

NOTICE
OF
MEETING
BERKSHIRE PENSION BOARD

will meet on

FRIDAY, 20TH NOVEMBER, 2020

At 1.00 pm

VIRTUAL MEETING - ONLINE ACCESS (RBWM YOUTUBE CHANNEL)

TO: MEMBERS OF THE BERKSHIRE PENSION BOARD

NIKKI CRAIG, ALAN CROSS (CHAIRMAN), JEFF FORD, ARTHUR PARKER AND TONY
PETTITT

Karen Shepherd – Service Lead - Governance - Issued: November 12th 2020

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 **Andy Carswell** 01628 796319

The Part I (public) section of this virtual meeting will be streamed live and recorded via Zoom. By participating in the meeting by audio and/or video you are giving consent to being recorded and acknowledge that the recording will be in the public domain.

AGENDA

STANDING ITEMS

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
1.	<u>INTRODUCTION AND APOLOGIES</u> To receive any apologies for absence.	
2.	<u>DECLARATION OF INTEREST</u> To receive any declarations of interest.	5 - 6
3.	<u>MINUTES AND APPOINTMENT OF VICE CHAIRMAN</u> To approve the minutes of the meeting held on September 9 th 2020 and to appoint a Vice Chairman.	7 - 10
4.	<u>ACTION TRACKER</u> To review the contents of the Action Tracker.	11 - 12
5.	<u>SCHEME AND REGULATORY UPDATE</u> To receive an update from Kevin Taylor and to review a. Exit Reforms – Scheme employer guide b. Exit Reforms – Administering Authority guide	13 - 24
6.	<u>ADMINISTRATION REPORT</u> To discuss and note the contents of the report.	25 - 38

NON STANDING ITEMS

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
7.	<u>PENSION FUND GOVERNANCE</u> To review and discuss the Pension Committee papers from October 19 th 2020 as follows: a. Independent Review Committee Paper b. Independent Governance Report c. Pension Fund Governance Restructure Committee Paper	39 - 66

8.	<p>d. Constitution Amendments (tracked)</p> <p><u>PENSION BOARD GOVERNANCE</u></p> <p>To discuss consideration of Board response and Board Membership.</p>	Verbal Report
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PART I PANEL PAPERS FOR DECEMBER 14TH 2020

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
9.	<p><u>RISK ASSESSMENT</u></p> <p>To review and discuss the papers relating to Risk Assessment for consideration at Panel on December 14th 2020 as follows:</p> <p>a. Panel Paper b. Risk Management Policy c. Full Risk Assessment Register</p>	67 - 92

WORK PROGRAMME

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
10.	<p><u>LOCAL PENSION BOARD WORKPLAN</u></p> <p>To discuss the workplan.</p>	
11.	<p><u>ANY OTHER BUSINESS</u></p> <p>To discuss any other items of business.</p>	
12.	<p><u>LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC</u></p> <p>To consider passing the following resolution:-</p> <p>"That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting whilst discussion takes place on item 13 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"</p>	
13.	<p><u>LPPI INVESTMENT PERFORMANCE REPORT</u></p> <p>To note and discuss the contents of the report.</p>	93 - 108

(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)

MEMBERS' GUIDANCE NOTE

DECLARING INTERESTS IN MEETINGS

DISCLOSABLE PECUNIARY INTERESTS (DPIs)

DPIs include:

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

PREJUDICIAL INTERESTS

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

DECLARING INTERESTS

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

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

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

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Agenda Item 3

BERKSHIRE PENSION BOARD

WEDNESDAY, 9 SEPTEMBER 2020

PRESENT: Nikki Craig, Alan Cross (Chairman), Jeff Ford, Arthur Parker and Tony Pettitt

Also in attendance: Councillor Simon Bond

Officers: Andy Carswell and Kevin Taylor

INTRODUCTION AND APOLOGIES

Apologies were received from Barry Stratfull. Alan Cross informed the Board that Barry Stratfull would be leaving Slough Borough Council at the end of the month, and would need to step down from his position on the Board as he would no longer be employed within Berkshire. Neil Wilcox, the substitute employer member, had been approached but he had declined the invitation to become a full member. A recruitment process for an employer member to replace Barry Stratfull would need to be put in place, and it was hoped that additional substitute employer and employee members could also be found. It was noted that a new Vice Chairman would also need to be appointed.

DECLARATION OF INTEREST

There were no declarations of interest.

MINUTES

RESOLVED UNANIMOUSLY: That the minutes of the meeting held on June 2nd 2020 be approved as an accurate record.

Arising from the minutes, it was confirmed that all annual benefit statements were completed before August 31st. The new terms of reference and code of conduct would be signed by Alan Cross and Cllr Julian Sharpe. Regarding the cyber security policy, Nikki Craig told the Board that this had been presented to the Royal Borough's Corporate Leadership Team and it would be updated and launched during September, once feedback from the CLT had been inputted. It would then be brought before Panel when required. The Board was told that an exercise on external data had demonstrated that the pension admin software was secure.

ACTION TRACKER

There were no additional updates and the contents of the tracker were noted.

SCHEME AND REGULATORY UPDATE

The Board was reminded that proposals to change pension payments to a career average from a final salary had been challenged in the courts, and it had been ruled as age discriminatory. The LPGA therefore had to find a remedy to this judgement, and a full review was carried out to ensure that anyone who had been part of the scheme up until April 1st 2014 had the underpin protection. Kevin Taylor told the Board that scheme employers would be affected by this, and a large amount of data still needed to be obtained in order to ensure nobody had been adversely affected. This was proving time consuming for employers and pension fund admin staff. However the actuary had indicated that the difference in cost between a career average and final salary pension was unlikely to be significant for those where the latter would now apply. Kevin Taylor advised that guidance from the Scheme

Advisory Board on how to proceed was being awaited. He also said that no scheme member needed to contact the Pension Fund if they were concerned they would not receive their full benefit payments, if the underpin applied to them at the time. It was felt that communication around this issue would be important, and employers would need to develop an action plan to undertake the necessary work. The Board was reminded that this was a national issue, and it was not just the LGPS that was affected.

Kevin Taylor advised the remedy to the judgement had been developed and made based on the outcome of the court case that had made the ruling the changes were age discriminatory.

As part of the data collection, historic paper records would need to be collected and analysed as not all of it would be stored on iConnect. In many cases the ten most recent years' of payroll had been retained. However there was likely to be guidance issued on what pension funds should do if an employer was unable to provide the required information, and what assumptions needed to be taken into consideration. Kevin Taylor stated his belief that employees who had had sizeable salary increases throughout their careers were likely to be the most adversely affected by the calculations.

Kevin Taylor told the Board that the actuary's response to the consultation regarding the remedy was being reviewed; this, along with the national guidance that was expected, would be used to formulate the Fund's plan going forward. No exact timescale was given, although it was expected the plan would be compiled within the next few months. Resource implications also needed to be taken into account while putting together the response plan.

Regarding the exit cap, Kevin Taylor explained that when an individual left local government their exit payment should not exceed £95,000. Kevin Taylor explained that if a scheme member was made redundant at 55, their benefits would be released without any actuarial deductions; however if they voluntarily took their benefits at the age of 55 then a reduction would normally be made to reflect the early payment. Significant strain costs were therefore possible. A consultation on a review of the exit cap was taking place through to November 9th. Kevin Taylor stated his belief that the exit cap could be seen as being age discriminatory, and could have a significant effect on employee benefits. He stated that the exit cap appeared to contradict the advice given in the Pension Scheme Regulations. Alan Cross concurred and stated it would unfairly affect people who had been loyal to their employer. Nikki Craig advised the Board that RBWM had submitted feedback to the consultation and was awaiting further guidance.

ADMINISTRATION REPORT

The Board was told that the report related to the quarter affected by the most stringent Covid19 lockdown restrictions. Kevin Taylor stated that a couple of key performance indicators had dropped slightly below the expected levels due to adjustments that needed to be made to working arrangements, but things were now picking up and it was expected the KPIs would be met. The Board was informed that the third year of the data quality exercise was due to get underway soon, and it was anticipated that this would lead to improvements in the quality of data. The initial results were due to be presented to Panel at the December meeting.

It was noted that one of the KPIs that had dropped below its expected level related to retirements. Kevin Taylor said the number of retirees was continuing to increase but there had not been any particular increase in the death rate. He said that a comparison between this quarter and the same quarter the previous year was being undertaken. It had been noted that the number of deferred records was now outstripping the number of active records.

The Board noted that it was still an ambition for all employers with ten or more employees to be connected to iConnect. It was noted there had been a lower takeup amongst schools in particular.

The Board was told that it had not been possible to hold pension surgeries throughout the pandemic. However a new website containing important information had just been launched.

RISK ASSESSMENT

It was noted that the Managing Risks report contained in the agenda was a little out of date, and it was suggested that members of the Panel could make suggestions for any updates at the next meeting. Members' attention was drawn to the four areas of medium risk that had been identified, and the Board was informed that these were the only remaining areas of concern. It had been suggested at the last Panel meeting that the register should have made more reference to matters arising out of the Covid19 pandemic, although it was highlighted to the Panel that there was a Business Continuity Plan. In addition thanks was given to the IT team for their update of the hardware system before the lockdown restrictions were brought in, as it was felt the situation could have been much more negative if it had not been updated. It was noted that the date of the next review listed in the report needed to be updated. It was also noted that issues regarding cyber security had been covered elsewhere and there was no need for them to be duplicated onto the risk register.

It was noted that four points on the risk register relating to investment performance had been written prior to LPPI's involvement and appeared to need review. Concerns were raised at the impact LPPI would have on some of the controls listed within the risk register, as the risks appeared to pre-date LPPI's involvement.

LOCAL PENSION BOARD WORKPLAN

There was nothing to discuss in relation to the Workplan.

ANY OTHER BUSINESS

There were no other items of business for discussion. The LPPI Investment Performance Report had not been made available and was not open to be discussed.

The meeting, which began at 2.00 pm, finished at 2.53 pm

CHAIRMAN.....

DATE.....

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Pension Board Meetings - Action Tracking Schedule

Action No.	Date of meeting	Minute Item	Action Item Description	Comments	Assigned To	Status	Date
12			b) Adoption of Training Plan.	Board members to inform the PSM of any training completed.	Board Members	Ongoing.	

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Exit cap information for LGPS employers

The information below is for redundancy and business efficiency exits that occur from 4 November 2020 until the LGPS regulations are changed to accommodate the exit cap. It applies to exits of **LGPS members who are aged 55 or over**. Information about other circumstances where a pension strain cost is payable will follow.

It is particularly important that you maintain close contact with your LGPS administering authority throughout the process set out below.

Step 1: Check if the exit cap regulations apply to you as an employer. You do this by looking at the [Schedule at the end of the Restriction of Public Sector Exit Payments Regulations 2020](#). If your employer is listed here the exit cap regulations will apply.

Step 2: If the exit cap regulations apply, check the total value of the exit payments you would normally make to, or in respect of, the employee that is exiting your employment. For a list of exit payments that you need to consider for the exit cap see [regulation 5 of the exit cap regulations](#) and chapter three of the [guidance to accompany the regulations](#). The LGPS pension is normally payable immediately without reduction.

You must include the pension strain cost when checking the total value of the exit payments.

Special rules apply if the employee is exiting from more than one public sector employment in a 28-day period. Under the exit cap regulations, the employee must tell you about any other public sector exits. You may wish to ask the employee about any other exits from public sector employment to ensure that you do not inadvertently breach the cap.

If the total value of the exit payments is less than £95,000 go to **step 3**. If the total value of the exit payments is more than £95,000 go to **step 4**.

Step 3: If the total of the exit payments is less than £95,000, process the exit as normal. The pension is payable immediately without reduction for early payment in line with the LGPS regulations. Your normal process for meeting the strain cost continues to apply.

You must inform your LGPS administering authority that the employee is not capped. You need take no further action under the exit cap regulations in respect of this exit.

Step 4: If the total value of the exit payments is more than £95,000, consider whether either a mandatory or discretionary waiver is applicable. For information about when a waiver is appropriate and a pro forma, see the documents produced by HM Treasury (HMT):

[Guidance on the regulations](#)

[Directions on waiving the cap](#)

Local authorities may also wish to refer to the [LGA's position paper on the exit cap, guidance and directions](#).

If you decide a waiver is applicable, follow the process set out in the HMT documents above. More guidance on the process is expected from MHCLG in the coming weeks.

You must inform your LGPS administering authority that the employee is capped but a waiver request has been made.

If the waiver request is accepted, the pension is payable immediately without reduction for early payment. Your normal process for meeting the strain cost continues to apply.

You must inform your LGPS administering authority that the cap has been waived in respect of this exit.

If you decide a waiver is not applicable or the waiver request is denied move to **step 5**.

Step 5: Consider the elements that make up the total exit payment. Decide if any exit payments other than pension strain cost and statutory redundancy payment (SRP) can be reduced to bring the total under £95,000.

If the new total of the exit payments being made to or in respect of the individual is below £95,000, go to **step 6**. If the total is over £95,000 when the pension strain, statutory redundancy pay and any other payments you are obliged to make are left, go to **step 7**.

Step 6: The uncapped employee will be entitled to immediate payment of their LGPS pension without reduction for early payment in line with the LGPS regulations. Your normal process for meeting the strain cost continues to apply.

You must inform your LGPS administering authority that the employee is not capped. You need take no further action under the exit cap regulations in respect of this exit.

Step 7: If the total exit payment is over £95,000 when just the pension strain, statutory redundancy payment and any other payments you are obliged to make remain, there is a conflict between the exit cap regulations and the LGPS regulations.

The LGPS regulations still require the member to take payment of an unreduced pension, but the exit cap regulations prevent the employer from paying the full strain cost.

You must inform your LGPS administering authority that the employee is capped.

As an employer you need to decide whether to make a cash alternative payment under [regulation 8 of the exit cap regulations](#). To assist you with this decision, the Scheme Advisory Board (SAB) has obtained legal advice. You can read a commentary on that legal advice on the [Public Sector Exit Payments](#) page of the SAB website. You should also have regard to the [letter from MHCLG to LGPS administering authorities](#) dated 28 October 2020.

Although you must make your own decision regarding a cash alternative, the SAB recommends you delay any decisions until the employee's pension is confirmed based on the following considerations:

- If your LGPS administering authority decides to pay an unreduced pension they will ask for a strain cost payment, payable up to the cap. You will not be able to make this payment if you have paid a cash alternative. You could end up paying twice, once as a cash alternative and once as increased scheme costs.
- If the employee is denied an unreduced pension, they are likely to lodge a claim. If they win, they could be awarded payment of an unreduced pension. Your LGPS administering authority will then ask you for a strain cost payment, payable up to the cap. You will not be able to make this payment if you have paid a cash alternative. In this case you could end up paying twice, once as a cash alternative and once as increased scheme costs.

- A cash alternative payment attracts both income tax and employer's National Insurance where the total termination payment is above £30,000. An employee who receives a reduced pension may prefer you to pay the cash alternative to the LGPS administering authority to purchase extra pension.

If you decide to make a cash alternative payment regardless of the potential outcomes mentioned above, you should inform your LGPS administering authority.

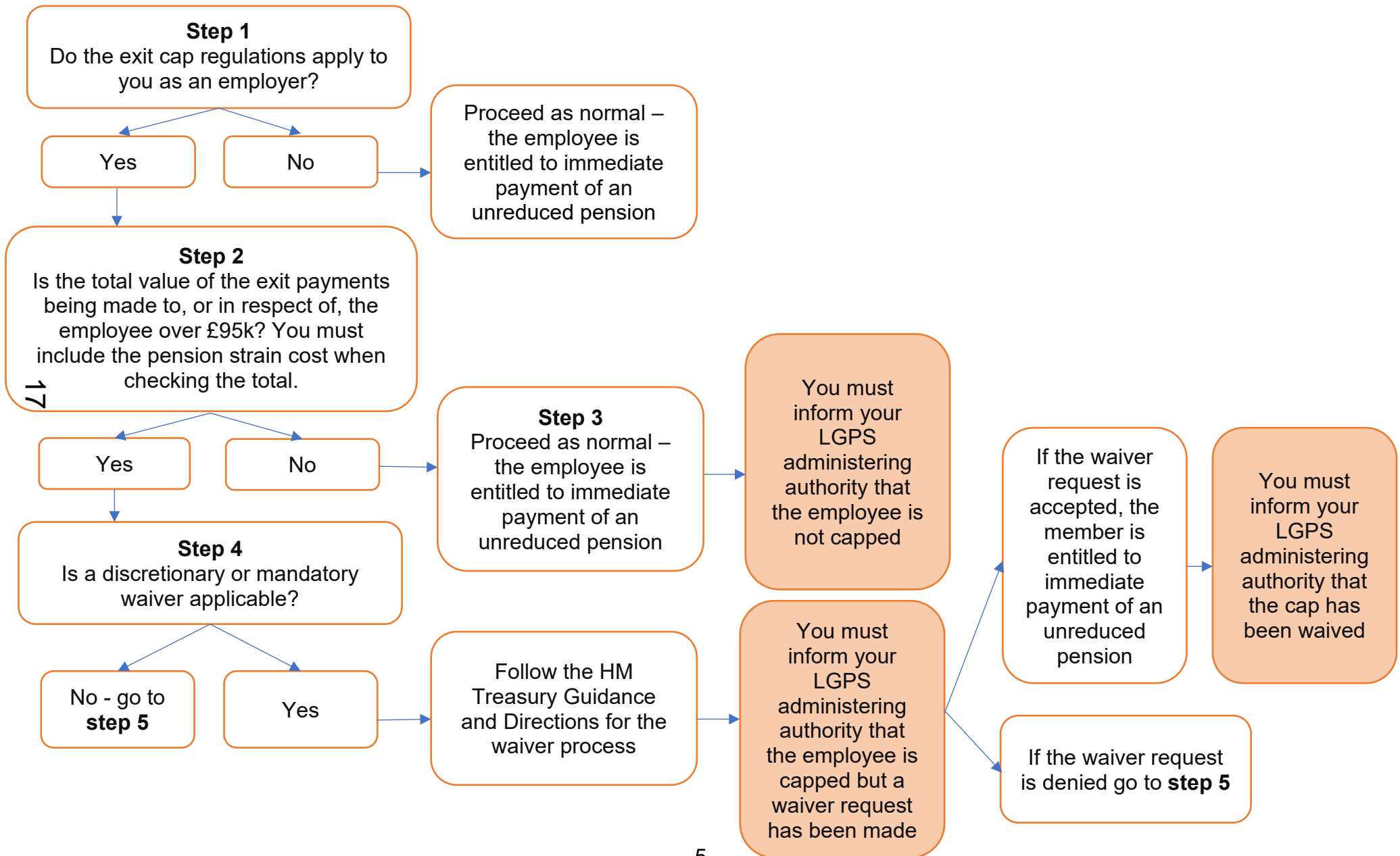
Please note, it is for your LGPS administering authority to decide if a full or reduced pension is payable in these circumstances. Your LGPS administering authority will inform you once the employee's pension is confirmed.

