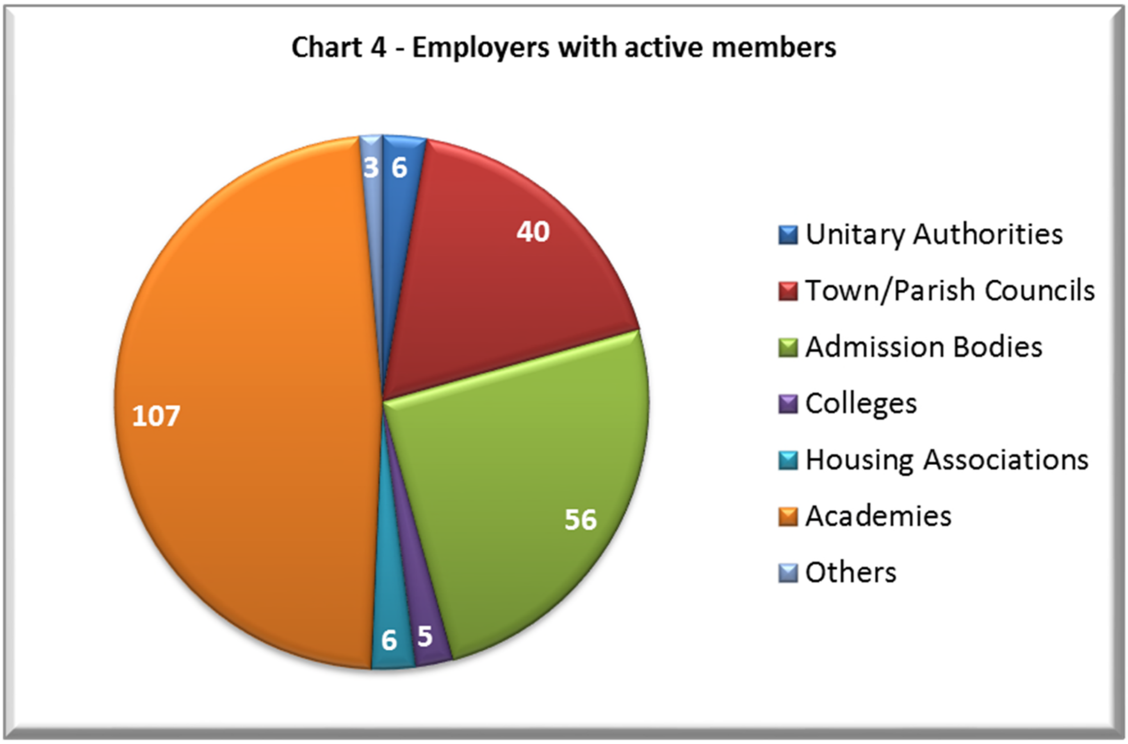
2 GOVERNANCE AND ADMINISTRATION

2.1 Scheme membership

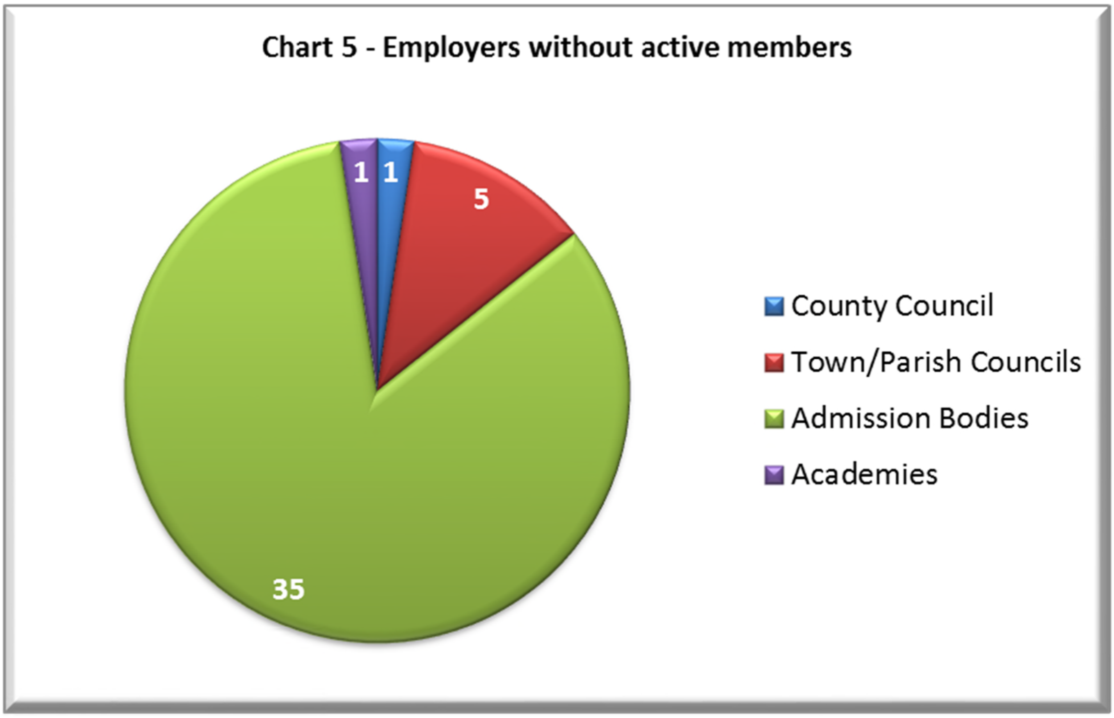


TOTAL MEMBERSHIP			
Active Records	25845	Active People	22073
Deferred Records	25256	Deferred People	20985
Retired Records	16126	Retired People	14757
TOTAL	**67227**	**TOTAL**	**57815**

2.2 Scheme Employers



New employers since last report:
Admission Bodies: Innovate Services Ltd (Emmbrook School).
Academies: St Anthony's School (Slough), St Ethelbert's School (Slough), St Joseph's School (Slough), Northern House School (Wokingham), Speenhamland Primary School (West Berkshire)
Town/Parish Councils: Lambourn Parish Council, Greenham Parish Council, Yattendon Parish Council



Exiting employers: VolkerHighways (West Berkshire contract).

2.3 Scheme Employer Key Performance Indicators

Table 8A – i-Connect users Quarter 4 (1 January to 31 March 2017)						
Employer	**Starters**	**Leavers**	**Changes**	**Total**	**Errors**	**Achieved**
RBWM	209	378	659	**1246**	59	**95.26%**
Reading BC	282	155	1103	**1540**	111	**92.79%**
Academies	76	20	243	**339**	22	**93.51%**
Colleges	14	7	444	**465**	12	**97.42%**
Others	-	-	-	**-**	-	**-**
Totals	**581**	**560**	**2449**	**3590**	**204**	**94.32%**

NOTES: Table 8A above shows all transactions through i-Connect is the final quarter of 2016/17. Changes include hours/weeks updates, address amendments and basic details updates.

