

NOTICE  
OF  
MEETING  
**BERKSHIRE PENSION FUND COMMITTEE**

will meet on

**MONDAY, 22ND MARCH, 2021**

**At 4.00 pm**

by

**VIRTUAL MEETING - ONLINE ACCESS, ON [RBWM YOUTUBE](#)**

TO: MEMBERS OF THE BERKSHIRE PENSION FUND COMMITTEE

COUNCILLORS JULIAN SHARPE (CHAIRMAN), DAVID HILTON (VICE-CHAIRMAN), SHAMSUL SHELM, SIMON BOND, WISDOM DA COSTA, ALI (SLOUGH BC), LOVELOCK (READING BC), LEAKE (BRACKNELL FOREST), KAISER (WOKINGHAM BC) AND ALAN (WEST BERKSHIRE)

ADVISORY MEMBERS: COUNCILLORS LAW, LOVELOCK, SAFDER ALI, KAISER AND LEAKE.

Karen Shepherd – Head of Governance - Issued: 12/03/21

Members of the Press and Public are welcome to attend Part I of this meeting. The agenda is available on the Council's web site at [www.rbwm.gov.uk](http://www.rbwm.gov.uk) or contact the Panel Administrator **David Cook** david.cook@rbwm.gov.uk

**Recording of Meetings** – In line with the council's commitment to transparency the Part I (public) section of the 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. If you have any questions regarding the council's policy, please speak to Democratic Services or Legal representative at the meeting.

## **AGENDA**

### **PART I**

<b><u>ITEM</u></b>	<b><u>SUBJECT</u></b>	<b><u>PAGE NO</u></b>
1.	<b><u>APOLOGIES</u></b>  To receive any apologies for absence.	-
2.	<b><u>DECLARATIONS OF INTEREST</u></b>  To receive any declarations of interest.	5 - 6
3.	<b><u>MINUTES</u></b>  To approve the Part I minutes of the meeting held on 14 December 2020.	7 - 12
4.	<b><u>LOCAL AUTHORITY PENSION PERFORMANCE ANALYTICS</u></b>  Presentation from PIRC	13 - 26
5.	<b><u>RESPONSIBLE INVESTMENT POLICY</u></b>	27 - 34
6.	<b><u>VOTING AND ENGAGEMENT POLICY</u></b>	35 - 40
7.	<b><u>PENSION GOVERNANCE PROGRESS REPORT - PROGRESS UPDATE</u></b>	41 - 46
8.	<b><u>DELOITTE ISA260 PAPER FOR 2019-20 AUDIT</u></b>	47 - 68
9.	<b><u>ADMINISTRATION REPORT</u></b>	69 - 80
10.	<b><u>BUSINESS PLAN 2021/22</u></b>	81 - 98
11.	<b><u>PUBLIC SECTOR EXIT PAY REFORM</u></b>	99 - 102
12.	<b><u>LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PRESS AND PUBLIC</u></b>  To consider passing the following resolution:- "That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting whilst discussion takes place on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1-7 of part I of Schedule 12A of the Act"	-

## PART II - PRIVATE MEETING

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
13.	<u>MINUTES</u>  To approve the Part I minutes of the meeting held on 14 December 2020.  <b><i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)</i></b>	103 - 104
14.	<u>LOCAL INVESTMENT - THE BERKSHIRE 'SLEEVE'</u>  <b><i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)</i></b>	105 - 112
15.	<u>STRATEGIC ASSET ALLOCATION HEALTH CHECK - LPPI</u>  <b><i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)</i></b>	113 - 128
16.	<u>INVESTMENT PERFORMANCE UPDATE Q4 2020- LPPI</u>  <b><i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)</i></b>	129 - 152
17.	<u>LPPI BUSINESS UPDATE</u>  <b><i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)</i></b>	153 - 156

This page is intentionally left blank

## MEMBERS' GUIDE TO DECLARING INTERESTS IN MEETINGS

### Disclosure at Meetings

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

A member with a DPI or Prejudicial Interest **may make representations at the start of the item but must not take part in the discussion or vote at a meeting.** The speaking time allocated for Members to make representations is at the discretion of the Chairman of the meeting. In order to avoid any accusations of taking part in the discussion or vote, after speaking, Members should move away from the panel table to a public area or, if they wish, leave the room. If the interest declared has not been entered on to a Members' Register of Interests, they must notify the Monitoring Officer in writing within the next 28 days following the meeting.