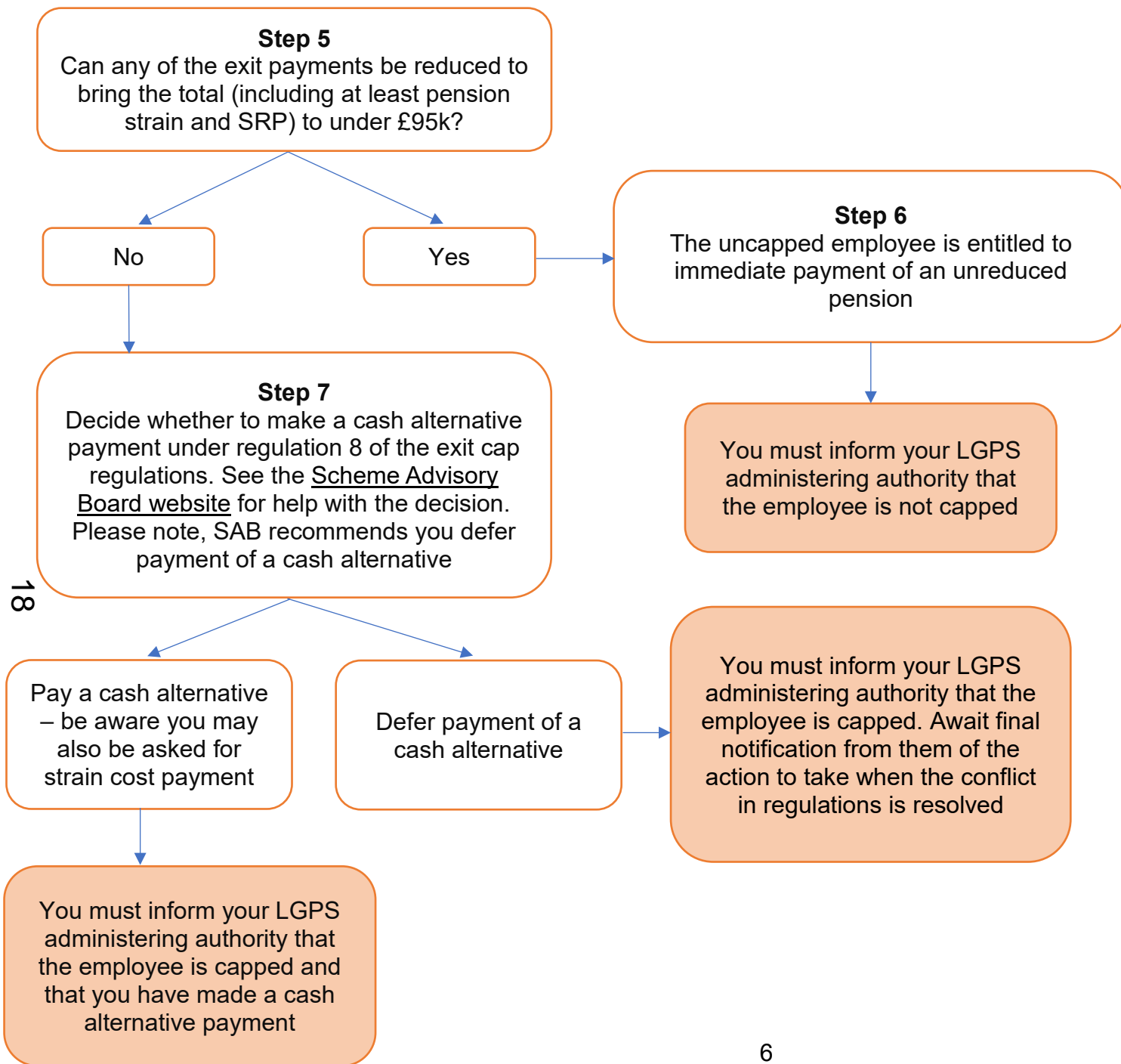
The process described above is summarised in the flow chart on the following page. The flowchart is not accessible to screen reader software, but all the information is contained in the text above.

Disclaimer

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Exit cap information for LGPS employers – flowchart





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Exit cap information for LGPS administering authorities

The information below is for redundancy and business efficiency exits that occur from 4 November 2020 until revised LGPS regulations are in place. It applies to exits of **LGPS members who are aged 55 or over**. Information about other circumstances where a pension strain cost is payable will follow.

Immediate policy decision for administering authorities

You must decide on your policy for paying pensions where the exit payment cap is breached.

There is a conflict between the exit cap regulations and the LGPS regulations if the cap is breached when an LGPS member age 55 or over exits. The LGPS regulations still require the member to take payment of an unreduced pension, but the exit cap regulations prevent the employer from paying the full strain cost.

As an administering authority, you need to decide whether to pay an unreduced pension in line with regulation 30(7) or provide the option of either a deferred pension under regulation 6(1) or an immediate reduced pension under regulation 30(5) in line with the Government's recommendations.

To assist you with this decision, the Scheme Advisory Board (SAB) has obtained legal advice. You can read a commentary on that legal advice on the [Public Sector Exit Payments](#) page of the SAB website. You should also have regard to the [letter from MHCLG to LGPS administering authorities](#) dated 28 October 2020.

You must take your own decision regarding the pension to be paid. The SAB recommends that you offer a deferred or immediate reduced pension based on the considerations that follow.

If you decide to pay an unreduced pension, there is a risk that you could end up in the position of having to try and recover monies from the employer and/or the member:

- You will not be able to obtain the whole strain cost from the employer. The employer will be restricted to a maximum of £95k for all exit payments including the strain cost. If the employer has paid a cash alternative, they are unlikely to be able to pay any strain cost. The recommendation to the employer is that they do not pay the cash alternative to the member. If the employer decides to pay the cash alternative, they must notify you.
- If you cannot obtain a strain cost at the time of the exit, you should discuss with your actuary what options are open to you to ensure the benefits are fully funded in the future. You should be aware that there is a serious risk that you will not be able easily or quickly to make good the absence of the strain cost.
- You may also be at risk of challenge under the doctrine of implied repeal which, if proven, would result in you having to seek repayment of the overpaid element of the pension. The doctrine of implied repeal provides that where a piece of legislation conflicts with an earlier one, the later legislation takes precedence.

Offering a deferred or reduced pension also risks challenge, this time from the member seeking to enforce their rights under regulation 30(7). Regardless of the outcome of any challenge, this approach should result in the member receiving additional monies as:

- an unreduced pension, or
- a cash alternative payment to the member, or
- a cash alternative paid to you to provide additional pension under regulation 31 or waive reductions under regulation 30(8).

Given the legal, financial and reputational risks involved it will be important to ensure that any policy decision is cleared at the relevant level within your organisation.

Other immediate considerations for administering authorities

- Liaise with your actuary on the appropriateness of current strain cost calculations. There may be risks associated with making a change, particularly if the new methodology results in lower strain costs. Adopting the GAD methodology may be a reasonable approach, however, this is not without risk. If you adopt a new method of strain cost calculation that results in lower costs, there is a potential for challenge from employers who have recently paid higher strain costs based on the current methodology. The change could also be challenged if it is perceived as a means of avoiding the exit payment cap.

- If you change your strain cost methodology, ensure that new strain costs are provided to employers for all relevant exits where the leaving date is on or after 4 November 2020, including those already in progress.
- Ensure that your employers are aware of their status and obligations under the exit cap regulations (you can refer them to [exit cap information for employers](#) on www.lgpsregs.org) and how you will deal with pensions for capped members.
- Review your forms and processes for redundancy and efficiency exits to ensure that the employer is aware of the strain cost in good time and notifies you of the member's status under the exit cap regulations.
- Review your estimate process to ensure it matches your policy.
- Maintain close contact with your LGPS employers throughout the exit process.

Exits in progress

- Ask your employers to check and confirm the status of any exits already in progress where the leaving date is on or after 4 November 2020
- If you have adopted a new method of strain cost calculation, provide the employer with the new cost and ask whether the total exit package exceeds the cap
- If you have already provided a member with a formal pension quotation, you will need to contact them to advise them of their options if:
 - the employer notifies you that the cost of that exit would exceed the cap and
 - you have made a policy decision to offer members the option of deferred benefits or immediate reduced pension in this event.

Administering authority process for new exits

Follow these steps when you are notified that an LGPS member age 55 or over has left due to redundancy or business efficiency on or after 4 November 2020.

Step 1: Ask your employers to confirm whether or not they are covered by the cap (they can check the [Schedule at the end of the Restriction of Public Sector Exit Payments Regulations 2020](#)). If they are not, you should proceed as normal. The member is entitled to unreduced benefits and you should request a strain cost in line with your current process.

Step 2: If the employer is covered by the cap, you should calculate a full strain cost quote in respect of new exits for members who would normally qualify for benefits under regulation 30(7). Provide the cost to the employer and ask:

- Does the member's total exit package exceed the cap?
- If it does, have you applied for a waiver?

You should not become involved in any decision regarding the breaching of the cap as those regulations apply to the employer alone and any sanctions for a breach will be on the employer alone.

You should ensure that you are **notified of any waiver request**, and whether the waiver application has been successful. Until and unless the employer confirms that any waiver has been successful you should continue to assume the member exceeds the cap.

If the employer informs you that the total value of the exit payments (including strain cost) is less than or equal to £95,000, or that a waiver application has been successful, go to **step 3**. If the employer informs you that the total value of the exit payments (including strain cost) is more than is more than £95,000 go to **step 4**.

Step 3: If the employer informs you that the total of the exit payments is less than or equal to £95,000 or that a waiver request has been successful, process the exit as normal. The member is entitled to unreduced benefits and you should request a strain cost in line with your current process.

Step 4: The employer informs you that the total exit payment is over £95,000 and the cap will not be waived.

If your policy is to pay an unreduced pension go to **step 5**. If your policy is to offer a deferred or reduced pension go to **step 6**.

Step 5: If your decision is to pay an unreduced pension, you must inform the employer, ask them not to pay a cash alternative and request the full strain cost. It will be for the employer to determine how much, if any, of that cost it can meet under the exit cap regulations. Please be aware you will not be able to recover the full strain cost. Depending on what other payments the employer has made, you may not be able to recover any of the strain cost in these cases.

Step 6: If your decision is to offer the member the option of a deferred pension or a reduced pension, you must inform the employer of that decision. The employer must decide whether to make a cash alternative payment under [regulation 8 of the exit cap regulations](#). We recommend that you remind the employer that decisions made by the administering authority and employer are open to challenge and could be reversed.

It is important that the employer understands that a successful legal challenge could result in a request for a strain cost payment. The employer should understand the implications of making an immediate cash alternative payment, or deferring payment until the result of any legal challenge is known. You may wish to direct them to the [Exit cap information for LGPS employers](#) and the SAB commentary on legal advice published on 30 October 2020 on the SAB [Public Sector Exit Payments](#) page.

You must notify the member of their option for either a deferred or a reduced pension and their right of appeal. You should maintain a record of all cases where an appeal might be received. You will need to revisit these cases once a resolution is known.

- If there is no claim or the member is unsuccessful in that claim, you must inform the employer who can then pay the cash alternative:
 - to the member or
 - to you to purchase additional pension for the member under regulation 31 or
 - to you to waive early payment reductions under regulation 30(8), if the member has elected for immediate payment.
- If the outcome of the claim is an order to pay the unreduced pension, you must inform the employer and request the full strain cost. It will be for the employer to determine how much, if any, of that cost it can meet under the exit cap regulations.

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Report Title:	Administration Report
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Sharpe, Chairman Berkshire Pension Fund Committee and Pension Fund Advisory Panel
Meeting and Date:	Berkshire Pension Fund Committee and Pension Fund Advisory Panel – 14 December 2020
Responsible Officer(s):	Kevin Taylor, Pension Services Manager, Philip Boyton, Pension Administration Manager
Wards affected:	None

www.rbwm.gov.uk



REPORT SUMMARY

1. This report deals with the administration of the Pension Fund for the period 1 April 2020 to 30 September 2020 (6 months on this occasion due to time constraints as previous meeting)
2. It recommends that Members (and Pension Board representatives) note the Key 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 Committee notes the report and:

- **All areas of governance and administration as reported**
- **All key performance indicators**

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

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

The Berkshire Pension Fund Committee has 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.

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date issued for comment	Date returned with comments
Cllr. Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
Adele Taylor	Director of Resources and s151 Officer		
Andrew Vallance	Head of Finance and Deputy s151 Officer		
Ian Coleman	Interim Pension Fund Manager		



**THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND**

ADMINISTRATION REPORT

QUARTERS 1 & 2 – 2020/21

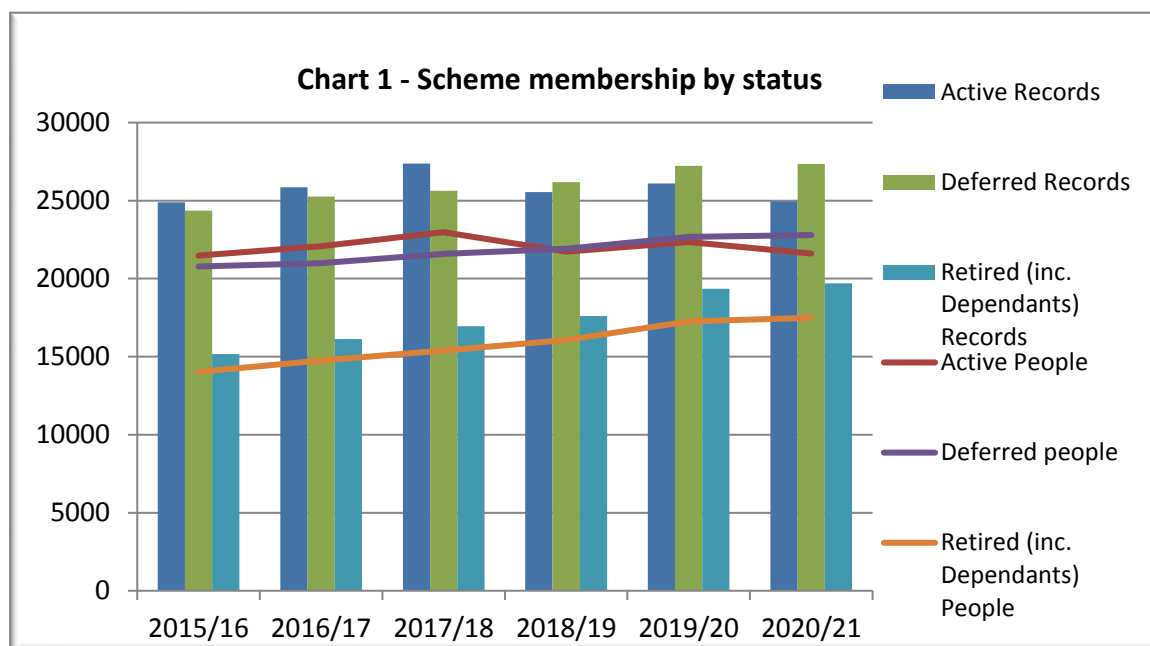
1 April 2020 to 30 September 2020

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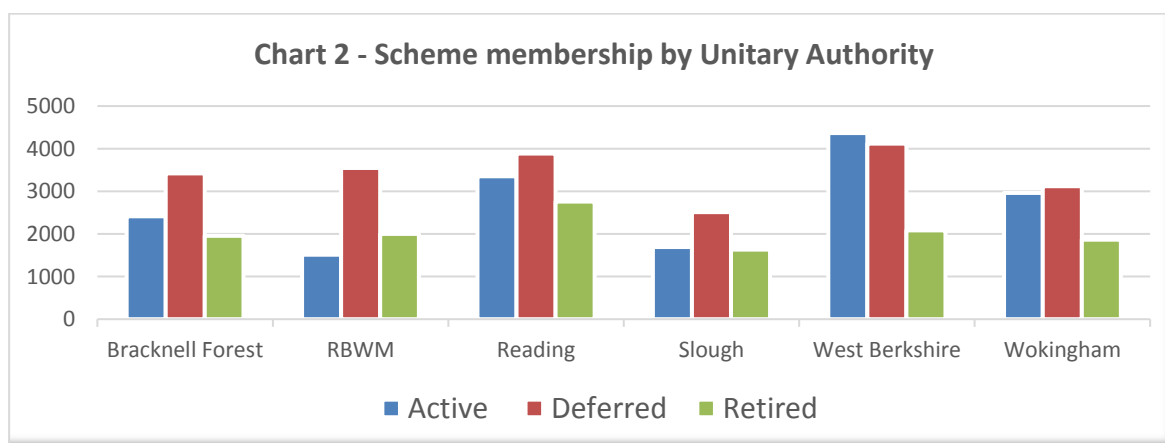
1. ADMINISTRATION

1.1 Scheme Membership



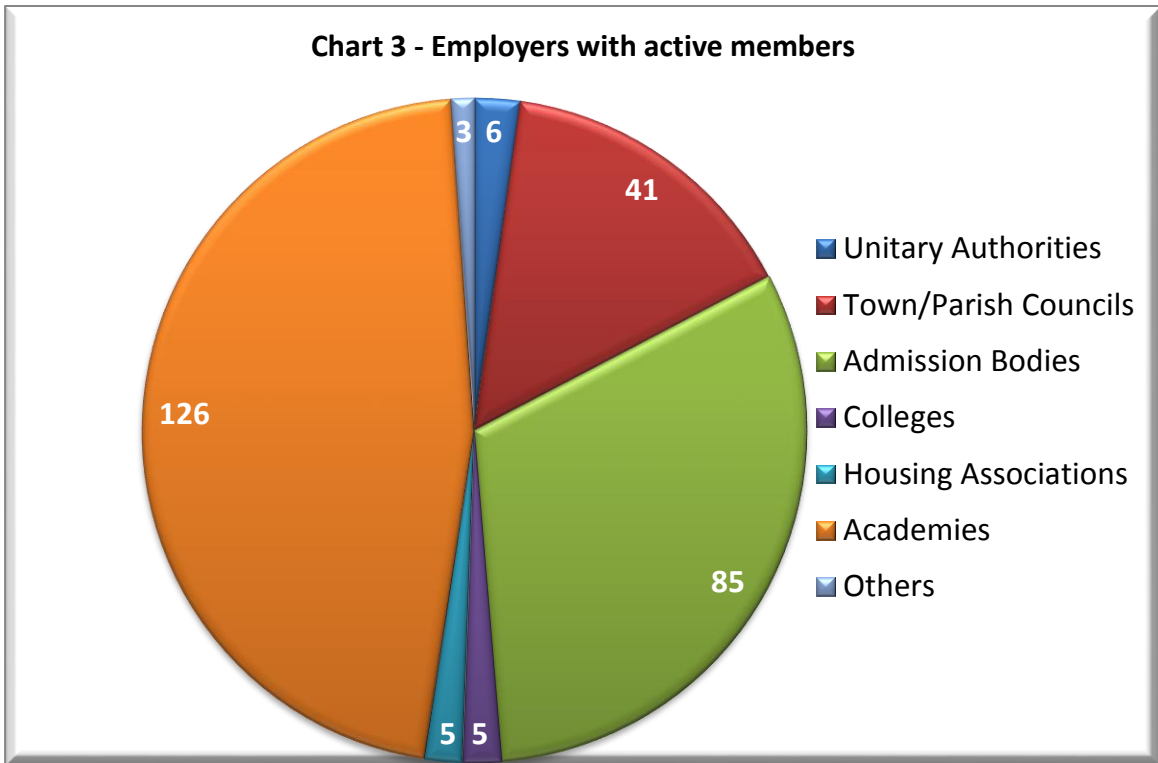
TOTAL MEMBERSHIP			
Active Records	24,949	Active People	21,602
Deferred Records	27,354	Deferred People	22,794
Retired Records	19,699	Retired People	17,493
TOTAL	72,002	TOTAL	61,889