The 'errors' identified arise where manual updates have been made to pension records by scheme administrators in advance of the i-Connect file being uploaded to altair (normally upon receipt of a paper document by the Fund ahead of the file upload date). Although flagged up by i-Connect, all 'errors' are quickly resolved ahead of the next file upload date.

In this way records are maintained in 'real-time' so that scheme members accessing member self-service are presented with up to date and accurate information at all times. In this way the scheme employer's payroll data will match the Pension Fund's data for each scheme member and so providing the employee has notified their payroll of any changes (name, address etc.) they will not need to notify the Pension Fund as well (although of course this can also be achieved and/or through member self-service).

Table 8B Non i-Connect users Quarter 4 (1 January to 31 March 2017)					Trend	
Employer	**Starters**	**Leavers**	**Total**	**Achieved**	**Quarter >1**	**Quarter >2**	**Quarter >3**
Bracknell	118	133	251	**71.79%**	70.11%	53.61%	75.56%
RBWM	38	99	137	**33.35%**	60.57%	43.03%	20.14%
Reading	6	90	196	**49.45%**	53.91%	16.24%	26.55%
Slough	103	72	175	**50.65%**	39.36%	70.41%	60.09%
W Berkshire	229	266	495	**32.19%**	27.17%	11.11%	35.00%
Wokingham	69	62	131	**39.90%**	67.41%	46.15%	29.19%
WBC Schs.	134	65	199	**14.64%**	18.18%	20.81%	4.44%
Academies	121	128	249	**39.44%**	41.29%	38.42%	19.20%
Colleges	40	43	83	**34.94%**	38.10%	29.95%	46.06%
Others	101	83	184	**45.73%**	47.36%	41.40%	36.66%
Totals	**959**	**1041**	**2000**	**41.21%**	**48.79%**	**34.96%**	**35.07%**