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

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

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

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

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

### Prejudicial Interests

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

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

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

### Personal interests

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

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

This page is intentionally left blank

# Agenda Item 3

## BERKSHIRE PENSION FUND COMMITTEE

MONDAY, 14 DECEMBER 2020

**PRESENT:** Councillors Ali, Lovelock, Alan, David Hilton (Vice-Chairman), Julian Sharpe (Chairman), Simon Bond, David Coppinger and Wisdom Da Costa

Also in attendance: Cllr Lovelock, Cllr Ali, Cllr Kaiser, Alan Cross, Rothan Worrall, Keith Bray, Aiofinn Devitt, Andrew Harrison.

Officers: Adele Taylor, Ian Coleman, Kevin Taylor, David Cook and Andrew Vallance

### APOLOGIES

Apologies for absence were received by Councillor Story. Councillor Coppinger attended as a substitute.

### DECLARATIONS OF INTEREST

There were no declarations of interest received.

### MINUTES

Resolved Unanimously: that the Part I minutes of the meeting held on 19 October 2020 were approved as a true and correct record subject to on page 8 'worthless' be changed to 'relatively worthless'.

### PENSION FUND COMMITTEE TRAINING FRAMEWORK AND WORK-PLAN

The Committee considered the report regarding a Training Framework for Members of the Pension Fund Committee and Advisory Panel.

The Pension Services Manager informed that The purpose of the paper followed on from the independent review of governance of the pension fund. It became clear that there was a need to develop a training plan for members to follow. Officers had also reviewed and revised the work programme where there were a number of statutory policies that needed constant review and updates. The training framework and work plan were appended to the report. If the report was approved officers dates would be set for training.

Cllr Da Costa mentioned that this was a great step forward to help members make informed decisions. There was a detailed list of training that he was looking forward to undertaking.

Mr Cross asked if the Pension Board members could also be included in the training schedule and this was agreed. It was also suggested that any Zoom training is recorded so those who could not attend could access it.

**Resolved unanimously: that Committee notes the report and:**

- i) Subject to any amendments being proposed, approves the training framework and work-plan.**

### PENSION FUND GOVERNANCE PROGRESS REPORT

The Committee considered the report regarding the progress following the recommendations made in an independent report presented to Committee on 19 October 2020 into the governance arrangements of the Pension Fund.

The Head of Finance informed that this was the first committee meeting since the constitutional changes made by Council in October 2020. Recruitment was underway for a permanent fund manager and he clarified that in the report it mentioned that advisors to fund would no longer be able to vote, he said they never had a vote.

Mr Cross said he would work with officers about taking a paper to the Pension Board if any of the advisory panel members that are no longer attend these meetings could be incorporated into the board.

Cllr Da Costa asked when it was expected that the Pension Board would have its full compliment of members and he clarified that the administering authority to the Fund was RBWM. He mentioned that there were currently no union representation on the board.

The Pension Services Manager reiterated that this Committee is made up of RBWM councillors and acted on behalf of the administering authority and thus the scheme employers. Meeting alongside this Committee was the Advisory Panel which was made up of elected members from the other scheme five unitary authorities. Following the independent governance review other employer representatives had been removed from the Advisory Panel as they were better suited to being on the Pension Board which was made up of equal numbers of employer and scheme member representatives. As mentioned a paper would be presented to the Board about its membership.

**Resolved unanimously: that Committee**

**i) Notes the paper and progress matrix at Appendix 1.**

## **APPROVAL OF ANNUAL REPORT AND ACCOUNTS 2019/20**

The Committee considered the report that sought approval of the Fund's Annual Report and Accounts for the year to 31 March 2020.

The Head of Finance informed that the accounts were still under audit and it was anticipated that they would be presented to the new Audit and Governance Committee in February 2021.