1.2 Membership by Employer



Membership movements in this Quarter (and previous Quarter)						
	Bracknell	RBWM	Reading	Slough	W Berks	Wokingham
Active	-51 +12	-77 +16	-120 +63	-42 +51	-37 +89	-14 +2
Deferred	-8 +8	+3 -13	+6 +4	-5 -2	+2 +6	+8 +23
Retired	+24 +15	+12 +25	+31 +22	+14 +8	+19 +39	+16 +26

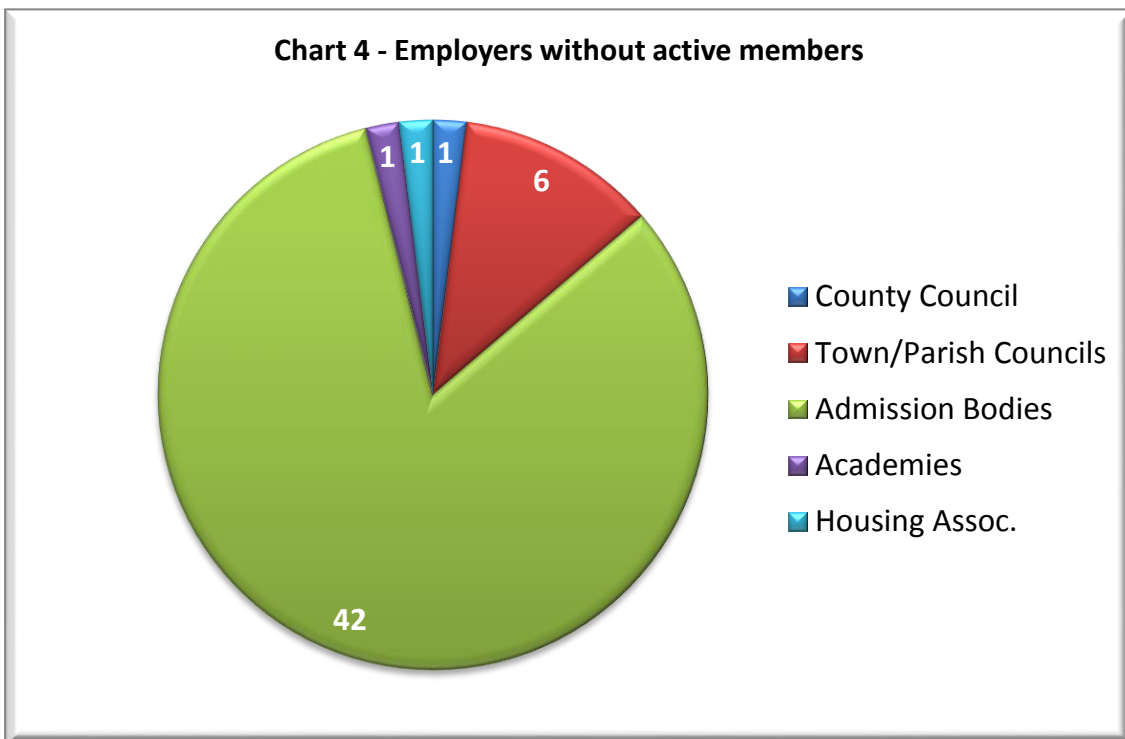
1.3 Scheme Employers



New employers since last report:

Admission Bodies: Leisure Focus Trust (RBWM), Churchill Contract Services Ltd (Wok BC), Change Grow Live (Reading BC)

Academies: None



Exiting employers: None

1.4 Scheme Employer Key Performance Indicators

Table 1A – i-Connect users Quarter 4 (1 April 2020 to 30 September 2020)					
Employer	Starters	Leavers	Changes	Total	Submission Received Within Specification
Bracknell Forest Cncl	218	230	629	1077	100%
RBWM	150	148	149	447	67%
Reading BC	358	276	1002	1636	33%
Slough BC	257	226	712	1195	100%
West Berks Council	474	243	1261	1978	100%
Wokingham BC	191	53	570	814	100%
Academy/ School	719	539	2769	4027	59%
Others	164	158	678	1000	85%
Totals	2531	1873	7770	12174	80.5%

NOTES: Table 1A above shows all transactions through i-Connect for the first and second quarters combined of 2020/21. Changes include hours/weeks updates, address amendments and basic details updates.

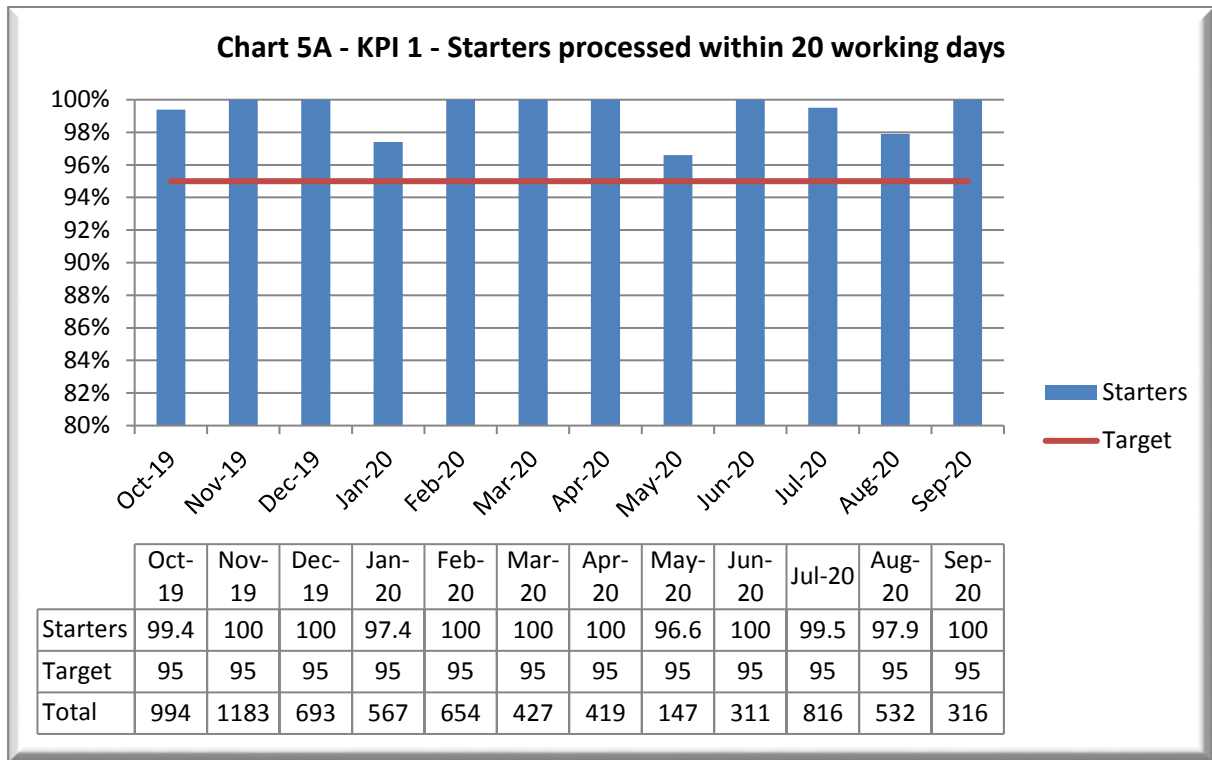
The benefits of i-Connect are:

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

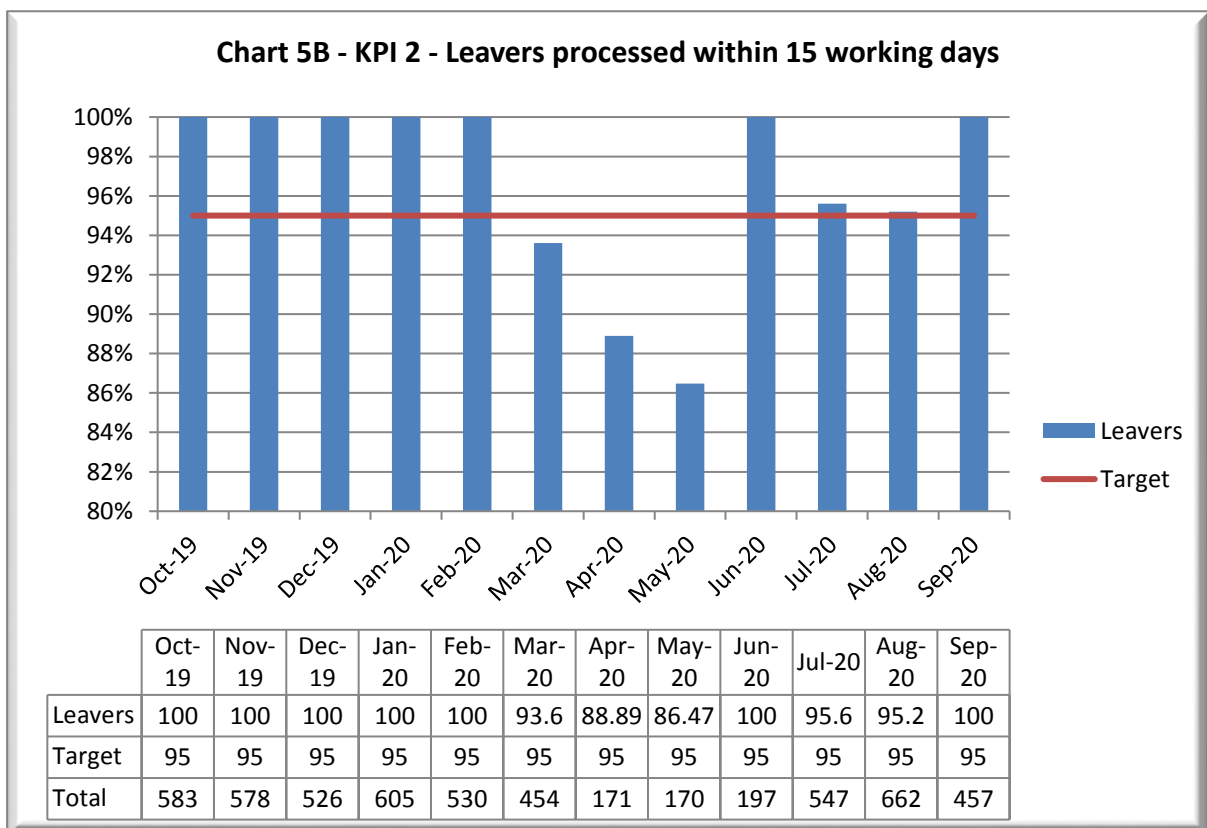
179 scheme employers are yet to be uploaded to i-Connect. It was previously reported that 57 of those would be uploaded by 31 March 2020 but unfortunately due to staffing issues and the Covid-19 pandemic it has proven impossible to meet that target.

However, the Pension Fund is committed to having all scheme employers with 10 or more scheme members uploaded to i-Connect by 31 March 2021. Scheme employers with fewer than 10 scheme members will also be given the option of using an on-line portal version of i-Connect by that date.

1.5 Key Performance Indicators

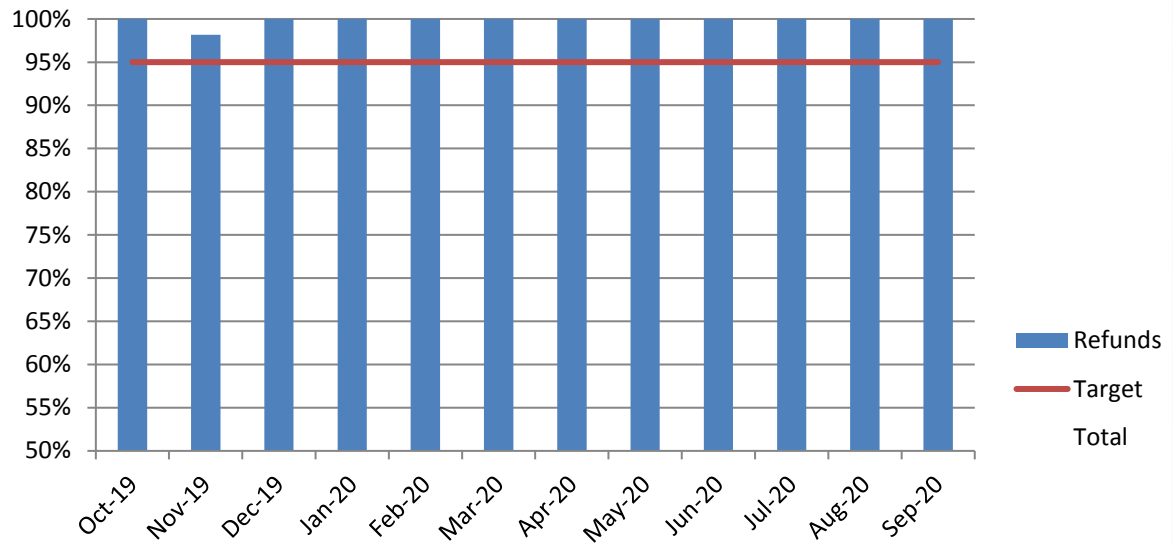


CIPFA Benchmark: Two months from date of joining the scheme or if earlier within one month of receiving jobholder information.



CIPFA Benchmark: As soon as practicable and no more than two months from date of notification from scheme employer.

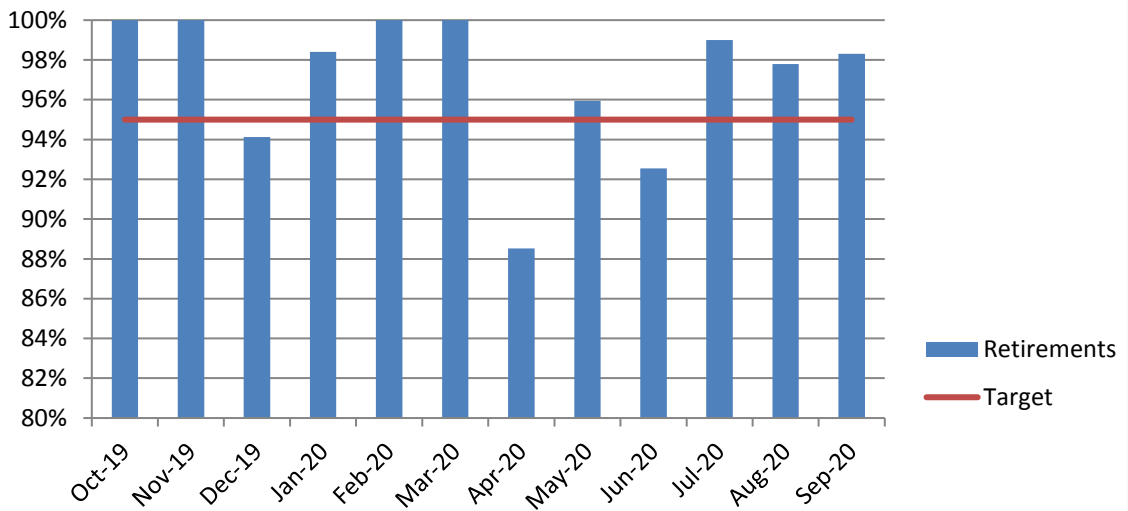
Chart 5C - KPI 3 - Refunds processed within 10 working days



	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Refunds	100	98.18	100	100	100	100	100	100	100	100	100	100
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	69	55	32	78	66	172	21	12	17	74	64	48

CIPFA Benchmark: To be confirmed.