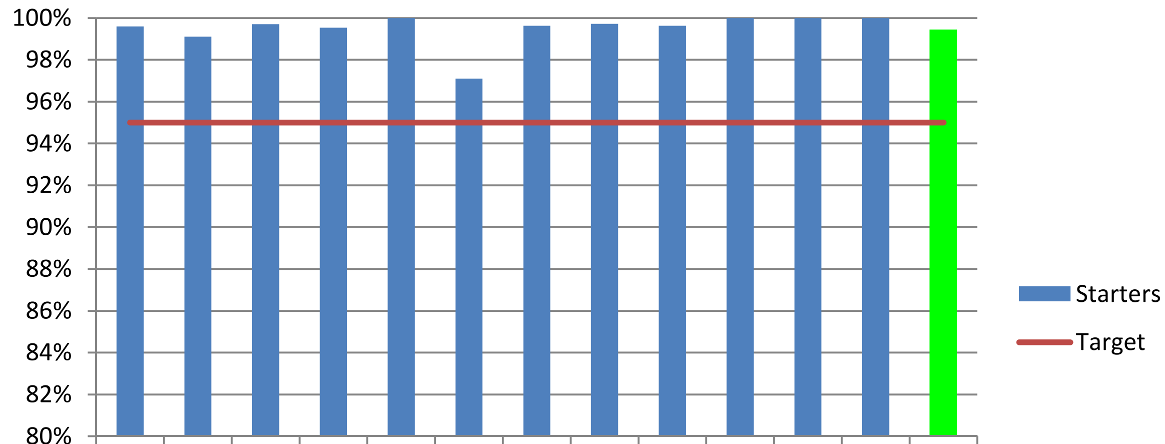
NOTES: Some employers listed in Table 8B above will also be listed in Table 8A. This is because not all employees of a scheme employer are paid through the scheme employer's payroll e.g. some non-teaching staff at Local Authority maintained schools may be paid via a third party payroll provider which is not an i-Connect user although those individuals are employees of the relevant Unitary Authority.

Details of starters and leavers only are recorded by the team. Other pension record changes may or may not have been received by the Pension Fund via payroll or from the scheme member direct. Experience tends to show that individuals may notify payroll of certain data changes but not always pensions and that payroll may not always forward information to the pension team.

Many missing data items are found through the year-end process which can be a long, labour intensive exercise for both the Pension Fund and the scheme employer. Employers using i-Connect do not have a year-end process to deal with as all data is uploaded and verified on a monthly basis.

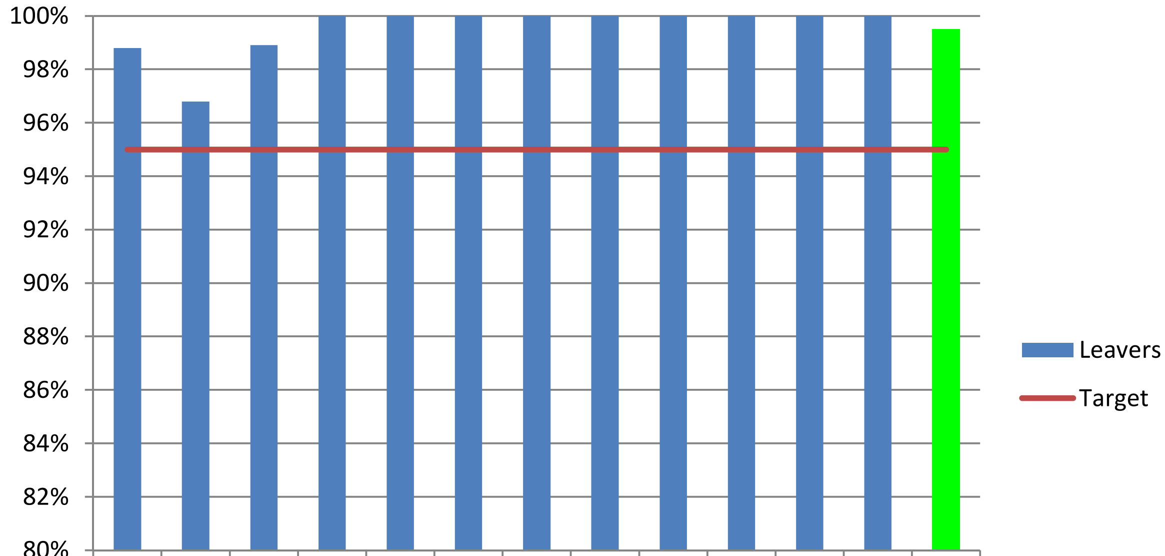
2.4 Administration – Key Performance Indicators