The interim Pension Fund Manager informed that there were only a few issues outstanding mainly around valuations that had delayed the process. The pandemic had impacted the audit and had also made it longer to complete. A number of the funds were only valued once a year and that was often in December. The difference between the December valuation and March was usually negligible, however a number of funds had been impacted this year by the pandemic even though they were back on track. This had delayed the audit as it took longer to get the valuations. The majority of local authorities had not signed off their accounts. The Chairman thanked officers who had worked so hard on getting the accounts ready during this difficult time.

Cllr Da Coasta asked if the presented document had everything in it that we were required to publish by law. He also asked if the auditors would be looking at the current situation as well as the direction of travel. Would any identified weaknesses be brought back to the Committee. He was informed that there was more in the report then required by law and that any finding that the Committee were required ti review would be brought back.

Cllr Bond asked if the remainder of the timetable had been driven by the auditors as he recalled at the last audit meeting they discussed having a special meeting before February. He was informed that the timetable presenting the audited accounts was down to the auditor availability.

**Resolved unanimously: that the Committee notes the report and:**



- i) Authorises Officers to correct any identified typographical and drafting errors and to insert the Auditor's Report on receipt.**
- ii) Approves publication of the final version of the Fund's Annual report and Accounts.**

## **PUBLIC SECTOR EXIT PAY REFORM – ADMINISTERING AUTHORITY POLICY**

The Committee considered the report that set out the current position with regard to the Government's Public Sector Exit Pay Reform.

The Pension Services Manager informed that the Government first announced plans to cap exit payments in the public sector in 2015. Since then HM Treasury launched a consultation in 2019 on draft regulations, guidance and Directions to implement the cap. HMT published its response to the consultation on 21st July 2020.

In September 2020 the Government moved to bring the proposed reforms before both Houses of Parliament with The Restriction of Public Sector Exit Payment Regulations 2020 coming into force on 4 November 2020.

With effect from 4 November 2020 the £95k exit payment cap came into force meaning that the total value of exit payments made to a Local Government employee who is made redundant or retired early for business efficiency reasons must not exceed the cap.

The Committee were informed that the problem was that the Restriction of Public Sector Exit Payment Regulations 2020 were in direct conflict with the LGPS Regulations 2013 as you could not restrict payment of benefits of someone who has retired or made redundant due to efficiency savings.

The Local Government Association had issued guidance to administering authorities stating that an Administering Authority should without delay set a policy. There were currently 4 judicial reviews underway.

Cllr Da Costa said we could not pre-empt the judicial reviews but asked if the proposed policy was in line with current regulations. For the members we know will be impacted what information would we be giving them so they can consider their options. In response he was informed that the policy did set followed the exit payment regulations and not the LGPS regulations. If we continued with current regulations and that got rescinded then we would have to try and get back any payments made. So we will give them the choice and let them challenge. With regards to advice there have already been discussions with a number of people facing potential redundancies. The administering authorities responsibility is to determine that the correct amount of pension is paid. We also provide as much advice as we can.

Cllr Kaiser asked if the responsibility for following the rules was with the administering authority or the local authority who employs the individual, are local authorities aware of the current situation. He was informed that employers were aware of the current situation and we would say they can have a full pension but deferred benefit and they can challenge. If the policy is agreed we will not pay them their full unreduced pension and inform that this is the policy we will follow as the administering authority.

Cllr Hilton said that the proposal was the most logical you could make under the circumstances and thus we should approve it.

Mr Cross informed that the policy had been emailed to Pension Board members and he also felt it was the most appropriate given the circumstances.

(Cllr Coppinger had to leave the meeting to attend another council meeting)

Cllr Leake said that there was no realistic alternative to the suggested policy. It will be resolved one way or the other depending on either the judicial review or change in legislation. For those affected who have opted for a reduced pension or deferred benefits, when the issue is settled could they claim settlement for what they may be owed. Should a reserve fund be set up in case this happens. In reply he was informed that if the existing LGPS regulations are retained then they must be back paid any benefits / pension payments. Employers may wish to put in a reserves for any pension strain costs.