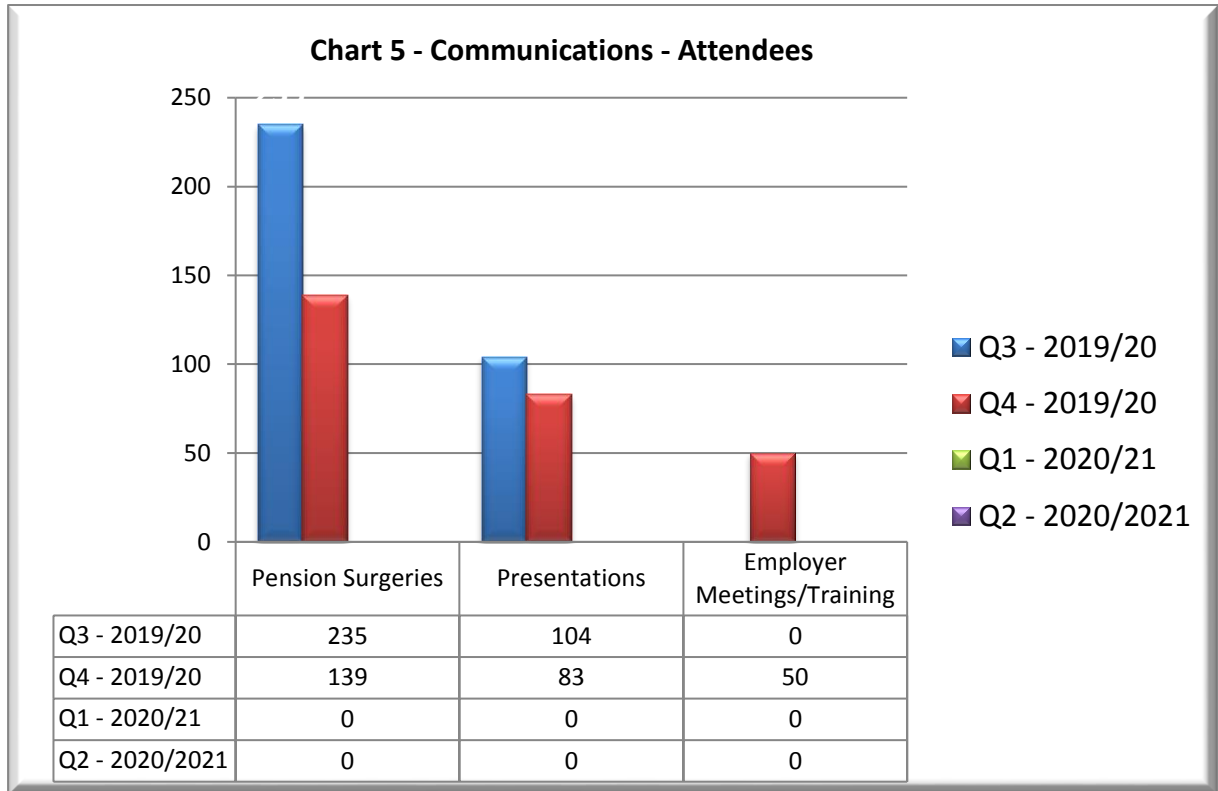
Chart 5D - KPI 4 - Retirements processed within 5 working days



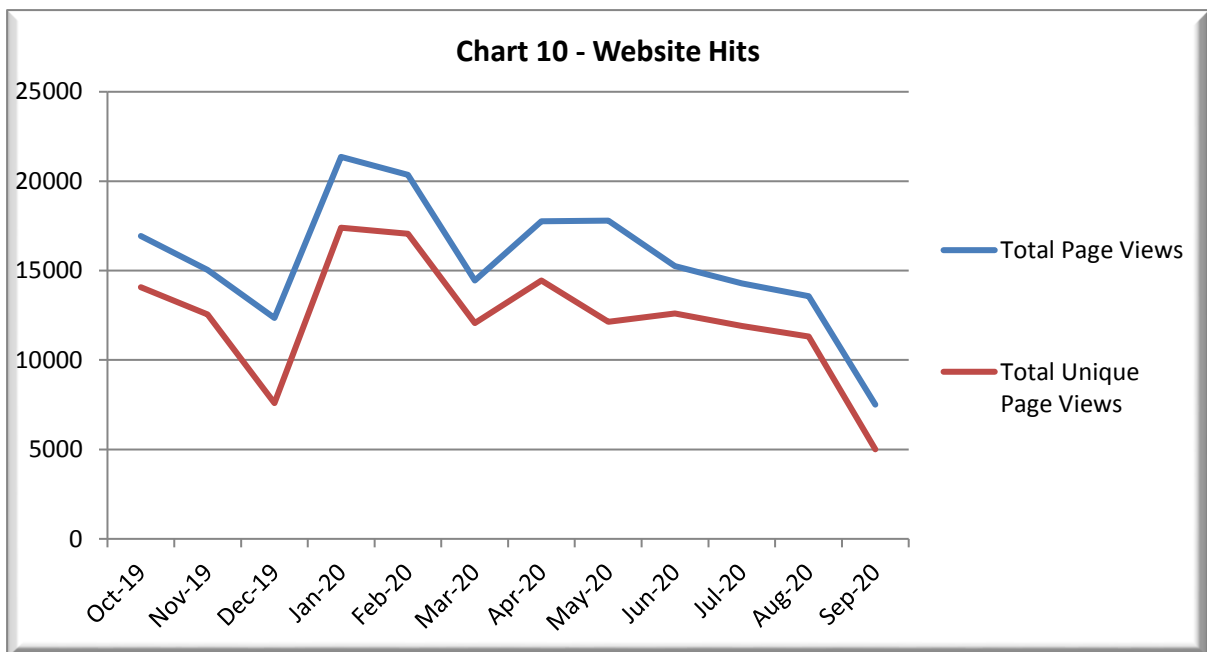
	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Retirements	100	100	94.12	98.4	100	100	88.52	95.95	92.54	99	97.8	98.3
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	126	95	68	121	85	67	61	74	67	107	91	120

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

1.6 Communications



1.7 Website Page Views



1.8 Stakeholder Feedback

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

There is no feedback to report.

2 SPECIAL PROJECTS

2.1 Data Quality Exercise 2020

Since April 2018 tPR has placed a particular focus on all public sector pension schemes with the expectation for Scheme Managers (Administering Authority) to measure data at least once a year and whilst enforcement action will not be taken on the basis of scores alone, tPR may, if they have concerns that legal requirements or certain standards are not being met, engage with Scheme Managers and take action where Scheme Managers fail to demonstrate that they are taking appropriate steps to improve their records.

There are two types of data that tPR monitor, Common Data and Scheme Specific Data (formerly known as Conditional Data). Common Data is a subset of member and beneficiary data as set out in regulations whereas scheme-specific data refers to the rest of the data a public service scheme needs to run a scheme i.e. the remaining member and transaction fields.

Officers are pleased to inform Members the results of Year 3 of this project that relate to both types of data were recently received from *heywood* Limited, the software provider to the Pension Fund.

Tests were carried out across 91,053 scheme member records (an increase of 473 on 2019). A summary of the results and comparison to Year 1 and 2 is set out in the table below:

Common Data

Data Items	Total Items October 2018	Member Records nil Failure	Total Items October 2019	Member Records nil Failure	Total Items October 2020	Member Records nil Failure
Conditions Tested	701,192	-	724,640	-	728,424	-
Conditions Passed	693,139	-	717,455	-	726,424	-
Conditions Failed	8,056	-	7,185	-	1,786	-
Pass Percentage	98.85%	91.3%	99.0% (+0.15%)	92.4% (+1.1%)	99.8% (+0.80%)	98.9% (+6.5%)

Scheme Specific

Data Items	Total Items October 2018	Member Records nil Failure	Total Items October 2019	Member Records nil Failure	Total Items October 2020	Member Records nil Failure
Conditions Tested	825,702	-	848,269	-	859,868	-
Conditions Passed	805,339	-	835,619	-	842,874	-
Conditions Failed	20,011	-	12,650	-	16,994	-
Pass Percentage	97.6%	86.1%	98.51% (+0.91%)	91.3% (+5.1%)	98.02 (-0.49%)	94.5% (+3.2%)

Officers will continue to focus time on further improving the quality of data held whilst preparing a paper specific to this project to be presented at the next meeting, of the Berkshire Pension Fund Panel and meeting of the Pension Board.

2.2. *Year End 2020*

Officers are pleased to report the reconciliation of data in respect of active contributors was successfully completed ahead of the statutory deadline of 31 August 2020.

In total 266 scheme employers were required to provide Officers with a Year End File by 30 April 2019. This was achieved by 251 scheme employers with the remaining 15 scheme employers providing their file by no later than 30 June 2020.

Annual Benefit Statements were made available as soon as each scheme employers' reconciliation is complete with the first being issued on 3 April 2020.

In respect of deferred pensioners Annual Benefit Statements all were issued on 6 April 2020, the same day all deferred pensioner benefits increased by 1.7% in line with the Consumer Price Index (CPI).

2.3. *Exit Payment Reform*

The Restriction of Public Sector Exit Payments Regulations 2020 came into force on 4 November 2020 meaning that with effect from that date public sector employers covered by those regulations have a £95k exit payment cap imposed upon them.

Exit payments include statutory redundancy pay, discretionary redundancy pay, severance pay, pay in lieu of notice over 3 months, any other payment in consequence of the termination of employment or loss of office and, perhaps most importantly, pension strain costs.

Exempt from the restrictions are any payments in respect of death in service and incapacity as a result of accident, injury or illness.

Whilst the so-called '£95k cap' is now in force, the LGPS Regulations have yet to be amended to reflect the requirements of the exit reforms. As a result the Exit Reform Regulations and the LGPS Regulations are in direct conflict which each other as the LGPS Regulations state that a scheme member aged 55 or over who is dismissed for reasons of redundancy or business efficiency **must** take **immediately** their accrued pension benefits without any actuarial reduction being applied due to their early release.

Because the LGPS Regulations do not allow for benefits payable upon redundancy and business efficiency to be reduced to reflect their early payment the scheme employer is required to pay a pension strain cost to the Pension Fund which alone can be in excess of £95k.

This leaves the administering authority in a difficult and unsatisfactory position until such time as regulations are amended. Current guidance expects this to be some time in the first quarter of 2021.

2.4. *McCloud Judgement*

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

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

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

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

Like all LGPS Pension Funds we are currently analysing the membership whilst working closely with both our actuary, Barnett Waddingham, and pension software provider, heywood Limited, to identify those members impacted by this judgement leading to a recalculation of deferred and in payment scheme member benefits.

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Report Title:	Review of Pension Fund Governance Report
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Julian Sharpe, Chairman Berkshire Pension Fund and Pension Fund Advisory Panels
Meeting and Date:	Berkshire Pension Fund and Pension Fund Advisory Panels – 19 October 2020
Responsible Officer(s):	Andrew Vallance, Head of Finance and Deputy Section 151 Officer
Wards affected:	None

REPORT SUMMARY

1. This report presents to Members the outcomes of an independent review of Pension Fund governance following receipt of an adverse ISA260 report issued on 6 December 2019 by Deloitte, the Borough's external auditor.
2. The final version of the independent report can be found at Appendix 1.

1 DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Panel

- i) **Considers and notes the Independent Governance Report at Appendix 1.**

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

- 2.1 The Royal Borough of Windsor & Maidenhead (RBWM) is the administering authority for the Royal County of Berkshire Pension Fund (RCBPF). RBWM has a statutory duty to maintain the Fund in accordance with The Public Services Pension Schemes Act 2013, associated Local Government Pension Scheme (LGPS) Regulations and wider pension legislation.
- 2.2 An adverse ISA260 report issued on 6 December 2019 recommended that an independent review of Pension Fund governance should be undertaken.
- 2.3 The independent report can be found at Appendix 1 and has been used to inform a wider restructure of the Pension Fund to be set out in a separate report to Members.

3 KEY IMPLICATIONS

- 3.1 Failure to consider, review and implement a robust governance structure could lead to sanctions being imposed on RBWM by the Pensions Regulator when it comes to its management of the Pension Fund.

4 FINANCIAL DETAILS / VALUE FOR MONEY

4.1 Failure to monitor investment performance in line with appropriate strategies could lead to an increased Fund deficit resulting in employers having to pay more.

5 LEGAL IMPLICATIONS

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

6 RISK MANAGEMENT

Table 1: Risk Analysis

Risks	Uncontrolled Risk	Controls	Controlled Risk
Pension Scheme not governed in line with legislation	Medium	Internal and External Audits	Low

7 POTENTIAL IMPACTS

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

8 CONSULTATION

8.1 Not Applicable.

9 TIMETABLE FOR IMPLEMENTATION

9.1 December 2020

10 APPENDICES

10.1 The appendices to the report are as follows:

- Appendix 1 – Independent Pension Fund Governance Report

11 BACKGROUND DOCUMENTS

Not applicable

12 CONSULTATION (MANDATORY)

Name of consultee	Post held	Date issued for comment	Date returned with comments
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Panel		
Adele Taylor	Director of Resources and Section 151 Officer		
Ian Coleman	Interim Pension Fund Manager		

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REVIEW OF PENSION FUND GOVERNANCE FOR ROYAL BERKSHIRE PENSIONS FUND and ROYAL BOROUGH OF WINDSOR and MAIDENHEAD

Background

1. Following an adverse ISA 260 Report by the External Auditor of the fund , (Deloitte) I have been requested to undertake a review of the governance arrangements of the fund . The full terms of reference are appended as Appendix 1.

Glossary of Abbreviations

- FSS- Funding Strategy Statement
- ISS-Investment strategy statement
- IWG -Investment Working Group (AKA Berkshire Pension fund Panel subcommittee)
- LGPS- Local Government Pension Scheme
- LPP-Local Pensions Partnership (also includes Local Pension Partnership Investments)
- RBPF- Royal Berkshire Pension Fund
- RBWM – Royal Borough of Windsor and Maidenhead
- SAA- Strategic Asset Allocation

Structure of the Report and Recommendations.

2. Following a statement of the statutory background which sets out the Council’s role as the administering authority for the pension fund. The report is based on the requirements of the terms of reference ,within that the following themes and topics have been identified for investigation, based on the terms of reference : Council Governance, Impact of pooling , USA Distressed Energy investment , Role of the independent advisors and asset valuation. Recommendations for further action by either RBWM and/or RBPF have been included at the end of each theme or topic. These recommendations were made on the basis of the review and research undertaken in February 2020 and relate to the situation at that time, they do not reflect any changes that have occurred since then.

Statutory Background

- 3 The Royal Borough of Windsor and Maidenhead (RBWM) is the Administering Authority for the Royal Berkshire Pension fund (RBPF) having had this responsibility transferred to it under section 7 of the Berkshire structural change order 1996. Responsibility for the Pension fund was assumed with effect from 1st April 1998 . At that time, the primary legislation governing Local Government Pension funds was the Superannuation Act 1972.
- 4 As Administering Authority , overall responsibility for the fund rests with the Council, as the 1996 order states, it takes on the rights and liabilities of the fund. The fund is not only a separate organisation but is also in law part of the Council. In 2013 the Public Services Pensions Act became law and introduced a revised statutory framework under which the Local Government Pension Scheme (LGPS) operated . Under that Act the Local Government Pensions Scheme Regulations were issued . These regulations cover the main duties of an Administering Authority which broadly fall into two areas : Administration of employee’s pensions (including collection of both employee’s and employer’s contributions) and investment of those contributions to ensure that the fund is solvent, and that Pensions can be paid .
- 5 Traditionally , within the broad scope of regulations issued under the Superannuation Act how monies were invested was a local decision and as such investment decisions were made

at a local level . However, over the past few years the Government have indicated that they expect Administering Authority's to pool investments. The LGPS Investment Regulations issued in July 2016 and the statutory guidance issued under those regulations on preparing and maintaining investment strategy statements clearly show how the Government could choose to intervene in the event of a Council failing to pool investments. This guidance builds on the 2015 guidance " Local Government Pension Scheme: Investment Reform Criteria and Guidance", this guidance clearly states the Government's intention to have most if not all LGPS assets pooled.

Council Governance.

- 6 Although RBWM has responsibility as a Council for the RBPF it does in common with other Administering Authorities delegate this to a committee or panel of members. It should be noted that Pensions falls outside the remit of the Executive being excluded from being an executive function under the Local Government Act 2000. The current RBWM Pension Panel consists of five councillors. In addition to the Panel there is a wider group the Advisory panel which consists of the five Councillors from RBWM , One elected representative from each of Reading Borough Council, Slough Borough Council, West Berkshire Council, Bracknell Forest Borough Council and Wokingham Borough Council; Two trade union employee representatives; Three representatives from employer bodies with the Fund: University of West London; an employer with a minimum of 200 members within the Fund; a representative from an Academy (to represent all academies within the Fund) ; one member drawn from the active membership, and one member drawn from the deferred/pensioner membership. The Advisory panel and Pensions Panel in effect become one body meeting at the same time , but decisions relating to the administering authority functions are only taken by the five RBWM members.
- 7 In addition to the above two bodies there is at present an investment working group (IWG) which is formally a subcommittee of the Pensions Panel. In the Council's constitution the body is known as Berkshire Pension fund Panel Sub Committee. Until recently , the IWG consisted of "the Chairman and/or Vice Chairman of the Berkshire Pension Fund Panel, and up to three other members of the Berkshire Pension Fund and Pension Fund Advisory Panels". At a recent Panel meeting changes to this membership together with changes in the terms of reference were noted. This reduced the number of other members down to one but added two independent advisers to the IWG. This proposed change in membership and the change in terms of reference have not been instituted in line with the Council's constitution where changes to delegated non-executive functions would normally be approved by Full Council.
- 8 There is a final body involved in oversight of the RBPF and that is the local pension board , these are a requirement of the 2013 Public Services Pensions Act and consists of a mix of employee and employer members meeting four times a year reviewing the work of the Pensions Panel , advisory Panel and IWG.
- 9 The above structure has been subject to a recent review to reflect the fact that the RBPF has since June 2018 had no new directly managed investments following the pooling of the RBPF's assets into a Pool managed by the Local Pensions partnership (LPP). The structure of the advisory panel pre dates the establishment of the Pension board and in reality it could be a quite cumbersome meeting if everyone attended this could be reduced by eliminating the member reps , Trade union reps and the three non-Council employer reps and instead

reviewing the membership of the Pensions board so that the Advisory panel becomes a purely Councillor Panel. By shifting the balance between the two bodies and by ordering business so that the Pensions board normally has sight of the Pensions Panel / Advisory panel work in advance of that meeting would assist scrutiny as the board's comments would be known in advance of the Panel needing to make a decision . It should be noted that the most recent agenda for the Pensions Board (as at February 2020) follows that pattern on most issues.

- 10 The role of the IWG has changed post pooling and this is reflected in the revised terms of reference. There has to be some question as to whether it has a long-term future as it no longer has responsibility for direct investments. However , until the matters raised by the Auditors are fully resolved, and relations with LPP reach a steady state , the IWG has a role to play in holding LPP to account. However , this should be reviewed in two years' time. The level of involvement in the IWG is unsatisfactory, at present there are only two Councillors on the IWG , and the number should be increased to four ideally. The revised terms of reference currently allow for two independent advisors. The role of advisers will be dealt with separately in this report, including their role at meetings.
- 11 It is important that members of both the Pension Panel and the Advisory Panel are able to demonstrate that they have adequate experience and training which is current and updated. A recent internal Audit report highlights that for a number of years some Panel members have not been completing training records, this needs to be rectified.
- 12 It is normal within a local authority for meetings to be clerked by an authority's democratic services team. This was not the case for the IWG which was initially clerked by the pensions team and has subsequently had informal notes taken by one of the Independent advisors . This is unsatisfactory as a good accurate record of decisions taken are key to determining a record of how things were decided as well as providing a record of discussion. This role should in future be undertaken by the democratic services team. It is also noted that there is no record of meetings of the IWG appearing on the Council's website , it is assumed that all of the discussion's therein were previously covered by the public exclusion provisions of Section 100 (A) (4) of the Local Government Act 1972 , but this declaration is not included on any of the papers . Even if the whole Agenda is exempt , information details of when the meeting is and the reason why it is exempt should be a matter of public record and publication. It is also important due to the sometimes, technical nature of the minutes that minutes of the Panel and IWG are checked by a senior member of the Pensions staff and /or finance team prior to publication.
- 13 In summary , the following recommendations are made to RBWM and RBPF:
 - The size of the Pensions Advisory Panel should be reduced so that it only includes Councillor representatives. Training records need to be completed annually.
 - The Pensions board membership should be reviewed to reflect the above change and membership amended accordingly.
 - That the membership of the IWG should be four councillors and its future reviewed in two years' time. Advisers as appointed by the Council should be entitled to attend and speak but not vote.
 - The above changes to be approved in line with the Council's Constitution.
 - That all meetings should be properly clerked and minuted and that minutes are checked prior to publication. In addition, details of all meetings should appear on the Council's Website with reasons why the meeting items or meeting itself are classified as exempt information.

Impact of pooling.