Chart 8A - KPI 1 - Starters processed within 20 working days



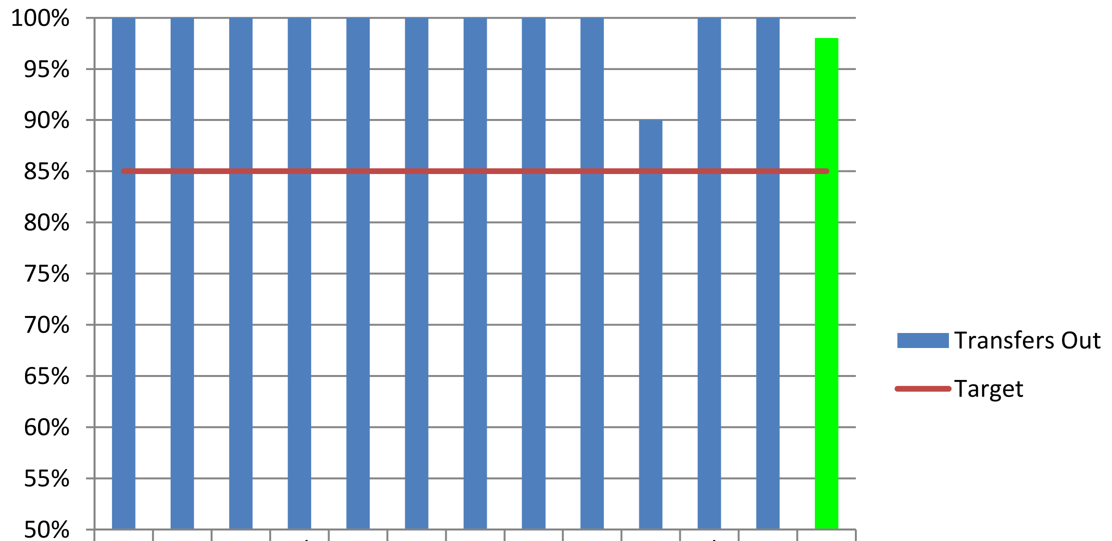
	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Year ach.
Starters	99.6	99.1	99.7	99.53	100	97.1	99.62	99.72	99.63	100	100	100	99.44
Target	95	95	95	95	95	95	95	95	95	95	95	95	95
Total	506	111	336	636	470	586	784	358	270	374	353	360	

Chart 8B - KPI 2 - Leavers processed within 15 working days



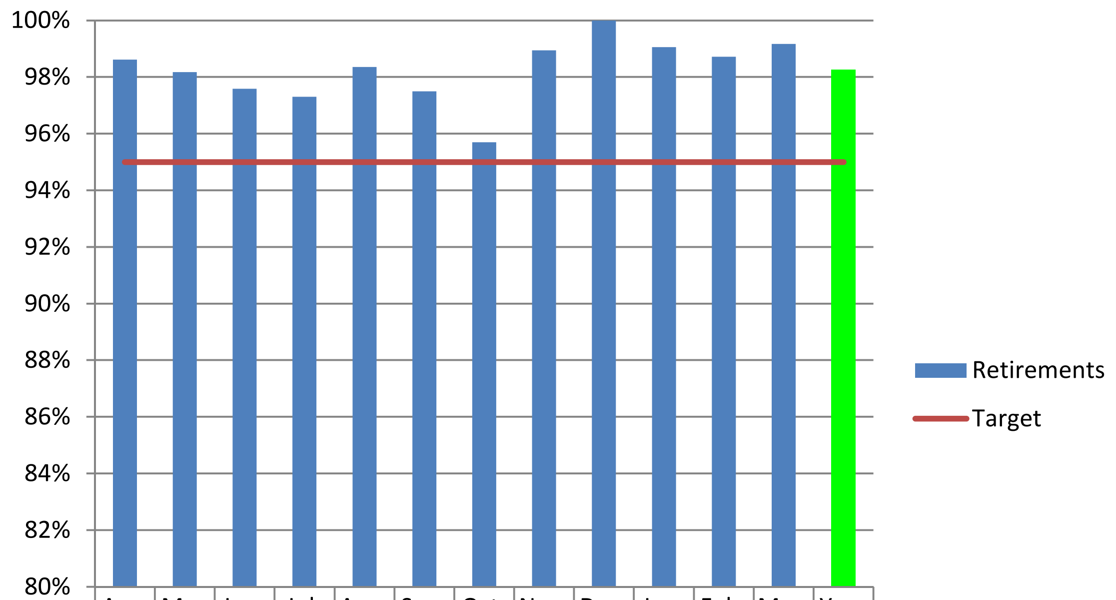
	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Year ach.
Leavers	98.8	96.8	98.9	100	100	100	100	100	100	100	100	100	99.52
Target	95	95	95	95	95	95	95	95	95	95	95	95	95
Total	415	281	455	268	367	329	332	288	198	323	333	382	