Cllr Da Costa said he agreed with the proposed policy. Cllr Bond said he also agreed but asked if the employers were aware of the strain cost. He was informed that they were as this was the first calculation undertaken to assess if they met the £95k cap.

**Resolved unanimously: that the Committee**

- i) Considers the report, attached Administering Authority guidance at Appendix 1 and Secretary of State letter at Appendix 2.**
- ii) Agrees to adopt a policy of least financial risk as set out at Appendix 3.**

**RISK ASSESSMENT POLICY AND RISK ASSESSMENT REGISTER**

The Committee considered the report regarding the current version of the Pension Fund's Managing Risk Policy and Risk Assessment Register.

The Pension Services Manager informed that the full policy is brought to the Committee every other meeting with exception reports being provided. The Committee were being asked to review and approve it is still fit for purpose.

Cllr W Da Costa asked how the register was created was it issues raised by auditors or common issues that was best practice to include. He was informed that it followed best practice as well as any issue from auditors. For example the issue regarding the exit cap had been added, this had not been raised by the auditors but was of concern. If internal or external auditor pick up anything it would be added to the register. Anytime a new risk is added it will be brought to Committee as part of the report.

The Committee were informed that cyber attack had been added as a medium risk. Officers and a couple of members had attended a recent webinar on the subject. Out of this there were a number of actions that would be brought forward with RBWM and link it with key areas that the pension regulator had identified.

Cllr Kaiser mentioned that his local authority had been subject to a two day persistent cyber attack so we had to also consider the possibility of an incident of attacks coming through other organisations systems.

**Resolved unanimously: that the Committee**

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

**ADMINISTRATION REPORT**

The Committee considered the report regarding the administration of the Pension Fund for the period 1 April 2020 to 30 September 2020.

The Pension Administration Manager informed that this was a standing quarterly report. He highlighted the following areas:

- 1.1 Scheme Membership was shown by active members, deferred and in payment. Deferred membership continues to be higher than active membership.
- 1.2 showed scheme membership by authority, you could see West Berkshire has an idea make up of membership.
- I-Connect, employers are now understanding the benefits with quicker data submission. The staffing issues in the report have been resolved.
- The four key performance indicators that are reported on are unfortunately off target mainly because of training coinciding with Covid – 19.
- Page 10 showed the three main methods of communication. Pension surgeries had been stopped until they were started again remotely.
- Website visits have dropped but this is in part due to statistics being affected by the new RBWM website and officers are looking into this.
- The 2020 data quality exercise have been received and recognised. Over 1.6 million data item items were reviewed.

**Resolved unanimously: that the Committee notes the report and:**

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

#### PROCUREMENT OF EXTERNAL SERVICES

The Committee considered the report regarding the procurement exercise for the provision of actuarial and custodian services.

The interim Pension Fund Manager said that the report seeks approval to enter into a formal procurement exercise for the provision of actuarial and custodian services. Officers will report back to Members with options for the provision of each of the services at a future meeting once the procurement process has been completed. It also sought Members approval to extend the existing pension administration software contract for a further 5 years.

**Resolved unanimously: that the Committee notes the report and:**

- i) **Authorises Officers to enter into a formal procurement process for the provision of Actuarial services and Custodian services both of which are a statutory requirement of Local Authority Pension Funds.**
- ii) **Authorises Officer to enter into a 5-year extension to the existing pension administration software contract available under the provisions of the current contract.**

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

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

The meeting, which began at 4.00 pm, finished at 6.15 pm

CHAIRMAN.....

DATE.....



Report Title:	<b>Local Authority Pension Performance Analytics</b>
Contains Confidential or Exempt Information	No - Part
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 22 March 2021
Responsible Officer(s):	Ian Coleman, Interim Pension Fund Manager
Wards affected:	None



## REPORT SUMMARY

This report presents an outline of the Local Authority Pension Performance Analytics (LAPPA) service provided by Pensions and Investment Research Consultants (PIRC).