- 14 The Government have for a number of years been pushing the LGPS funds in England and Wales towards pooled vehicles with the intention of creating larger investment pools. In the early days of pooling RBPF had discussions with the neighbouring funds of Oxfordshire and Buckinghamshire (Project BOB), but no consensus on the way forward was possible, this is understood to be due to the investment style of RBPF which differed to the other two funds. Between 2015 and 2017 , the Pensions Advisory Panel received ten different papers on pooling. From the tone of those papers and from discussions it is clear that in common with a number of other LGPS funds RBPF were reluctant poolers.
- 15 During 2016 , for a variety of reasons , the choice of pooling options diminished and RBPF had in reality a single option which was to join LPP, which is the smallest of the pools established with only two other members. The formal decision on this was eventually made in January 2018 , following threatened intervention by the Minister of State. Pooling became operational from the 1st June 2018 with LPP taking over responsibility for all day to day investment decisions , however these had to be taken in line with the RBPF Investment strategy statement (ISS) , Strategic Asset Allocation (SAA) and Funding Strategy Statement (FSS). Since June 2018, the RBPF assets have transitioned gradually into the LPP funding structure which consists of eight “buckets”. At transfer date about 1/3 of the RBPF was not immediately poolable being illiquid assets , much of which had been investments undertaken during the previous two/ three years. The agreement between LPP and RBPF had a section on transitional arrangements which dealt in particular with the illiquid assets termed legacy assets. In that agreement although these were managed by LPP they are still owned by RBPF. The agreement is silent on who deals with issues of valuation either in year or at the end of the financial year with regard to these assets and the relationship with the Custodian, the role of the Custodian is described later.
- 16 Prior to pooling RBPF had an in-house investment team of four staff. Upon pooling this staff group was either made redundant or were TUPE transferred to LLP. However , under the agreement with LPP there are a number of functions that remain the responsibility of RBPF . These are detailed in clause 4 of the agreement. These are shown in detail in Appendix 2. However , there is no evidence that RBPF has given regard at an officer level or formally at a member level as to how these functions will be undertaken or resourced and also how the function of just checking what LPP undertake will be carried out. This task fell initially to the former section 151 officer and the current Pensions Services Manager , neither of whom had significant past experience in Investment related matters. Following Pooling there is evidence that some consideration was given at a member level on future structure as an informal meeting took place between two Councillors and an Independent Adviser in June 2018, but this did not impact on the officer arrangements. In effect since June 2018 , the non pooled assets have had minimal oversight as have LLP. With Trust being the apparent primary method of control.
- 17 The absence of informed officer advice is apparent in another respect. At present RBPF is in the final stages of completing an updated ISS, however there is no professionally informed officer oversight of this important task which is being undertaken largely by the Investment advisers using I understand a draft prepared some time beforehand by the former Pensions Manager, this by definition is now out of date. This is an important document that needs to reflect in particular the need for the funding level to grow as the fund is and has been for the past two triennial valuations poorly performing in relation to other LGPS funds , this is in contrast to 2007 when RBPF was one of the best performing funds nationally. The funding

deficit within the RBPF contributes to the budgetary issues of the Berkshire Unitary authorities.

- 18 A normal sequence of events would be for ISS to be revised after the FSS had been revised following the final receipt and agreement of the 2019 triennial valuation , this would then feed into a revised SAA and then the revised ISS. The ISS was approved with the FSS in May 2018 and then reviewed in March 2019 . The ISS has to be reviewed at least every three years , therefore the absolute deadline for this next review to be agreed is March 2022.
- 19 The finalisation of the ISS needs professional experienced input at officer level . This would enable the fund to show that it meets the “Proper Advice” requirement under the regulations . Proper advice does not only include independent investment advice. In addition, revised guidance from the government is still awaited on how to deal with a range of other issues such as Climate change and boycotting certain types of investment. In the light of this it is suggested that the agreement of an updated ISS is postponed, and that the ISS is updated once the FSS has been reviewed and in the light of Government guidance.
- 20 The absence of an informed client to undertake residual duties under pooling, to supervise LPP, to provide input into the ISS and FSS and to provide a professional contact point needs to be rectified. Within LPP both of the other two funds have kept client-side staff as is the case in every other LGPS fund I am aware of. It is therefore imperative that arrangements are put in place to ensure there are adequate resources to undertake this function .There are a number of possible options , these are outlined below.
 - RBPF could employ an officer to undertake these tasks. The role would need a good knowledge of the investment arrangements of the LGPS and an understanding of the risk appetite of the RBPF. The downside of employing a single officer is a lack of resilience in times of absence and there is probably a limited pool of people who would wish to undertake this work.
 - RBPF could employ a third-party private firm . Entering into a contractual relationship would give resilience which employment might not but there are risks associated that the organisation may not fully understand the requirements of RBPF.
 - RBPF could enter into an agreement with another LGPS administering Authority to undertake those functions on its behalf. This could provide both the resilience and expertise required ; however, the downside is that there may well be a premium to pay due to RBPF previous track record.Although none of the above is a perfect solution , the third option should provide both the resilience and expertise that RBPF require to undertake this role.
22. One of the roles of the RBPF in house investment team would have been to liaise with the Custodian . The role of the Custodian includes holding the assets of the fund in safe keeping , to verify that they exist and to value the assets. They also play a key part in transitioning investments between different asset classes. RBPF have used the same Custodian since 2011 for this function without significant issues at Audit. Since June 2018 , a process of transitioning assets held on RBPF’s balance sheet to investment pooling vehicles managed by LPP has been underway . This process has the effect of reducing the number of underlying assets RBPF has responsibility for through its own custodian (Legacy custodian) and replacing them with fund interests in LPP’s investment pooling vehicle. LPP have their own custodian arrangements managed and overseen by LPP.
23. However , many of the more Illiquid and difficult to value assets remain directly held by RBPF with the legacy Custodian . LPP have stated that they have no responsibility for the management and oversight of the legacy Custodian. Although under the transition arrangements LPP have responsibility for management of the assets. It is unclear since June

2018 what supervision, if any, RBPF has given to the Legacy Custodian and it is likely that this lack of attention to the role of Custodian for those assets still with the Legacy Custodian contributed to some of the issues raised by Deloitte in the Audit. This issue should have been foreseen in the discussions which took place prior to pooling and greater clarity in the agreement for responsibility of these assets should have been sought in particular defining what is meant by "management". No evidence has been presented that these were considered at any level within RBPF and as such no provision was made for the direct supervision of those assets, which in my view contributed directly to the situation outlined in the auditor's report.

24. In future, and in order to prevent this re-occurring for the 2019/20 Audit it is important that responsibility for management and oversight of RBPF's custody services is owned by RBPF. It is therefore suggested that discussions take place urgently with the Legacy Custodian with the support of LPP and the attendance of Deloitte to ensure that for those assets, still within the Legacy Custodianship, so that arrangements are in place to ensure that the 2019/20 audit runs smoothly as ultimate responsibility will rest with RBPF. Longer term, the agreement with LPP should have more direct reference to LPP's and RBPF's respective responsibilities for verifying valuations for all assets, for agreeing timescales for information during account closure and for liaising with the auditors
25. The role of the Legacy Custodian should be reviewed in the light of the change in scope post pooling. Discussions will need to take place with them and other providers including the LPP custodian to determine the most economical course of action for those mandates still with the Legacy Custodian.
26. In the light of the above both the RBPF and RBWM need to consider how to rectify the above and the following recommendations are made, to ensure that there are adequate resources to provide controls in the future.
 - That the decision to approve an updated ISS is postponed and that before the ISS is approved that it is checked to ensure that it meets the requirement to provide a performance level that will reduce the funding deficit for the RBPF
 - That arrangements be made to provide officer support to enable RBPF to meet its residual direct functions post pooling.
 - That discussions take place with the Custodian, Deloitte and LPP to ensure that for those assets still within the Legacy Custodianship that arrangements are in place to ensure that the 2019/20 audit runs smoothly.
 - That discussions take place with LPP to agree timescales and agreed processes for valuations during account closure and the agreement is formally amended to reflect these processes and timescales.
 - That discussions take place with the Legacy Custodian and other providers including the LPP custodian to determine the most economical course of action for custodian services for those mandates.

USA Distressed Energy Investment

27. From early 2016 the RBPF undertook a broad range of investment activities in what can broadly be described as investments in real assets. This report does not comment on the wisdom of this investment approach only on the process by which the investment decision was made. Papers with investment proposals were submitted by officers to the IWG and where they were above the delegated limit of £50 Million the final decision to invest was made by the Pensions Panel. One such proposal was to invest in distressed Energy in the

USA. As the investment was below £50 Million the decision was a delegated decision to the IWG. Somewhat unusually the decision to make the investment was made via what was in effect a remote meeting of the IWG.

28. The Constitution of the IWG allows for meetings to be held electronically and for decisions to be made in that way as long as they were subsequently recorded and minuted. There is no record, however, that I have seen, of any assent or dissent to the decision being taken by the voting members of the IWG. It is assumed that the decision was made on the silence is assent principle. This was a clear breach of the requirement to minute electronic meetings
29. A second tranche of investment was made in March 2017, by that time the oil wells acquired had been visited by officers who then by email sought the assent of the IWG to further invest in line with the initial proposal, which allowed for a second tranche of investment once certain production schedule targets had been produced. The only email seen in response was from one of the Independent advisors who supported the proposal subject to their being no change to the original. Again, there is no record of assent or dissent to the proposition.
30. As stated, the Council's constitution does allow the IWG to operate electronically. However, to do that effectively there needs to be a thorough audit trail properly recorded and centrally retained of how the decision was made to invest. No record has been found of this and evidence of what has occurred when has only been compiled due to IWG members not deleting emails. For an investment of \$50 million better recording of decisions should have occurred. To some extent any recommendation on this is now academic as post pooling the RBPF no longer has responsibility for individual asset acquisition as that decision is made by LPP in line with the SAA and ISS. However, as a matter of Policy any decisions taken by electronic meetings must be properly recorded.
31. There is a second issue arising out of the Investment which was the fact that the Pension Fund Manager was appointed a Director of the Organisation and remained one after he left the Council's service until his death. The offer of the directorship was noted at the July IWG meeting, but no formal record of this being accepted has been produced. In addition, a check on officer's declarations of interests also shows that no return was made by the Pension Fund Manager for either 2016/17 or 2017/18. The absence of these declarations taking into account the reference in the IWG minutes shows a lapse of governance.
32. It is not unusual for a significant investor in equity to appoint a director to a company as often the shareholders and the company's interests are aligned. However, it is unusual for the owner of publicly issued debt to appoint a shareholder as in moments of potential distress the interests of the company and the debt holder may be diametrically opposed.
33. As with the investment issue referred to above, the fact that LPP now undertake the investment decisions means that there is now no scope for RBPF to appoint Directors to firms which they invest in. However, there may be other parts of the Council where directors or trustees are appointed to third party bodies or Council owned companies and either no declaration of interests are made or there is no arrangement for the appointee to be removed once they are no longer employed by or a member of the Council or earlier should the Council decide that they no longer wish that individual to serve.
34. RBWM are recommended to
 - review any arrangements that it might have for meetings and decisions to be taken electronically and that review should include the requirement for an accurate record as to how the decision was taken.
 - Ensure that for any Organisation where the RBWM appoints a director or trustee that declarations of interests are completed and that both the organisation and the individual are

aware that the appointment is only for the period of time the individual is either an Officer or Member or the Council or earlier should the Council decide.

Role of the Independent Advisers

- 34 Under section 7 of the LGPS (Management and Investment of Funds) Regulations 2016 RBPF has to take proper advice when preparing its ISS. This is one of the key functions of the external investment advisers appointed by RBPF. The RBPF has three different advisers one appointed to advise the panel and two for the ISS.
- 35 The panel adviser was initially appointed in 2013, for a three-year period which has subsequently been extended annually. The contract refers to the services being required as being investment advice with no definition as to what that might be in detail. The view of the members and officers connected with the RBPF is that this adviser, which is a company, is regarded as providing governance advice, rather than investment advice to the panel.
- 36 There are two separate individuals who provide investment advice to the ISS one is long standing, appointed in 2013, whilst the second was appointed in 2018 following an application and interview process for an initial two-year period. This process was in the words of one panel member "Robust". However, there is no record from the ISS as to how the appointment was determined against pre set criteria so that the process can be seen as being transparent. Any future appointment should be made on the basis of a clear and transparent process involving objective criteria in a clear specification which can be evaluated and scored.
- 37 The change to pooling means that the role of the advisers particularly to the ISS has changed. They no longer have responsibility for commenting on individual asset choices but have a purely strategic role. Many LGPS funds use a mix of some of the larger firms to provide governance and strategic advice with or without a further independent adviser. The advantage of the latter is that the firms have a wider range of experience to draw on than may be available from a single adviser. However, the retention of one independent adviser does present a check against the firm. It has been suggested that the advisers should be voting members of the panel/ IWG. My personal view is that members make decisions based on the advice of officers and advisers and that to allow advisers to vote obscures accountability.
- 38 If the above model is accepted, then the role of the separate adviser to the panel would change to cover both investment and governance advice and that of the single independent investment adviser would cover both the Panel and the ISS. Procurement for this should take place during 2020. It is likely that short term extensions of current providers will be required to enable the procurement process to be completed

In summary the recommendations for the RBPF:

- That the future model of investment advice be one firm and one independent adviser to advise both the ISS and panel and that this advice should be procured and evaluated in a clear and transparent process. Advisers should attend both meetings but not be formal members with voting rights.

Valuing Assets .

- 39 Deloitte who act as external auditors to RBWM and thus to the fund have raised a number of queries with regard to valuations used to prepare the 2018/19 accounts. There were two significant variations between the draft and final accounts which were detailed in the ISA

260 reports on both RBWM's accounts and on the RBPF's accounts. These relate to a longevity swap and the convertible bond under the USA distressed energy investment referred to above. The issues arising will be discussed in turn.

- 40 The longevity swap requires input in terms of valuations from the RBPF's actuary. Deloitte as part of the audit questioned the assumptions used in valuing the longevity swap. These figures are provided by the fund's actuary. On challenge it became apparent that the model used to value the swap had not been updated for the most recently available national mortality tables whereas the model used to produce the standard accounting entries had been updated following discussions with auditors at a national level. Auditors had made it clear that they were expecting accounting models to be updated annually to reflect the most recent changes in national mortality tables. This was an oversight by the actuary. In their defence past practice has only been to update mortality assumptions in both the swap valuation and accounting models every three years and at the same time as reviewing the triennial valuation model to take account of the actual mortality experience of scheme members covered by the swap. They state that revised arrangements are in place to ensure that the swap valuation model is now updated at the same time as the accounting model rather than every three years with the triennial valuation model. In addition, the Council will need to review these assumptions through its proposed enhanced client arrangements, this is suggested in place of the proposal from Deloitte that the Pensions or Corporate overview and scrutiny panel review this figure.
- 41 It should be noted that valuing the longevity swap is not a new issue, although the scale of the error was much greater in 2018/19. The matter had been previously raised in ISA 260 reports since 2011 by the previous auditor KPMG as follows:-
- 2011/12 Audit . Report notes that the Auditors are still waiting to hold discussions with the Funds actuary over the treatment and valuation of the policy in the IAS 19 calculations.
 - 2012/13 Audit. Report identifies that the timing of indexation for inflation of the future payments was miscalculated by half a year. This resulted in an audit adjustment of £8.9 million.
 - 2013/14 Audit . No Isa 260 report readily available on Council's web site
 - 2014/15 Audit . Report notes that the swap is a significant audit risk and that "the contract should be kept under regular review to ensure its valuation and disclosure are in accordance with accounting standards.
 - 2015/16 Audit. Report noted that the methodology used by the actuary had not been updated to reflect the fact the application of accounting standard IFRS 13 (fair value) to local authorities in 2015/16. However, no material difference in valuation was anticipated.
 - 2016/17 Audit. Unadjusted audit difference relating to the swap was reported due to a particular discount rate not being updated since inception . Impact approximately £6 million
 - 2017/18 Audit . Report states that KPMG, using their actuarial specialists, have agreed the appropriateness of the assumptions and the reasonableness of the assumptions.
- 42 The above record illustrates that the valuation of the swap has often been problematic. KPMG each year referred the calculation to their actuarial specialist for verification due to the nature of the swap . It is clear that in addition to checking not only the appropriateness of various variables within the model that RBPF/ RBWM will also need to ensure that any

changes to accounting standards are taken into account particular regard should be taken when IFRS 17 which deals with insurance accounting replaces IFRS 4.

- 43 The situation with regard to the USA distressed energy investment is different. As noted earlier , this investment is quoted on the Singapore markets and as such the Custodian could and did obtain a value based on an assumed market trade price which was used as part of the draft accounts. This bond is still trading and in fact it is understood in 2019/20 that further bonds have been acquired by non LGPS clients in the United Kingdom at par. In the absence of other evidence this would normally be regarded as being the fair value of the bond which could result in the 2019/20 value being closer to the draft 2018/19 figures rather than the final figures which had a significant right down , following a report by KPMG. It should also be noted that another LGPS investor in the fund has valued the bond in their 2018/19 accounts at par and this was accepted by their auditors.
- 44 In early 2019 , the IWG received a confidential report from LPP on four of the illiquid assets which they had concerns over one of which was the USA distressed energy investment. This concern was not communicated to the Custodian by LPP as they had no requirement to do so , it was also not passed on by RBPF to the Custodian . In addition, nothing was mentioned about this to the RBWM accountant responsible for preparing the accounts. This lack of communication is the significant reason why the draft accounts included the initial valuation from the Legacy Custodian. I have already commented on the need for there to be direct communication between the Custodian and LPP acting on behalf of RBPF despite the apparent absence of a contractual relationship to do this. LPP have indicated that for 2019/20 that LPP might assist RBPF in managing their relationship with their custodian and how RBPF/Legacy Custodian value and verify the portfolio but responsibility remains sovereign to RBPF this will need to be part of the discussion suggested between the above parties and Deloitte. Longer term as referred to earlier , RBWM/RBPF will need to try to build standards for reporting including timeliness into the agreement between RBPF and LPP.
- 45 The Audit also threw up a number of other valuation issues which called into question the processes used by LPP and the Custodian . The most recent report on the Custodian's Asset Management arrangements " Description of its Investment Management Services System and on the Suitability of the Design and Operating Effectiveness of its Controls" received by the Council is dated 2017. It is assumed that there has been no significant variation in these since that date. However , these controls do require a degree of informed client input which has been lacking since the Pensions team was Tupe Transferred to LPP and the assumption that LPP would undertake this role on the assets still in Legacy custodianship which has not been the case. It is therefore important that these controls are reintroduced either by utilising LPP or through other means. Due to the shortness of time between now and closing the accounts discussions need to be held with LPP / Custodian/ Deloitte to address the issues raised.
- 46 There are also a number of other detailed issues where LPP have a difference of view to Deloitte , the absence of clear communications between both parties , and in the view of LPP a misunderstanding of LPP's role and that of the Custodian by Deloitte ,has potentially contributed to this list of issues. It is recommended that both parties meet with a representative of RBPF to iron out any differences before work starts on the 2019/20 Audit. This should be part of the wider meeting with the Legacy Custodian.
- 47 Deloitte in the ISA 260 report presented to the Corporate Overview and Scrutiny Panel in November 2019 have stated that the Panel ensure that valuation controls are challenged , understood, and agreed before inclusion of the valuation in the financial statements. At

present the Panel does not have sight of the draft accounts before publication . The requirement for the draft accounts to be approved by the Council or a committee of the Council was removed some years ago. The fact that the Council only has two months, in a non Covid 19 world, to prepare the accounts now is in itself challenging. If the draft accounts were to be presented to the Panel before publication and if adequate time is to be given so that the accounts are not presented as a late item, the time available to produce the accounts will be reduced by at least 20%. This is regarded as being extremely problematic. It is also doubtful whether, due to the specialist nature of some of the valuations whether the Corporate Overview and Scrutiny Panel could add the significant level of rigour in checking intimated by the ISA 260 and from further comments received from Deloitte post audit. It is recommended that rather than reporting the draft accounts to the Corporate Overview and Scrutiny Panel , that revised internal control procedures are implemented as outlined in this review involving LPP/ Custodian/RBPF/RBWM.