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



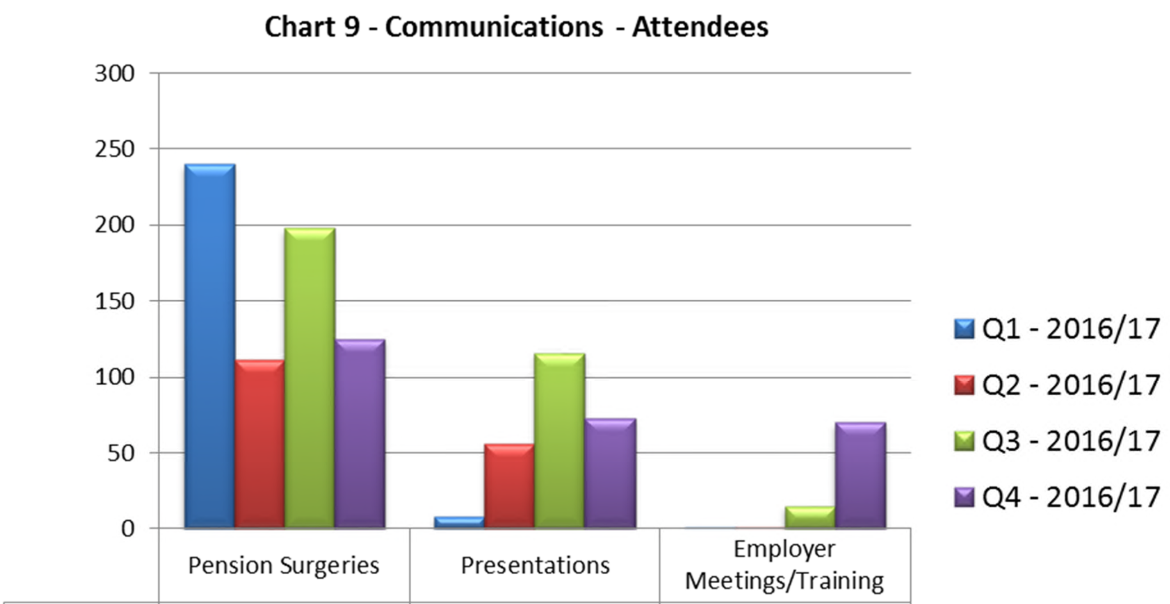
	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Year ach.
Transfers Out	100	100	100	100	100	100	100	100	100	90	100	100	98
Target	85	85	85	85	85	85	85	85	85	85	85	85	85
Total	5	0	0	6	3	1	5	8	3	9	3	6	