### 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That the Pension Fund Committee notes the report and:

- i) **Agrees to subscribe to the Local Authority Pension Performance Analytics service.**

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

- 2.1 The Pension Fund Committee has requested the provision of comparable performance information to enable Members to assess the relative performance of the RCBPF.
- 2.2 Performance information for the LGPS is compiled by PIRC, in the form of LAPPA, on behalf of the LGPS Funds. The vast majority of LGPS Funds subscribe to LAPPA. There is no similar alternative service available. The RCBPF has subscribed to the service previously but withdrew a few years ago, since when no comparable performance information has been available to the Fund.
- 2.3 A representative from PIRC will be in attendance at this meeting of the Pension Fund Committee to provide a brief presentation about LAPPA and to answer any questions.

### 3. KEY IMPLICATIONS

- 3.1 Membership of LAPPA will enable the RCBPF to assess investment performance against that achieved by other LGPS Funds.

- 3.2 Local Pensions Partnership Investments is supportive of the RCBPF subscribing to LAPPa.

#### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1 The annual subscription fee for LAPPa is approximately £5000.

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

- 5.1 None.

#### **6. RISK MANAGEMENT**

- 6.1 Provision of comparable performance information should allow for more informed management of the RCBPF.

#### **7. POTENTIAL IMPACTS**

- 7.1 Provision of comparable performance information should allow for more informed management of the RCBPF.

- 7.2 Equalities. Equality Impact Assessments are published on the [council's website](#) . N/A

- 7.3 Climate change/sustainability. N/A

- 7.4 Data Protection/GDPR. N/A

#### **8. CONSULTATION**

- 8.1 Local Pensions Partnership Investment Limited (LPPI).

#### **9. TIMETABLE FOR IMPLEMENTATION**

- 9.1 Immediate.

#### **10. APPENDICES**

- 10.1 This report is supported by 4 appendices:

- Appendix 1 – LAPPa overview
- Appendix 2 – LAPPa core service
- Appendix 3 – 2019/20 summary report
- Appendix 4 – sample report

## 11. BACKGROUND DOCUMENTS

11.1 This report is supported by 0 background documents:

## 12. CONSULTATION (MANDATORY)

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
Adele Taylor	Director of Resources and Section 151 Officer		
Andrew Vallance	Head of Finance and Deputy S151 Officer		

## REPORT HISTORY

<b>Decision type:</b>	<b>Urgency item?</b>	<b>To follow item?</b>
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Ian Coleman, Interim Pension Fund Manager, 07814 917798
--

## Local Authority Pension Performance Analytics - LGPS

Local Authority Pension Performance Analytics (LAPPA) enables Local Authority pension funds to view their Fund investment performance within a long-term, peer group context that will enhance governance and improve decision making.

### Why Local Authority Pension Funds Use LAPPA

We agree that a fund's primary measure of performance should be to appraise performance against its own strategy. We also believe that understanding what peers are doing can provide funds with valuable contextual information, which enhances decision making.

From our perspective, looking 'inside' at its investment performance data enables a fund to determine where it stands in relation to meeting the fund's liabilities, and provides some insight on the degree of skill that is being brought to bear on the fund's management. When a pension also looks 'outside' it equips itself with an additional perspective on how other funds are executing their fiduciary responsibilities, which also makes an appraisal of relative skill possible.

In our experience, this helps funds to challenge the governance of their fund management – for example, by avoiding the possibility of being content with performance which, whilst meeting benchmarks is well behind that achieved by peers. LAPPA's data also contains information about different fund strategies and their relative success, the consideration of which may serve to enhance the risk/return profile of the incumbent fund. The analysis demonstrates where risk has been rewarded and where return has been given up for little benefit.

### The Example of Active Management

In 2017/18 most global equity managers employed by Local Authority funds underperformed the market index benchmark. In isolation, a fund that was unhappy with such performance, may have decided to change manager. Knowing that underperformance was prevalent across the sector gave an additional dimension to discussions and may have helped to prevent costly changes.

### The Example of Benchmarking

A number of funds hold assets that are benchmarked against cash or cash plus a percentage point or two. Given the very low level of return from cash over the last decade this is an exceptionally easy hurdle to beat (and below actuaries' expected asset growth assumptions). Funds that have such a benchmark in place may then be content that the scheme is outperforming comfortably. However, when put into the context of other schemes it will be apparent that the fund is performing poorly because of benchmark decisions that have been made. Such information will allow the investment committees, panels and boards to question and review the decisions made. This may result in changes but, perhaps more importantly, the discussion will bring about a better understanding of why the Fund is invested the way it is.