- 48 It is noted that despite having oversight of the RBPF on behalf of the Council that the audited accounts and ISA 260 are not currently reported to the Pensions Panel. Since 2008 , the Pensions fund has been subject to a separate audit . The accounts of the fund should be reported to the Pension Panel as part of Pension Fund annual report, but they do not at present receive the Auditors report although they appear to have done in the past. Practise varies between Administering Authority's, but it seems sensible that the Pension Panel should receive the RBPF Auditor's report in the future.
- 49 With regard to the valuation and reporting process , the review would make the following recommendations to the RBPF.
- That with regard to the longevity Swap that RBPF put in place arrangements to review the assumptions used by the Actuary in calculating the value of the swap. In addition, it will need to review the application of any change in accounting standards.
 - With regard to other illiquid or non-market assets that revised arrangements be put in place involving the custodian , Deloitte LPP, RBWM and RBPF.
 - That RBPF arranges a meeting with LPP and Deloitte to ensure that responsibilities are clear for the 2019/20 Audit. This could be held at the same time as the meeting above.
 - That the Pension Panel receives the external Audit report in future in respect of the RBPF.

Concluding thoughts.

- 50 One theme that re-occurs throughout the review is the historic disconnect between the RBPF and the rest of the RBWM. Reading the reports , noting some of the actions and even looking at how the recent changes to the IWG have been determined show that officers and those involved in the RBPF and the Council itself have assumed that at best the RBPF is a semi-autonomous body and not a full part of the Council . However , in law that is not the case as the Administering Authority RBWM have ,as the transfer order states ,responsibility for the assets and liabilities of the fund. Over the past three years apart from being referred to in constitutional reviews the Council has not received a single report about the Pension Fund. This is perhaps symptomatic of the disconnect that exists. The situation needs to be rectified with the Council taking ownership of the fund both in deed ,as well as nominal title. The Council should consider making it a requirement for the Pension panel to report annually to the Council on the work of the fund. RBPF is required to produce an annual report , and a summary of this could form the basis of the annual report to Council.

- 51 The move to pooling appears to have been focused purely on the transfer of investment responsibilities to LPP but with no serious pre thought as to how any residual functions would be managed by the Council , including the management of legacy illiquid assets, the relationship with the custodian and how the ongoing relationship with LPP would be managed. This is probably the key reason as to why the issues which have now been disclosed following the 2018/19 Audit of accounts occurred . Hindsight is as always wonderful ,but it is surprising that no consideration was given in the lead up to June 2018 as to how these issues would be managed. This needs to be rectified to ensure that there is limited opportunity for a repetition of events.
- 52 Finally ,I would like to thank all parties who assisted the review and for the frank exchange of views and providing detailed background often at speed.



Chris Buss

Original March 2020

Reviewed and Revised July 2020

Terms of Reference

Review of the governance arrangements in relation to investments operated by the Royal Borough of Windsor and Maidenhead in its role as the administering authority of the Royal Berkshire pension fund.

1. Background

The Berkshire Pension Fund is in a unique position as result of the decision to enter into an Advisory and Management Agreement (AMA) with Local Pensions Partnership (Investments) Limited (LPPI) thereby transferring total management of its assets to LPPI. Other pools operate very differently with the Fund Managers at each of the constituent administering authorities working collaboratively to identify the benefits of pooling their investments together. These pools thereby retain investment expertise at each of the Pension Funds which is not the case in Berkshire.

Prior to 1 June 2018, RBWM employed a small number of staff ('the investment team') who operated in the investment (finance) section of the Pension Fund. This included the Pension Fund Manager, an Investment Manager, an Equity Manager and an Investment Administration Manager. From 1 June 2018 RBWM entered into an AMA with the LPPI with the agreement of the Berkshire Pension Fund Panel and Advisory Panel. The Pension Fund Manager was made redundant on 31 May 2018 (and has subsequently passed away) with the other three investment staff TUPE transferring to LPPI on 1 June 2018. Currently, only the former Investment Administration Manager remains employed by LPPI. As a result of the AMA, LPPI became the Investment Manager for all of the Berkshire Pension Fund's assets with RBWM, as the Administering Authority (i.e. the Berkshire Pension Fund Panel), retaining responsibility for the Investment Strategy of the Fund, for the allocation of Fund assets within LPPI's eight investment 'buckets' and for monitoring the performance of LPPI who bring quarterly reports to meetings of the Investment Group and Pension Panels.

The council's auditors, Deloitte, have highlighted concerns in their ISA 260 report as part of their audit of the pension funds 2018/19 account in respect of the system of governance and internal control in place to oversee the Royal County of Berkshire Pension Fund investments. They see significant risks in the arrangements for planning finances effectively.

2. Requirements

The council therefore require an independent review of the governance arrangements in its role as the administering authority of the Royal Berkshire pension fund. This should include but is not limited to investment decisions and the management and operation of investments made. This to be undertaken in conjunction with CIPFA who are supporting the council improve its overall financial governance arrangements by a suitably qualified individual with extensive knowledge and experience of managing a local authority pension fund.

The review will in particular investigate the arrangements concerning an investment into a \$50 million bond and how the council arranges its statutory duties with regard to investments, as set out in the LGPS regulations 2013 and any guidance issued subsequent to those regulations.

The findings and recommendations from the review will be issued to the Managing Director and Director of Resources of RBWM. It will then be reported to the Berkshire Pension Fund Panel and the council's Corporate Overview and Scrutiny panel in May 2020 and will form part of the council's response to the Deloitte ISA 260. The recommendations will be included in the council's Annual Governance statement for 2019/20. Prior to publication a draft report will be provided to and a discussion held with the council's external auditors to ensure it covers all of their concerns.

A clear intention of the report is to address the findings and recommendations raised by external audit as part of their 2018/19 reporting:

- A review is performed of the arrangements around pension asset investment decision making, monitoring and reporting of the valuation investments; and that this should include a retrospective review of the arrangements with respect to the specific assets that were adjusted significantly as a result of the audit to identify the lessons that can be learned and to embed this learning into the new arrangements. We would also expect this to include consideration of the arrangements around declarations of interest, segregation of duties, appointment of directors to companies in which the Fund has invested, due diligence on and authorisation of investments, involvement of specialist advisors, governance and monitoring procedures, and valuation controls.
- The Fund reviews the terms and conditions of its relationship with all investment service providers and seeks assurance that controls are place to ensure that the most recent audited financial statements of each fund, along with the regular capital valuation statements and any evidence of any capital transactions are received and regularly reviewed in a timely fashion.
- The valuations provided by the actuary are reviewed and that the assumptions are challenged, understood, and agreed before inclusion of the valuation in the financial statements.
- The valuation of all bespoke investments is understood by the investment manager and that controls are implemented to ensure an appropriate challenge is made of valuations received from any service organisation.
- The outcome from these reviews should be reported to both the scrutiny committee and the pension panel.”
- We would also expect the review to look at the contractual arrangement with LPP and the controls in place at the authority to understand that activity of LPP and how the authority can gain assurance over the controls in place at LPP, for example through a service auditor report.

- We noted weaknesses in the controls in place around challenging the valuations and the performance of funds. Given the difficulties in obtaining information for the purposes of our audit, we noted that it appears that there were inadequate controls to ensure that valuations are challenged, and that investment existence is checked as a standard practice. We would expect the review commissioned by the authority to assess the adequacy of controls in place in this area and make recommendations for the design and implementation of appropriate controls.

A draft report is required by 8th March 2020 in order that it can be reviewed by the Council prior to the start of the new financial year.

4. CLIENT RESPONSIBILITIES & OBLIGATIONS

- 4.1 The Client shall at all times retain sole responsibility for, and full and sole discretion in respect of, the following matters:
- 4.1.1 the level of risk appetite for the Fund;
 - 4.1.2 the Return Objectives;
 - 4.1.3 the Strategic Asset Allocation;
 - 4.1.4 the Funding Strategy Statement;
 - 4.1.5 the Investment Strategy Statement;
 - 4.1.6 the Triennial Valuation, including setting of contributions; and
 - 4.1.7 decisions relating to the Longevity Insurance Contract.
- 4.2 Without limitation to Clause 4.1, in order to enable LPP I to discharge its obligations under this Agreement (including but not limited to those set out under Clause 9), the Client shall take such actions as are necessary and/or reasonably requested by LPP I and provide or procure the provision of:
- 4.2.1 the information outlined in Clause 4.1;
 - 4.2.2 monthly Legacy Asset data;
 - 4.2.3 monthly cashflow data covering payments and cash receipts in respect of the Fund¹;
 - 4.2.4 monthly Investment data summary, showing final net asset value of the Fund split by asset class; and
 - 4.2.5 such other information, documents and data provided to the Client by a third party including monthly solvency reporting from the Fund actuary.

5. TRANSITION ARRANGEMENTS

- 5.1 Subject always to acting in the best interests of its clients, LPP I shall use all reasonable efforts to transition substantially all of the Portfolio to In-House Funds during the Transition Period. This transition will not necessarily be in-specie.
- 5.2 During the Transition Period:

¹ Note to LPP I: RBWM is happy with this in principle but will need to confirm with its custodian that it will be able to provide all of this information. Please confirm

Report Title:	Pension Fund Governance Restructure
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Julian Sharpe, Chairman Berkshire Pension Fund and Pension Fund Advisory Panels
Meeting and Date:	Berkshire Pension Fund and Pension Fund Advisory Panels – 19 October 2020
Responsible Officer(s):	Andrew Vallance, Head of Finance and Deputy Section 151 Officer
Wards affected:	None

REPORT SUMMARY

1. This report presents to Members a proposed change to the governance structure of the Pension Fund resulting from the outcomes of an independent review of Pension Fund governance presented to Members previously.
2. A change to Part 6, Section A of the Council's Constitution is required in order to implement the proposed restructure and will require agreement of Full Council.
3. The proposed Constitutional changes can be found at Appendix 1.

1 DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Panel notes the report and:

- i) **Agrees to recommend to full Council the Constitutional changes as set out in Appendix 1 to this report; and**
- ii) **Agrees to the appointment of a permanent Head of Pension Fund responsible for all aspect of Pension Fund management.**

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

2.1 The Royal Borough of Windsor & Maidenhead (RBWM) is the Administering Authority for the Royal County of Berkshire Pension Fund (RCBPF). RBWM has a statutory duty to maintain the Fund in accordance with The Public Services Pension Schemes Act 2013, associated Local Government Pension Scheme (LGPS) Regulations and wider pension legislation.

2.2 On 1 June 2018, the Pension Panel as Administering Authority, in accordance with the Government's requirement to pool Local Authority investments, entered into an Advisory Management Agreement (AMA) with the Local Pensions Partnership (Investments) Limited (LPPI), uniquely passing management of the Fund's assets to LPPI.

2.3 With the exception of the former Pension Fund Manager, who was made redundant, all other investment officers were TUPE transferred to LPPI on 1 June 2018 leaving no 'investment expertise' at the Administering Authority to manage the AMA with LPPI.

- 2.4 An adverse ISA260 report issued on 6 December 2019 recommended that an independent review of Pension Fund governance should be undertaken.
- 2.5 The resulting independent report has been presented to Members previously and has been used to inform a wider restructure of the governance of the Pension Fund now set out as a change to Part 6, Section A of the Council's Constitution at Appendix 1 to this report.
- 2.6 The intention of the proposed Constitutional changes is to better reflect the responsibilities placed upon RBWM Elected Members appointed to the Pension Panel in their role as 'quasi-trustees' to the Fund. Post pooling, the 5 appointed Members remain responsible for
- 2.6.1. setting the Fund's Investment Strategy (and producing and publishing the Fund's Investment Strategy Statement);
 - 2.6.2. agreeing and publishing the Fund's Funding Strategy Statement;
 - 2.6.3. setting the allocation of assets across the various investment types managed by LPPI;
 - 2.6.4. receiving performance reports from LPPI and challenging their performance on each occasion the Panel meets; and
 - 2.6.5. ensuring that the Administering Authority meets its statutory obligations under the LGPS Regulations and associated legislation when it comes to the administration and wider governance of the of the Scheme;

but are no longer responsible for taking investment decisions and appointing, or terminating, investment managers.

- 2.7 The proposed removal of the Berkshire Pension Fund Panel Sub-Committee (otherwise known as the Investment Group) reflects the change in responsibilities resulting directly from the Panel's decision to transfer the management of the Fund's assets to LPPI as outlined in paragraph 2.6 above
- 2.8 In addition to the proposed Constitutional changes, it has been identified, as part of the ongoing governance review, that a Head of Pension Fund post should be created to ensure that all aspects of Pension Fund Management are undertaken by a named responsible officer thereby meeting the requirements set out in a report entitled 'Good Governance in the LGPS' as procured by the (National) Scheme Advisory Board for the LGPS and published by Hymans Robertson.

3 KEY IMPLICATIONS

- 3.1 A robust governance structure is imperative to ensure that the Administering Authority meets all of its statutory obligations.
- 3.2 Failure to secure an acceptable level governance could lead to sanctions being imposed on RBWM by the Pensions Regulator as the Administering Authority for the Pension Fund.

4 FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 Failure to monitor investment performance in line with appropriate strategies could lead to an increased Fund deficit resulting in employers having to pay more.

4.2 All Pension Fund staffing costs are recharged to the Pension Fund and therefore have no impact on the budgets of the Borough.

5 LEGAL IMPLICATIONS

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

6 RISK MANAGEMENT

Table 1: Risk Analysis

Risks	Uncontrolled Risk	Controls	Controlled Risk
Pension Scheme not governed in line with legislation	Medium	Internal and External Audits	Low

7 POTENTIAL IMPACTS

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

8 CONSULTATION

8.1 Not Applicable.

9 TIMETABLE FOR IMPLEMENTATION

9.1 October 2020

10 APPENDICES

10.1 The appendices to the report are as follows:

- Appendix 1 – Tracked changes to Part 6, Section A of the Council's Constitution

11 BACKGROUND DOCUMENTS

Independent governance review document
'Good Governance in the LGPS' report published by Hymans Robertson

12 CONSULTATION (MANDATORY)

Name of consultee	Post held	Date issued for comment	Date returned with comments
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Panel		
Adele Taylor	Director of Resources and Section 151 Officer		
Ian Coleman	Interim Pension Fund Manager		

A) PENSION

A1 Berkshire Pension Fund

Committee Panel A1.1 Purpose

To exercise the general powers and duties of an Administering Authority in the maintenance of the Royal County of Berkshire Pension Funds ~~such Superannuation funds~~ as may be required in accordance with the Superannuation Fund Act 1972, The Public Service Pensions Act 2013 and Local Government Pension Scheme Regulations existing under ~~the~~ se Acts including, but not restricted to the following.

- (i) Setting of the Investment Strategy and Funding Strategy Statements and ~~d~~ Determination of the Strategic Asset Allocation of the Pension Fund's assets ~~investment policies of the Administering Authority~~ in the light of professional ~~officer~~ advice and other suitably qualified independent advice, legislative constraints and Codes of Practice.
- (ii) Responsibility for the statutory policies and administration of the Royal County of Berkshire Pension Fund ~~all superannuation funds~~ maintained by the Administering Authority in accordance with the Local Government Pension Scheme Regulations, The Local Government Pension Scheme (Management of Investment of Funds) Regulations, all other associated legislation and Pension Regulator Codes of Practice, and including, specifically, custodianship arrangements.
- ~~(iii) The appointment of External Fund Managers.~~
- ~~(iv)~~ (iii) Determination of the arrangements for obtaining appropriate investment advice including the appointment of a suitably qualified independent person or persons to give expert advice on Pensions ~~superannuation~~ F fund investment and management arrangements.
- ~~(v)~~ (iv) The periodic review and monitoring of the Pension Funds' investment performance in line with the Advisory and Management Agreement entered into with the Local Pensions Partnership (Investments) Limited (LPPI).
- ~~(vi) Determination of applications for admitted body status in accordance with the appropriate legislative provisions.~~
- (v) To consider the Annual Report and Accounts of ~~n~~ the Fund.
- ~~(vii)~~ (vi) The reporting of any breaches of the law to the Pensions Regulator.

A1.2 Membership 5

RBWM Councillors

N.B. A Cabinet Member may be a Member of the Berkshire Pension Fund Committee Panel and of the Berkshire Pension Fund Advisory Panel.