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



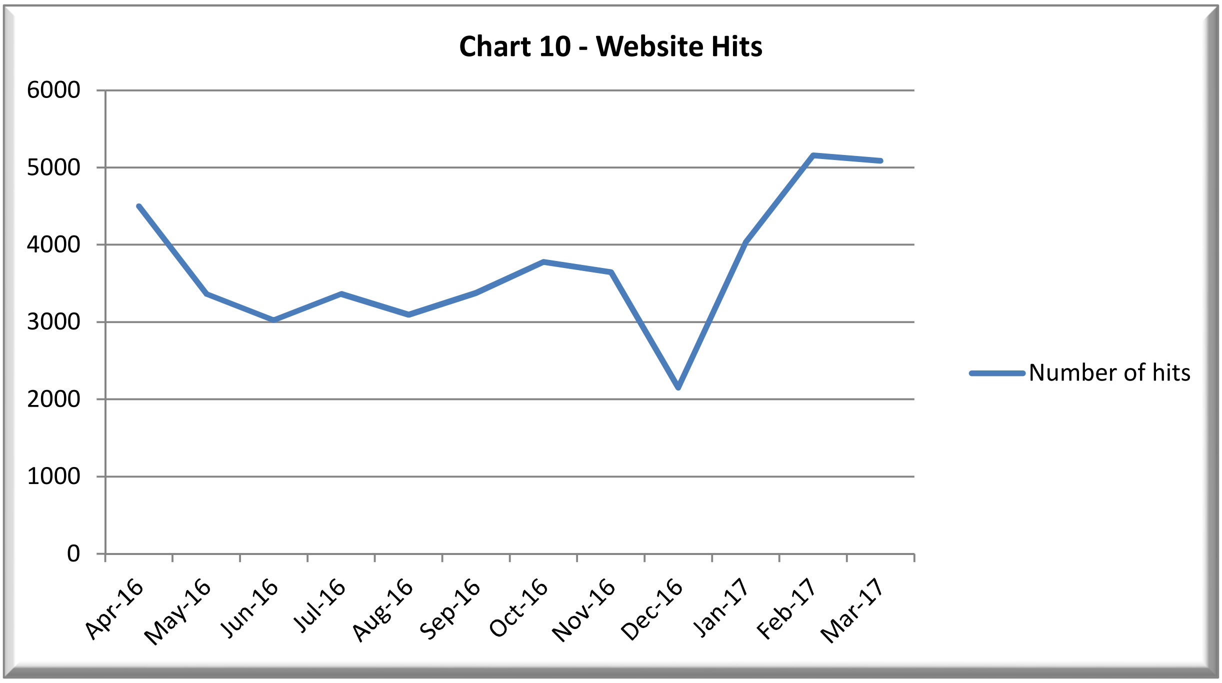
	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Year ach.
Retirements	98.6	98.2	97.6	97.3	98.4	97.5	95.7	98.9	100	99.1	98.7	99.2	98.3
Target	95	95	95	95	95	95	95	95	95	95	95	95	95
Total	72	55	93	74	122	80	93	94	63	106	78	120	

2.5 *Administration – Communications*



	Pension Surgeries	Presentations	Employer Meetings/Training
Q1 - 2016/17	240	8	1
Q2 - 2016/17	111	56	1
Q3 - 2016/17	198	116	15
Q4 - 2016/17	125	73	70

2.6 *Website hits*



2.7 *Special projects*

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

- i-Connect
    - Reading BC went live on i-Connect in December 2016
    - Wokingham BC in-house payroll, West Berkshire and Slough expected to go live summer 2017. Some resistance from Bracknell Forest. Berkshire College of Agriculture went live from January 2017.
- PASA
    - Ongoing with a target date of March 2018 to have all desktop procedures written and accreditation applied for.
- ESS
    - Employer Self Service expected to go live in October 2017.
- MSS
    - Upgraded version went live 1 March 2017. Demonstration to Panel Members can be arranged upon request.
- Multi-Academy Trusts
    - Following consultation with academies that form part of a Multi-Academy Trust (MAT) administration practices have been amended to reflect that the MAT is the scheme employer and not the individual academy within the MAT. Over 2,000 scheme member records have been amended meaning that 78 individual academy employers have been amalgamated into 35 MAT employers for administration and accounting purposes.
- Abaka
    - Discussions are currently be held with a company called Abaka which provides pension benefit modelling tools that could be linked to the member self-service facility *mypension ONLINE*. If adopted this ‘modelling tool’ will present members with details of the pension benefits they can expect to receive and sets out any shortfall against the member’s own expectations of what income they need in retirement. Options for making up any perceived deficit are also then presented with the proviso, of course, that any member must seek independent financial advice before taking any decisions.

2.8 Items of material significance

- Year-end procedures 2016-17
    - As part of a Service Level Agreement between the Pension Fund and its Scheme employers an annual ‘year-end’ contribution return is due to be submitted by each employer by 30th April each year. (Please note i-Connect users do not have to submit this file). Receipt of this year-end return leads to the issue of Annual Benefit Statements for scheme members and it is important that the relevant information as requested by the Pension Fund is received from its scheme employers in a timely manner.

      The Pension Fund circulates to each scheme employer a template document for completion and return ensuring consistency of data. Of the 238 year-end returns sent by the Fund 189 were submitted within the agreed timeframe. Therefore, 49 employers have failed to meet the deadline set out in the SLA.

      This matter continues to be monitored with scheme employers being chased. Further information will supplied as part of future stewardship reports. However, any employer that fails to submit their return, which leads to the Annual Benefits Statements of their scheme members not being issued within the statutory deadline, will be reported to the Pension Panels and Pension Board and ultimately to The Pensions Regulator if this failure is deemed to be of a material significance.

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Agenda Item 9

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Agenda Item 11

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