### The Local Authority Peer Group

The peer group Universe constructed by LAPPA currently comprises **61 funds with an aggregate value of over £170bn**. This represents over two-thirds of local authority pension fund assets. The Universe has **thirty plus years of detailed historical data** making it unique and increasingly essential for those funds that wish to place their performance in a long-term context.



As greater focus is being brought to bear on short-term performance, the feedback LAPPa gets from its Local Authority pension fund clients is that they derive considerable benefit from the availability of such contextual information: enabling them to resist a perceived pressure to unnecessarily churn managers; to allow their strategies time to play out, and to better ensure strategies are consistently aligned with their long-term liabilities.

With the arrival of Pooling in England and Wales we believe that relevant funds will be exposed to increasing levels of scrutiny. The peer group analysis provided by LAPPa will allow comparison between pools and within pools. Funds with access to LAPPa's data will also be able to quantify the differential impact of pool costs across funds by analysing performance before and after these additional fees.

LAPPa's analysis is completely **independent and objective**, and, being affiliated to neither investment managers nor consultants there are no vested interests.

### The Service

The service includes:

- An annual publication, which provides a detailed and in-depth analysis of the aggregate results, allocation and changes that have occurred and trends that have been identified
- Participation within the Local Authority Peer Group aggregate
- Collection, extraction and checking of fund and portfolio data
- Fund data included in quarterly, annual and long term aggregations
- Annual comparative performance tables that place individual fund performance over the latest year and over the longer-term in context with the aggregate data
- Research articles covering topics of interest
- Annual analytics placing the fund performance, asset allocation and risk in the peer group context

We also offer:

- Sensitivity Analysis reporting for Annual Report and Accounts
- Core performance measurement
- Presentation of results and market overview
- Bespoke research and consultancy

If you'd like to learn more about how LAPPa can help you enhance the governance of your fund please get in touch:

Karen Thrumble	<a href="mailto:Karen.thrumble@pirc.co.uk">Karen.thrumble@pirc.co.uk</a>
Neil Sellstrom	<a href="mailto:Neil.sellstrom@pirc.co.uk">Neil.sellstrom@pirc.co.uk</a>

LAPPa is part of PIRC. We have been appointed by the National Framework as the sole provider of Peer Group Investment Analytical Services.

PIRC is regulated by the Financial Conduct Authority

## Local Authority Pension Performance Analytics

PIRC set up the Local Authority Pension Performance Analytics (LAPPA) service in response to the withdrawal of State Street (WM) from the creation of their highly valued and widely used Local Authority peer group Universe analysis service.

### The Service

The core service includes:

- Participation within the Local Authority Aggregate
- Extraction of fund and portfolio data from previously calculated performance reporting
- Fund data included in quarterly, annual and long term aggregations
- Quarterly performance indicator publication
- Annual fund specific performance report analyzing the fund in the context of the peer group
- Annual in-depth analysis publication which provides detailed analysis of the aggregate results, allocation and changes that have occurred and trends that have been identified.
- Annual league tables detailing individual fund performance over the latest year and longer term.
- Research articles covering topics of interest

Additional elements of the service which can be subscribed to as required. These include

- Performance review meeting to present the aggregate and the fund specific analysis in more detail
- Bespoke research

For more information contact:

Karen Thrumble      [Karen.thrumble@pirc.co.uk](mailto:Karen.thrumble@pirc.co.uk)

David Cullinan      [David.cullinan@pirc.co.uk](mailto:David.cullinan@pirc.co.uk)