A1.3 Quorum

2 RBWM Councillors

A1.4 Frequency

Quarterly

~~A 2 Berkshire Pension Fund Panel Sub Committee~~

~~A2.1 Purpose~~

~~The Sub Committee shall have delegated authority to undertake the following functions:~~

- ~~□ To review and recommend appropriate policies/actions to the Pension Fund Panel and Advisory Panel in respect of the following:~~

- ~~1. The Strategic Asset Allocation of the Fund~~
 - ~~2. The investment performance of the Fund~~
 - ~~3. New investment products/mandates and their suitability for investment by the Fund~~
 - ~~4. To interview potential managers for the Fund~~
- ~~5. To recommend the appointment or termination of investment mandates~~
- ~~• Such other matters as may be relevant to managing the investments of the Fund and implementing decisions of the Pension Fund Panel~~
 - ~~• Recommend changes to the Investment Strategy~~
 - ~~• Set and Change asset allocation~~
 - ~~• Review investment opportunities/new managers and authorise officers to make such investments if they comply with the agreed Investment Strategy. Such delegation is limited to a limit of the higher of £50 million, or 3% of the net asset value of the Fund as published in the Fund's latest Financial Statements for any single or series of investments in any one asset class with any single manager. For the avoidance of doubt any proposed investment either incrementally or new in excess of £50 million will require prior approval from the Panel.~~
 - ~~• To take emergency actions to terminate a mandate, redeem a pooled holding or reduce exposure to one or more asset classes and to take any other action necessary to secure / recover/ Pension Fund Assets. Such emergency action is delegated to: the Chairman (or in his absence the Vice Chairman) of the Berkshire Pension Fund Panel and one other of: the Vice Chairman, Leader, and Lead Member for Finance, Managing Director or an Executive Director.~~

A2.2 Membership

~~The Berkshire Pension Fund Panel Sub Committee will consist of the Chairman and/or Vice-Chairman of the Berkshire Pension Fund Panel and up to three other members of the Berkshire Pension Fund and Pension Fund Advisory Panels.~~

A2.3 Quorum

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

A2.4 Frequency

~~The Berkshire Pension Fund Panel Sub Committee will meet at least quarterly and on an ad-hoc basis as required. At least five clear days' notice of a meeting will be given for each meeting. The Sub Committee may meet "electronically" if required. In such a circumstance it will be made clear by what date Sub Committee Members are required to respond, decisions recorded and reported to subsequent meeting.~~

A23 Berkshire Pension Fund Advisory Panel

A23.1 Purpose

To consider and make recommendations to the Berkshire Pension Fund ~~Committee~~Panel on ~~all investment and actuarial~~ issues relating to the Fund as follows:

- (i) The investment policies of the Administering Authority, in the light of professional officer advice and other suitable qualified independent advice, legislative constraints and Codes of Practice.
- (ii) The ~~statutory policies and~~ administration of ~~the Royal County of Berkshire Pension Fund all superannuation funds~~ maintained by the Administering Authority, ~~including specifically, custodianship arrangements.~~
- ~~(iii) The appointment of External Fund Managers.~~
- ~~(iv)~~(iii) The arrangements of obtaining appropriate investment advice, including the appointment of ~~a~~ suitably qualified independent person or persons to give expert advice on ~~Pension Superannuation~~— ~~F~~fund investment and management arrangements.
- ~~(v)~~(iv) The periodic review and monitoring of the Fund's investment performance.
- ~~(vi)~~(v) The Annual Report ~~and Accounts of~~ the Fund.

A23.2 Membership 17

~~5~~ persons comprising:

- ~~• Five Members of the Pension Panel;~~
- One elected representative from each of Reading Borough Council, Slough Borough Council, West Berkshire Council, Bracknell Forest ~~Borough~~ Council and Wokingham Borough Council;
- ~~• Two trade union employee representatives;~~
- ~~• Three representatives from employer bodies with the Fund: University of West London; an employer with a minimum of 200 members within the Fund; a representative from an Academy (to represent all academies within the Fund)~~
- ~~• One member drawn from the active membership, and one member drawn from the deferred/pensioner membership.~~
- The term of office for Members of the Advisory Panel should be set to run alongside the election cycle of the ~~A~~administering ~~A~~authority with Members being required to attend a minimum of 2 meetings per annum. Members of the Advisory Panel who fail to attend the minimum meeting requirement will be asked by the Berkshire Pension Fund ~~Commitee~~Panel to step down and for a replacement to be appointed.

A3.3 Quorum

~~25~~ Members

A3.4 Frequency

As per the Pension Fund ~~Committee~~Panel schedule

Report Title:	Risk Assessment Policy and Risk Assessment Register
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Julian Sharpe, Chairman Berkshire Pension Fund and Pension Fund Advisory Panels
Meeting and Date:	Berkshire Pension Fund and Pension Fund Advisory Panels – 19 October 2020
Responsible Officer(s):	Kevin Taylor, Pension Services Manager
Wards affected:	None

REPORT SUMMARY

1. This report provides Members with the current version of the Pension Fund's Managing Risk Policy and Risk Assessment Register as last approved by Panel on 16 December 2019.
2. 4 medium risks are highlighted in the risk assessment document for consideration by Panel Members.

1 DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Panel

- i) **Considers and notes the Risk Management Policy and Risk Assessment Register and puts forward any suggested amendments as may be felt necessary; and**
- ii) **Authorises Officers to update the Risk Management Policy and Risk Assessment Register as agreed by Panel; and**
- iii) **Approves publication of the final version on the Pension Fund website.**

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

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

2.2 Currently no high risks but 4 medium risks have been identified:

- 2.2.1. PEN 004: Failure to maintain a high quality member database: Remains a medium risk whilst the Pension Team continues with its strategy to have all scheme employers using i-Connect by March 2021.
- 2.2.2. PEN 011: Loss of key staff: There is always a risk that key staff could leave but a potential risk has been identified in 2023. An appropriate

succession plan will be developed and discussed between senior managers in the coming months.

2.2.3. PEN 017: Funding level below 100%: The Government Actuary's Section 13 report red flagged the Berkshire Pension Fund's funding level at the triennial valuation in 2016. Results from the 2019 valuation were reported to Panel at its meeting in December 2019 and the funding level, whilst improved, remains low and at risk of scrutiny by the Government Actuary.

2.2.4. PEN 025: Inability of Scheme employers to meet their obligations: The Panel agreed to enter into a risk management contract with LPP I at its meeting on 14 January 2019. The outcomes of that work was presented to Members by a representative of LPP I at its meeting on 16 December 2019. This item, whilst remaining a medium risk, is ingoing with further support to be provided by the Fund's actuary.

2.2.5. PEN 030: Cyber Attack: Panel has previously received a report evidencing that pension systems are secure from cyber attack. However, further evidence is required from the Borough with regard to the Borough's systems used by the Pension Fund. It is understood that the Borough has prepared a policy for release in the near future.

3 KEY IMPLICATIONS

3.1 This is a statutory policy requiring review by Panel. Failure to do so could lead to a loss in confidence.

4 FINANCIAL DETAILS / VALUE FOR MONEY

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

5 LEGAL IMPLICATIONS

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

6 RISK MANAGEMENT

Table 1: Risk Analysis

Risks	Uncontrolled Risk	Controls	Controlled Risk
Pension Scheme not governed in line with legislation	Medium	Internal and External Audits	Low

7 POTENTIAL IMPACTS

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

8 CONSULTATION

8.1 Not Applicable.

9 TIMETABLE FOR IMPLEMENTATION

9.1 Immediate.

10 APPENDICES

10.1 The appendices to the report are as follows:

- Appendix 1 – Risk Management Policy
- Appendix 2 – Risk Assessment Register

11 BACKGROUND DOCUMENTS

11.1 Local Government Pension Scheme Regulations 2013 (as amended)

11.2 Public Service Pensions Act 2013

11.3 The Pensions Regulator's Code of practice No. 14

12 CONSULTATION (MANDATORY)

Name of consultee	Post held	Date issued for comment	Date returned with comments
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Panel		
Adele Taylor	Director of Resources and Section 151 Officer		
Andrew Vallance	Head of Finance and Deputy Section 151 Officer		
Ian Coleman	Interim Pension Fund Manager		

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MANAGING RISKS



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1 INTRODUCTION

A Scheme Manager (Administering Authority) of a public service pension scheme must establish and operate internal controls which must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and with the requirements of the law. The Royal Borough of Windsor & Maidenhead, as the Administering Authority to the Royal County of Berkshire Pension Fund, has a risk management policy and strategy and the Fund's operational and strategic risks are integrated into, and have a direct correlation with, the Royal Borough's risk management framework. Great emphasis is placed on risk management and the reason why the Pension Fund differentiates between operational and strategic risks is to secure the effective governance and administration of the Local Government Pension Scheme.

Risk can be identified as "*the chance of something happening which may have an impact on the achievement of an organisation's objectives*". The difference between a risk and an issue is one of timing:

- A risk event has not happened yet;
- An issue is a result of an event that is happening right now or has already happened;
- As the risk event is a future event, the task is to assess its probability of occurring and estimate the impact that would be caused if it did occur;
- An issue event has already happened so there is no need to assess its probability but what must be taken into account is the impact and what reaction is required to deal with it;
- There is a possibility for a risk to turn into an issue when it is realised.



The main internal controls for the Pension Fund are:

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

2 RISK MANAGEMENT POLICY

Risk management decisions and practices will be in accordance with appropriate codes of best practice, ethical standards and values applicable to the governance and administration of the LGPS and as applied to the officers of the Pension Fund.

To deliver this policy it is necessary for Pension Fund staff, Elected Members of the Pension Fund Panel, members of the Pension Fund Advisory Panel and members of the Pension Board to adopt a consistent and systematic approach to managing risks. The way in which risk is managed can have a major impact on the Pension Fund's key objectives and service delivery to its stakeholders.

The foundations of this policy are based upon a common understanding and application of the following principles:

- The informed acceptance of risk is an essential element of good business strategy;
- Risk management is an effective means to enhance and protect the Pension Fund over time;
- Common definition and understanding of risks is necessary in order to better manage those risks and make more consistent and informed business decisions;
- All risks are to be identified, assessed, measured, monitored and reported on in accordance with the Administering Authority's risk management strategy;
- All business activities are to adhere to risk management practices which reflect effective and appropriate internal controls.

3 PENSION FUND OBJECTIVES

Operational objectives

- To manage the scheme in accordance with scheme regulations and associated pension law;
- To ensure that the appropriate knowledge and experience is maintained within the Pension Fund so that all duties are discharged properly;
- To maintain a high quality pension member database;
- To ensure that all pension payments are made on the correct pay date;
- To ensure that payments do not continue to be made to deceased members of the scheme;
- To have continuous access to the pension administration software during normal working hours and extended hours as required;
- To ensure that pension contributions are received from Scheme employers by the Pension Fund within required timescales;
- To maintain an appropriate level of staff to administer the scheme effectively and efficiently;
- To maintain a pension administration strategy and service level agreement and ensure that key performance indicators are achieved and reported to the Pension Fund Panel, Pension Fund Advisory Panel and Pension Board;
- To communicate effectively and efficiently with all scheme members;
- To ensure that third party operations are controlled and operate effectively and cost efficiently;



- To monitor and review the performance of the Local Pensions Partnership Investment Limited as the Investment Fund Manager to ensure maximum benefit for the Pension Fund.

Strategic objectives

- To achieve a funding level of 100%;
- To achieve stable employer contribution rates;
- To set the strategic asset allocation;
- To monitor and review investment performance in line with the strategic asset allocation;



- To ensure employer covenants are sufficient to meet employer obligations;
- To maintain a high level of governance of the Pension Fund in line with the Local Government Pension Scheme Regulations and associated pension legislation.

4 PENSION FUND RISKS

If risk is not properly managed it can have a significant impact on the Pension Fund. The effective management of risk is a critical part of the Pension Fund's approach to delivering sound governance and administration performance that provides better outcomes for all of its stakeholders. The Pension Fund identifies the operational and strategic risks associated with its operational and strategic objectives.

The objective of risk management is not to completely eliminate all possible risks but to recognise risks and deal with them appropriately. Everyone connected to the Pension Fund should understand the nature of risk and systemically identify, analyse, treat, monitor and review those risks.

Risk management requires:

- A consistent management framework for making decisions on how best to manage risk;
- Relevant legislative requirements to be taken into account in managing risks;
- Integration of risk management with existing planning and operational processes;
- Leadership to empower staff in the management of risk;

- Good quality information.

Operational risks

Key operational risk covers such areas as:

- Administration of member records;
- Payments of member benefits;
- Management of the Pension Fund's cash;
- Monitoring and reviewing investment performance;
- Receipt of employee and employer contributions;
- Business continuity and disaster recovery;
- Lack of knowledge and expertise; and
- Staff shortages.

Strategic risks

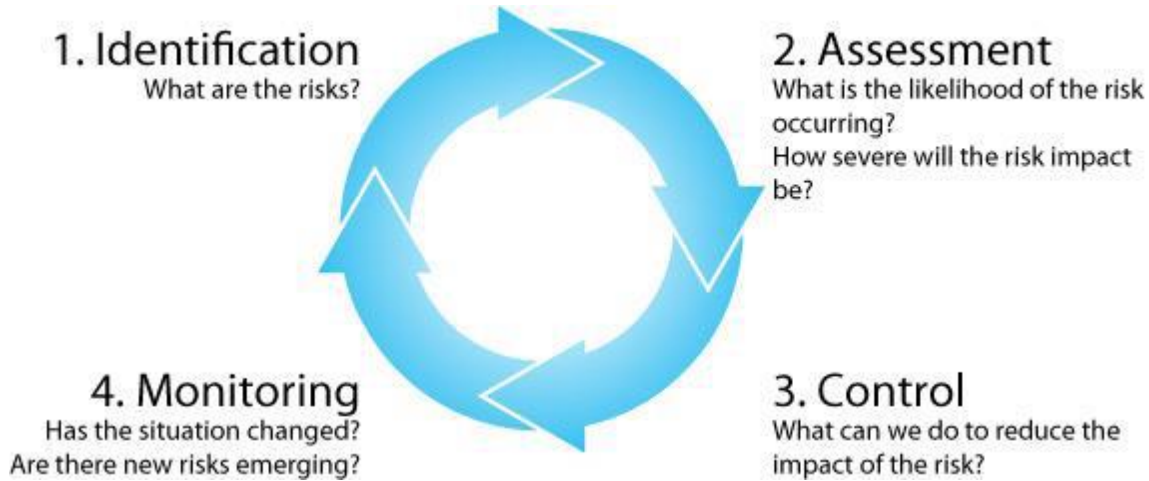
Key strategic risk, whilst not affecting day to day operations of the Fund, could in the medium or long-term, have significant impact and covers such areas as:

- The Pension Fund being less than 100% funded;
- Volatility of employer contribution rates;
- Investment performance;
- Failure to meet funding targets
- Longevity risk;
- Employer covenants.

The Pension Fund's risk assessment and register sets out all of the operational and strategic risks.

5 RISK MANAGEMENT PROCESS

The Pension Fund has adopted the Administering Authority's approach to risk management which follows a four-stage process that involves the Fund's objectives being risk profiled.



Stage 1 – Identification

This involves identifying the Pension Fund's objectives from its core business processes.

Stage 2 - Assessment

This stage identifies those circumstances (risks) that might prevent those objectives being reached and evaluates the likelihood, impact and significance of each risk.

Impacts are scored from 1 to 4 where 1 represents a minor risk and 4 represents a high risk. The likelihood of the risk occurring is also scored from 1 to 4 where 1 represents very unlikely and 4 very likely.

Multiplying these likelihood and impact scores together gives a result that is assessed as "high risk" (a value over 10), "high/medium risk" (a value above 8 and below 11), "medium risk" (a value above 4 and below 9) and "low risk" (a value below 5). Key risks are those identified as high risk and those where the implications of failure carry the most damaging consequences.

In terms of assessing each risk the assessment is detailed in three situations for all risks with a further dimension of risk appetite assessment to the key risks:

- Uncontrolled: the inherent risk without any controls whatsoever;
- Current: how the risk stands at the present time;
- Controlled: how the risk would look once all treatment measures are implemented.

An impact/likelihood matrix as follows shows how each risk once assessed against both criteria will identify the risk profile of each objective.

I M P A C T	High	4	8	12	16
	Medium/High	3	6	9	12
	Medium	2	4	6	8
	Low	1	2	3	4
		Low	Medium	Medium/High	High
	LIKELIHOOD VALUES				

Stage 3 - Control

This stage treats the risks in order of priority. Treatment measures address whether the likelihood and/or impact can be reduced or the consequences changed. Contingencies can be devised to respond should the risk occur.

Stage 4 - Monitoring

This stage sets out a process for reviewing and monitoring actions previously taken. Each risk must clearly indicate all consequences, countermeasures and contingencies along with the risk owner.

This process adds scrutiny to ensure:

- Correct risks are being identified;
- Treatment measures identified are legitimate;
- Correct individuals are assigned as risk owners;
- There are challenges made to what is known to ensure that the most up to date knowledge is being utilised;
- There are early warning systems so that information can filter up quickly and easily.

6 RISK APPETITE

Risk appetite is the phrase used to describe where the Pension Fund considers itself to be on the spectrum ranging from willingness to take or accept risks through to an unwillingness or aversion to taking risks.

The Administering Authority provides a diverse range of services where its risk appetite may vary from one service to another. The Pension Fund has a set of core objectives and so its risk appetite can be set within appropriate limits.

A defined risk appetite reduces the likelihood of unpleasant surprises and considers:

- Risk capacity: the actual physical resources available and physical capability of the Pension Fund. The Fund's capacity will have limits and therefore its capacity is finite and breaching those limits may cause the Pension Fund problems that it cannot deal with;
- Risk tolerance: the factors that the Pension Fund can determine, can change and is prepared to bear. Risks falling within the Fund's tolerances for governance and administration services can be accepted.

7 RISK MANAGEMENT ROLES AND RESPONSIBILITIES

This section has been lifted directly from the Administering Authority's risk management policy and strategy and has been included for the purposes of providing guidance on how the Pension Fund, as managed by The Royal Borough of Windsor & Maidenhead, is held accountable to the management structure of the Borough.

Managing director

The MD takes overall responsibility for the council's risk management performance and in particular ensures that:

- decision-making is in line with council policy and procedures for management of risk;
- adequate resources are made available for the management of risk;
- there is an understanding of the risks facing the council.

Cabinet members

- Take reasonable steps to consider the risks involved in the decisions taken by them;
- Have an understanding of the key council risks falling within their portfolio.

Audit and Performance Review Panel

- Consider and approve the risk management strategy annually and communicate it to other elected members;
- Receive an annual report on risk management and monitor the effective development and operation and corporate governance in the council;
- Receive quarterly reports on the management of the key operational and strategic risks facing the council to allow their scrutiny and challenge;
- Oversee the governance process to ensure that strategic risks are being reviewed at CMT and across each directorate;
- Oversee a comprehensive, inclusive and risk management approach to the annual governance statement process;
- Review an annual report on corporate governance (annual governance statement).

Head of finance

- Ensure that a risk management policy and strategy is developed and reviewed annually to reflect the changing nature of the council;
- Champion the process of risk management as good management practice and a valuable management tool.

Senior Leadership Team (SLT)

- Ensure that the council manages risk effectively through the development of an all-encompassing strategy and monthly updates from the risk manager;
- Approve the corporate risk management strategy;
- Challenge the contents of the corporate risk register to ensure, in particular, that it reflects any significant new risks emerging and that monitoring systems are suitably robust;
- Support and promote risk management throughout the council;
- Ensure that, where appropriate, key decision reports include a section demonstrating that arrangements are in place to manage identified risks.
- Identify and manage the strategic and SLT risk registers on a quarterly basis.

Directorate Management Team (DMT)

- Ensure that risk is managed effectively in each service area within the agreed corporate strategy;
- Identify any service specific issues relating to risk management which have not been explicitly addressed in the corporate strategy;
- Identify and manage the directorate risk register on a quarterly basis;
- Disseminate the detail of the strategy and allocate responsibilities for implementation to service managers and staff;
- Establish the training requirements of managers and staff with regard to strategy implementation;
- Have an understanding of the risks facing the council.