## 2019/20 – It could have been worse!

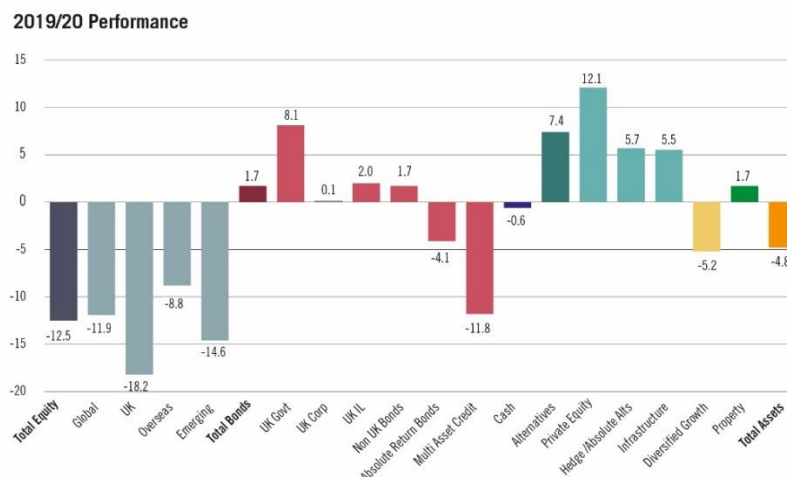
As the global pandemic hit financial markets in the first quarter of 2020 many feared the final result for 2019/20 would be a lot worse.

Over the year to end March 2020 the average Local Authority pension fund, as represented by the PIRC Local Authority Universe, returned -4.8% on its assets.



In its latest Annual Review PIRC is delighted to share the results of the 2019/20 financial year covering investment performance, asset allocation and insights into current trends.

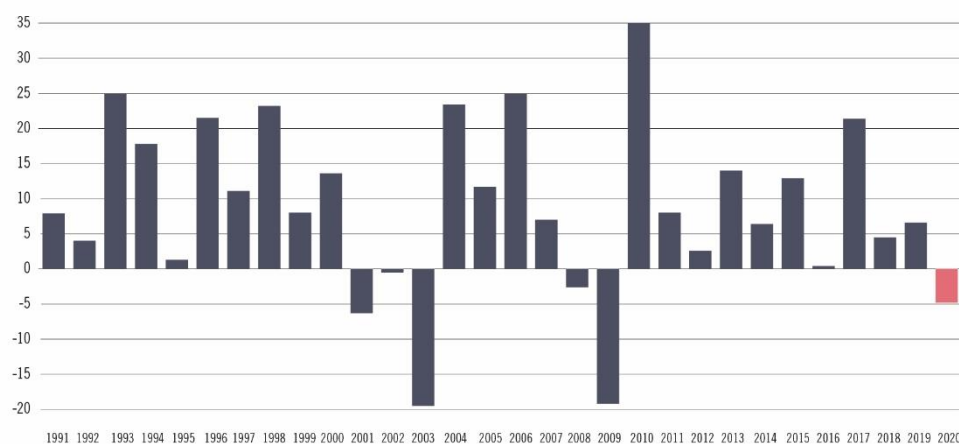
The results for the year were better than most had expected. Equities had fallen, but from historic highs, and funds, now more diversified than ever, saw their total assets fall, but only by an average of **4.8%**. Those funds that had more of their money invested in alternative strategies, performed better than their peers who had high quoted equity exposures. Some funds had put in place insurance against market falls and those funds reaped the benefit last year.



## Let's put this in context

To put this return into context, the -4.8%, although negative, was significantly better than the returns experienced by funds in the market falls either at the start of the century or following the global financial crisis.

Local Authority fund annual performance - last 30 years



## Is This The Moment For Active Management?

One of the main arguments for employing active managers has always been that they will be nimble enough to avoid the worst of market falls. In this time of extreme market dislocation, the range of returns from active equity managers was wider than usually seen but in aggregate they outperformed. Given that the continuing impact of COVID will vary greatly across markets, sectors and individual companies it might be time to review investment within index tracking funds that have to hold the whole index including sectors and companies that may now be in long term decline.

## Background

The Local Authority Pension Performance Analytics (LAPPA) Universe has been run by PIRC since 2017 when the State Street / WM withdrew from providing the service. It provides

exclusive and unique information to support Local Authority pension funds to view their investment performance within a long-term, peer group context that will enhance governance and improve decision making.