Insurance and risk management team

- Develop the strategy and oversee its implementation across the council;
- Share experience and good practice on risk and risk management;
- Develop and recommend the strategy to the Audit and Performance Review Panel and CMT;
- Provide a clear and concise system for reporting risks to elected members.

Internal audit

- Take the content of the key risk registers into account when setting the internal audit programme;
- Undertake audits to assess the effectiveness of the risk mitigation measures;
- Feed back audit opinions into the risk register.

Heads of service/managers

- Take primary responsibility for identifying and managing significant strategic and operational risks arising from their service activities;
- Recommend the necessary training for employees on risk management;
- Maintain a risk management portfolio for their service area;
- Ensure that all employees are aware of the risk assessments appropriate to their activity;
- Be responsible for production, testing and maintenance of business continuity plans.

All staff

- Identify new or changing risks in their job and feed these back to their line manager;
- Support continuous service delivery and any emergency response.

8 CORPORATE RISK FINANCING STRATEGY

This section has also been lifted directly from the Administering Authority's risk management policy and strategy and has been included for the purposes of providing guidance on how the Pension Fund, as managed by The Royal Borough of Windsor & Maidenhead, is held accountable to the management structure of the Borough.

The council uses its risk financing arrangements to protect itself from the financial implications of unexpected accidental events affecting its staff and property, which helps in providing continuous services in the event of serious losses.

The level of cover bought and excesses applied will depend on the council's appetite for risk, based on its financial security i.e. ability to self fund claims and the strength of its risk management.

The council is exempt from the majority of requirements regarding compulsory insurance. The only insurable aspect of the council's operations it is obliged to make specific financial provision for is fidelity guarantee (fraud by staff).

Nevertheless, most public sector organisations including the council, choose to purchase external insurance for the majority of their risks. This is because without external insurance, the council will be obliged to fund all such exposures from its resources.

If the council were to insure against most of the risks that it faced then this would incur a significant amount of annual expenditure in premiums.

Having strong risk management arrangements across the council allows us to retain some risks either by deciding to self insure these risks in their entirety or by purchasing insurance cover for losses that arise over a certain value.

Objectives

- Provide financial protection to the council's assets, resources, services and employees;
- Maintain an appropriate balance between external insurance and internal risk retention;
- Reduce the cost of external insurance premium spend;
- Ensure the internal insurance fund is maintained at an appropriate level;
- Ensure resilient claims handling arrangements and insurance fraud detection;
- Comply with any statutory requirements to have in place particular policies of insurance and associated inspection systems.

Achieved by:

- Using claims modelling and other risk assessments to determine risk exposures;
- Continually monitoring changes in legislation, civil justice protocols and relevant case law;
- Comparing the council's insurance programme and claims experience through suitable benchmarking;
- Maintaining claims handling protocols in line with statutory requirements;
- Undertaking periodic actuarial fund reviews.

Procurement of insurance

All insurance procurement complies with the relevant EU procurement rules.

Hard copies of policies are retained indefinitely with more recent policy documentation stored electronically.

Approved by the Pension Panel: 16 December 2019

Next review date: October 2020

Royal County of Berkshire Pension Fund – Risk Assessment Register

Ref	Risk	Risk Category	Cause	Impact	Risk owner	Controls in place to manage the risk	Current risk rating				Further actions necessary to manage the risk	Risk action owner	Date Complete	Target risk rating				Next Review Date
							Impact	Likelihood	Score	Level of risk				Impact	Likelihood	Score	Level of risk	
PEN 001	Failure to comply with Scheme regulations and associated pension law.	Operational	Lack of technical expertise / staff resources to research regulations, IT systems not kept up to date with regulations.	Incorrect pension payments made or estimates given. Unhappy customers, employers, risks of fines, adverse audit reports, breaches of the law.	Adele Taylor	Sufficient staffing. Training and regulatory updates for all individuals associated with the Fund. Competent software provider and external consultants.	2	2	4	Low	Work continues to ensure that the Fund complies fully with all governance and administration requirements.	Kevin Taylor Philip Boyton	Ongoing	2	2	4	Low	Sep 2020
PEN 002	Late issue of Scheme regulation amendments.	Operational	MHCLG do not issue changes to regulations well in advance of effective date.	Resource issues for Fund. Administering Authority has a duty to ensure that all stakeholders receive and have access to most up to date information.	Adele Taylor	Required actions to be considered in view of draft regulations. Senior managers to consider appropriate requirements and prioritise communications accordingly.	4	1	4	Low	Details to be included on welcome page of website and information to be distributed to Scheme employers for dissemination to scheme members via intranet and email.	Kevin Taylor Philip Boyton	N/A	4	1	4	Low	Sep 2020
PEN 003	The appropriate knowledge and understanding is not maintained by the Administering Authority.	Operational	Lack of technical expertise, training, professional development and continuous self-assessment to identify gaps in knowledge.	Failure to secure compliance with statutory obligations and tPR requirements leading to poor governance and administration of the Scheme. Dissatisfied customers, adverse audit reports, risk of fine.	Adele Taylor	Training plans in place for officers and Members of the Pension Fund Panel, Pension Fund Advisory Panel and Pension Board. Members of Pension Board to assist Administering Authority in ensuring compliance.	4	1	4	Low	Continual review of training needs and staff levels with succession plans developed.	Kevin Taylor Philip Boyton	Ongoing	4	1	4	Low	Sep 2020
PEN 004	Failure to maintain a high quality member database.	Operational	Poor or non-existent notification of member data by Scheme employers.	Incorrect records, incorrect benefit estimates, potentially incorrect pension benefits being paid. Scheme members access wrong information via self-service. Loss of reputation, more complaints, poor performance.	Adele Taylor	Fund continues to work with employers to improve data quality. Pro-active checks when benefits are calculated. Membership information is checked as part of year-end processing	4	2	8	Medium	Key aim of the Pension Administration Strategy is to engage employers in the use of i-Connect	Kevin Taylor Philip Boyton	March 2021	4	1	4	Low	Sep 2020

Royal County of Berkshire Pension Fund – Risk Assessment Register

Ref	Risk	Risk Category	Cause	Impact	Risk owner	Controls in place to manage the risk	Current risk rating				Further actions necessary to manage the risk	Risk action owner	Date Complete	Target risk rating				Next Review Date
							Imp	Likelihood	Score	Level of risk				Imp	Likelihood	Score	Level of risk	
PEN 005	Failure to hold personal data securely.	Operational	Poor procedures for data transfer to and from partner organisations, poor security of systems, poor data retention and disposal, poor backup and recovery of data.	Poor data, lost or compromised. Risk of fines, adverse audit reports, breaches of the law.	Adele Taylor	Database hosted off-site and backed up in 2 separate locations. Access to systems is available to a limited number of users via dual password and user identification. Data transferred is encrypted. Compliant with RBWM data protection and IT policies. No paper files all managed via image and system document generation. Confidential waste disposed of in line with RBWM policy.	4	1	4	Low	Annual audit undertaken. Staff undertake annual data protection training in line with RBWM policy.	Kevin Taylor Philip Boyton	Ongoing	4	1	4	Low	Sep 2020
PEN 006	Failure to make pension payments on time.	Operational	Systems not in place to ensure payments made on time.	Payments paid late and in some cases after statutory deadline. Fund open to criticism and possible fine.	Adele Taylor	Schedule of payment dates is maintained and written procedures adopted. Sufficient cover is provided to ensure payments can be made on time.	4	1	4	Low	Continual review of training needs and staff levels with succession plans developed.	Philip Boyton	Ongoing	4	1	4	Low	Sep 2020
PEN 007	Continue making payments to deceased members.	Operational	Systems not in place to ensure that payments stop at appropriate time. Fund not advised of member's death.	Payments continue to be made incorrectly at a potential cost to the Pension Fund. Distress caused to dependants.	Adele Taylor	The Fund undertakes a monthly mortality screening exercise and participates in the biennial National Fraud Initiative (NFI).	2	2	4	Low	Fund has signed up to the Information Sharing Agreement hosted by WYPF and the DWP 'Tell Us Once' service.	Philip Boyton	Ongoing	2	2	4	Low	Sep 2020
PEN 008	Unable to access pension software during normal office hours or extended hours where required.	Operational	Links to system not working, internet access denied.	Unable to carry out administrative duties for duration of outage.	Adele Taylor	Procedures in place to contact software provider's helpdesk and action plan implemented. Outage times recorded / reported.	4	1	4	Low	As part of contract consideration needs to be given to means of compensation for loss of service.	Philip Boyton	Ongoing	4	1	4	Low	Sep 2020

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PEN 009	Late or non-receipt of pension contributions from Scheme employer.	Operational	Scheme employers fail to make payment of employee and employer contributions to Pension Fund within statutory deadlines.	Loss of pension investment. Employer at risk of being reported to tPR with action and fines being imposed if considered to be of material significance.	Adele Taylor	Receipt of contributions is monitored very closely. Employers chased and reminded of their statutory duties. All occurrences recorded in stewardship report. Guidance issued to scheme employers.	2	1	3	Low	Scheme employers engaging with i-Connect will automatically upload contributions to member records monthly improving reconciliation processes.	Kevin Taylor	Ongoing	2	2	4	Low	Sep 2020
PEN 010	Increased liabilities as a result of large number of early retirement cases.	Operational	Scheme employer early retirement policies.	Potential for unfunded liabilities through strain costs. Financial loss to the Fund.	Adele Taylor	The Fund monitors the incidences of early retirements closely and procedures are in place to ensure that Scheme employers are invoiced for any strain costs that arise.	1	1	2	Low	Settlement of invoices required within 21 days of issue with failures resulting in the issue of a notice of unsatisfactory performance to employer.	Kevin Taylor	Ongoing	2	2	4	Low	Sep 2020
PEN 011	Loss of key staff.	Operational	The specialist nature of the work means some staff have become experts in the LGPS regulations and investment policies.	If someone leaves or becomes ill a big knowledge gap is left behind.	Adele Taylor	In the event of a knowledge gap external consultants and independent advisors can help in the short-term.	4	2	8	Medium	Loss of key staff in 2023 has been highlighted at an early stage in order to consider appropriate succession planning.	Adele Taylor	Ongoing	2	2	4	Low	Sep 2020
PEN 012	Failure to communicate properly with stakeholders	Operational	Lack of clear communications policy and action particularly with Scheme members and employers.	Scheme members unaware of the rights and privileges the Scheme provides so make bad decisions. Employers are not aware of the regulations and their responsibilities and so data flow is poor.	Adele Taylor	The Fund has a Communication Manager and a Communications Policy. The website is maintained to high standard and all guides, factsheets and training notes are published.	4	1	4	Low	The Communication Policy continues to evolve.	Kevin Taylor	Ongoing	4	1	4	Low	Sep 2020
PEN 013	Loss of office premises	Operational	Fire, bomb, flood etc.	Temporary loss of service.	Adele Taylor	A business continuity plan is in place. Systems hosted, staff can work at home.	4	1	4	Low	N/A	Kevin Taylor	Ongoing	4	1	4	Low	Sep 2020

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PEN 014	Loss of funds through fraud.	Operational	Fraud or misappropriation of funds by an employer, agent or contractor.	Financial loss to the Fund.	Adele Taylor	The Fund is internally and externally audited to test that controls are adequate. Regulatory control reports from investment managers, custodian. Due diligence is carried out when new investment managers appointed. Fund participates in biennial National Fraud Initiative (NFI).	4	1	4	Low	Monthly spot checks are undertaken as requested by internal audit to ensure that no 'ghost' members have been added to payroll and that all payment runs have been processed appropriately.	Adele Taylor	Ongoing	4	1	4	Low	Sep 2020
PEN 015	Poor management of cashflows.	Operational	Day to day cashflows not monitored effectively.	Funds not available to make pension payments.	Adele Taylor	Officers of the Pension Fund monitor cashflows on a daily basis and are aware of the payment schedules produced by payroll.	4	1	4	Low	N/A	Kevin Taylor	Ongoing	4	1	4	Low	Sep 2020
PEN 016	Failure to delegate duties appropriately.	Operational	Delegation of duties not understood.	Officers fail to fulfil their delegated duties resulting in poor performance and potential loss of reputation.	Adele Taylor	Officers carry out their duties in accordance with the Administering Authority's Schedule of Delegations as contained in the Council's Constitution.	3	2	6	Low	Schedules of delegation to be reviewed for all aspects of the Pension Fund's duties.	Adele Taylor	March 2016	4	1	4	Low	Sep 2020
PEN 017	Funding Level below 100%.	Strategic	Lack of proper strategy to achieve 100% funding level. Actual investment returns fail to meet expected returns.	Fund remains underfunded and employer contribution rates increase.	Adele Taylor	Fund has published Funding Strategy Statement. Deficit recovery plan implemented following 2010 valuation. Fund regularly monitors investment returns and the Actuary provides a funding update each month.	4	2	8	Medium	Regular performance updates received from LPP I Ltd.	Adele Taylor	Ongoing	4	1	4	Low	Sep 2020

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PEN 018	Unstable employer contribution rates.	Strategic	Actual investment returns fail to meet expected returns.	Volatile employer contribution rates leading to Scheme employers having difficulties in setting budgets.	Adele Taylor	The Fund aims to keep employer contribution rates stable by agreeing with employers and the Actuary and appropriate deficit recovery plan.	4	1	4	Low	Funding level monitored closely.	Adele Taylor	Ongoing	4	1	4	Low	Sep 2020
PEN 019	Inappropriate funding targets.	Strategic	Failure of investment strategy to deliver adequate returns.	Immediate cash injections required from employers. Increase in employer contributions.	Adele Taylor	The Fund has issued a Funding Strategy statement and Investment Strategy Statement.	3	1	3	Low	Regular performance updates received from LPP I Ltd.	Adele Taylor	Ongoing	4	1	4	Low	Sep 2020
PEN 020	Unsatisfactory investment performance	Strategic	Poor economic conditions, wrong investment strategy, poor selection of investment managers.	Poor / negative investment return, employer contribution rates increase, funding level falls, pressure on Council tax and employer costs.	Adele Taylor	Use of expert consultants in the selection of investment strategy and managers. Regular review via Investment Working Group.	2	2	4	Low	Regular performance updates to be received from LPP I Ltd	Adele Taylor	Ongoing	4	1	4	Low	Sep 2020
PEN 021	Life Expectancy risk.	Strategic	As life expectancy rises liabilities increase disproportionately.	Employer contributions rise causing upward pressure on Council Tax and employer costs.	Adele Taylor	In December 2009 the Fund entered into a longevity insurance SWAP covering its liabilities for pensioners as at 31 July 2009.	3	1	3	Low	The Pension Fund Panel continues to investigate how to protect the Fund against increasing longevity. Reviews the cost of insuring longevity risk of pensioners retired since July 2009.	Adele Taylor	Ongoing	3	1	3	Low	Sep 2020
PEN 022	Currency risk.	Strategic	Values of investments overseas are affected by unrelated changes in foreign exchange rates.	Investment returns become volatile in the medium to long-term.	Adele Taylor	In April 2012 the Fund's currency hedging policy was amended so currency exposures are managed against a strategic currency benchmark	3	1	3	Low	Regular performance updates to be received from LPP I Ltd	Adele Taylor	Ongoing	3	1	3	Low	Sep 2020

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PEN 023	Interest rate risk.	Strategic	Changes in long-term interest rates affect the net present value of the Fund's liabilities.	Investment returns become volatile in the medium to long-term.	Adele Taylor	The Pension Fund Panel has considered how long-term interest rate risk can be hedged and authorised officers to investigate how this can be achieved within the constraints of the LGPS regulations.	3	1	3	Low	Regular performance updates to be received from LPP I Ltd	Adele Taylor	March 2016	3	1	3	Low	Sep 2020
PEN 024	Inflation risk.	Strategic	Benefits paid to Scheme members are linked (upwards only) to Consumer Price Index (CPI).	Liabilities increase disproportionately at times of high inflation.	Adele Taylor	The Pension Fund Panel has considered how long-term inflation risk can be hedged and authorised officers to investigate how this can be achieved within the constraints of the LGPS regulations.	2	1	2	Low	Regular performance updates to be received from LPP I Ltd	Adele Taylor	Ongoing	4	1	4	Low	Sep 2020
PEN 025	Inability of Scheme employers to meet their obligations.	Strategic	When a Scheme employer no longer has any active members a cessation valuation is triggered and an exit payment required if a funding deficit exists to meet future liabilities.	Failure to collect cessation payments means the cost of funding future liabilities will fall to the Fund and therefore all Scheme employers that remain in it meaning a potential increase in employer contributions.	Adele Taylor	The Pension Fund Panel has authorised officers to take appropriate steps to review employer covenants and take the necessary action to mitigate the impact that the failure of one Scheme employer can have on all other Scheme employers.	3	2	6	Medium	LPP I Ltd assessing risks.	Adele Taylor	March 2016	3	1	3	Low	Sep 2020

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PEN 027	Ability to implement the Public Sector exit cap.	Operational	Introduction of exit cap will place an additional burden of the administration team.	Changes need to be communicated to individuals and Scheme employers. Systems will need to be adapted once revised regulations have been issued.	Adele Taylor	Currently monitoring the progress and briefings being communicated.	1	4	4	Low	Awaiting issue of regulations in order to formulate action plan.	Kevin Taylor Philip Boyton	July 2016	1	4	4	Low	Sep 2020
PEN 028	Reconciliation of GMP records	Operational	From 6 April 2016 changes to the State Pension Scheme remove the contracting-out nature of the LGPS.	GMPs no longer provided by HMRC. GMP information held by Fund could be wrong resulting in potential for liabilities being paid by Fund.	Adele Taylor	Data analysis carried out and action taken to reconcile and adjust pensions paid to retired members.	1	4	4	Low	To review GMP amounts allocated to active and deferred members.	Philip Boyton	July 2019	1	3	3	Low	Sep 2020
PEN 029	Failure by Pension Board members to fulfil their Terms of Reference and associated protocols	Operational	Members of the Pension Board so not fulfil their statutory obligations set out in their Terms of Reference.	Failure by Pension Board members to assist the Administering Authority in securing compliance with pension legislation and requirements set out by the Pensions Regulator leading to poor governance and administration of the scheme. Dissatisfied customers, loss of reputation, risk of fine.	Adele Taylor	Training plans in place for Pension Board members.	4	1	4	Low	Annual review of Terms of Reference and regular review of training needs.	Kevin Taylor	Ongoing	4	1	4	Low	Sep 2020
PEN 030	Cyber attack	Strategic	Systems not protected from unauthorised access or being otherwise damaged or made inaccessible.	Complete breakdown of services with potential permanent loss of personal data.	Adele Taylor	System provider has robust accredited solutions in place to ensure any cyber-attack can be identified and prevented.	4	2	8	Medium	Aquila Heywood continuously monitor and test systems to ensure compliance within expected standards.	Kevin Taylor Philip Boyton	Ongoing	4	1	4	Low	Sep 2020

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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