The peer group Universe is the largest and most comprehensive database of local authority pension fund investments. It currently comprises 63 funds with an aggregate value of £180bn. This represents over two-thirds of local authority pension fund assets. The Universe has thirty plus years of detailed historical data making it unique and increasingly essential for those funds that wish to place their performance in a long-term context.

This publication is available to all Universe participants as part of the core service to which they subscribe. It is available to non-participants at a cost of £1400 plus VAT.

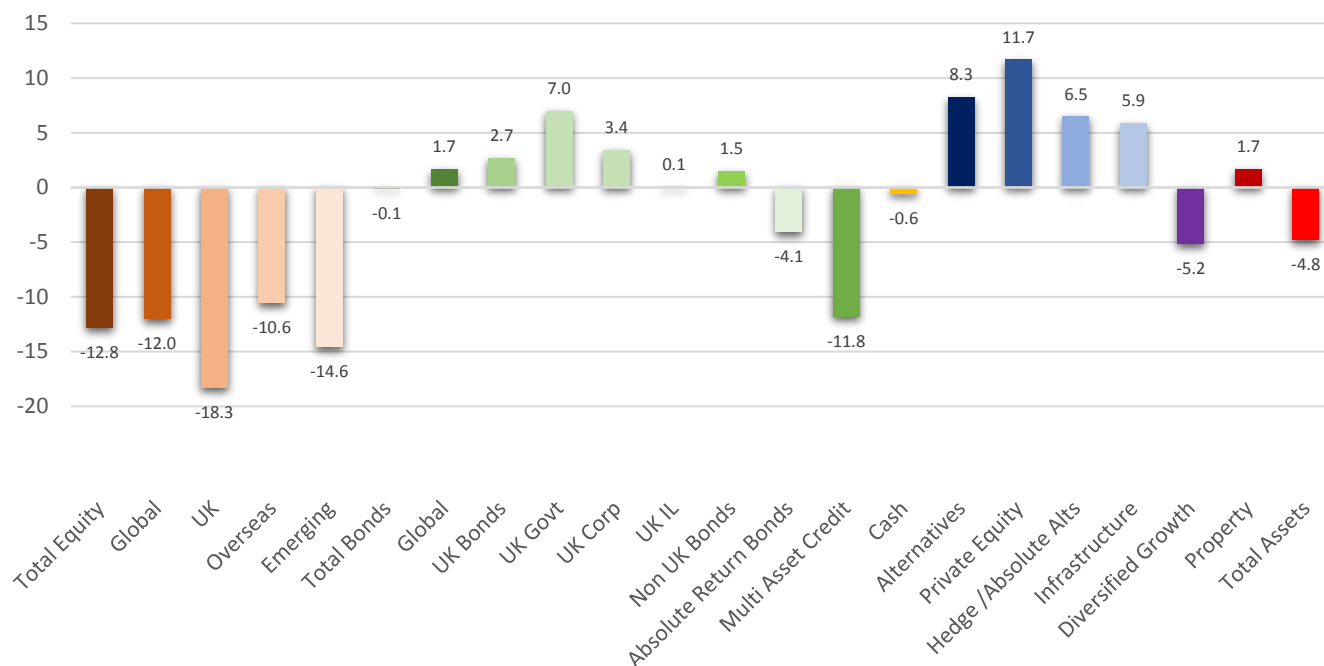
LAPPA's analysis is completely independent and objective, and, being affiliated to neither investment managers nor consultants there are no vested interests.

If you'd like more information about any of the above please get in touch:

Neil Sellstrom [Neil.sellstrom@pirc.co.uk](mailto:Neil.sellstrom@pirc.co.uk)

Karen Thrumble [Karen.thrubble@pirc.co.uk](mailto:Karen.thrubble@pirc.co.uk)

## Latest Year Performance



- Another year of global political uncertainty but this time was the unprecedented effects of COVID -19 .
- The year saw the fastest ever decline in equity markets, albeit from close to record high levels, new lows in oil prices, much of the credit market becoming barely liquid and property and many alternatives difficult to value.
- Funds returned an average of -4.8% for the year, perhaps better than was expected by many.
- Equities fared worst - funds with higher exposures to more defensive assets will have performed relatively well.

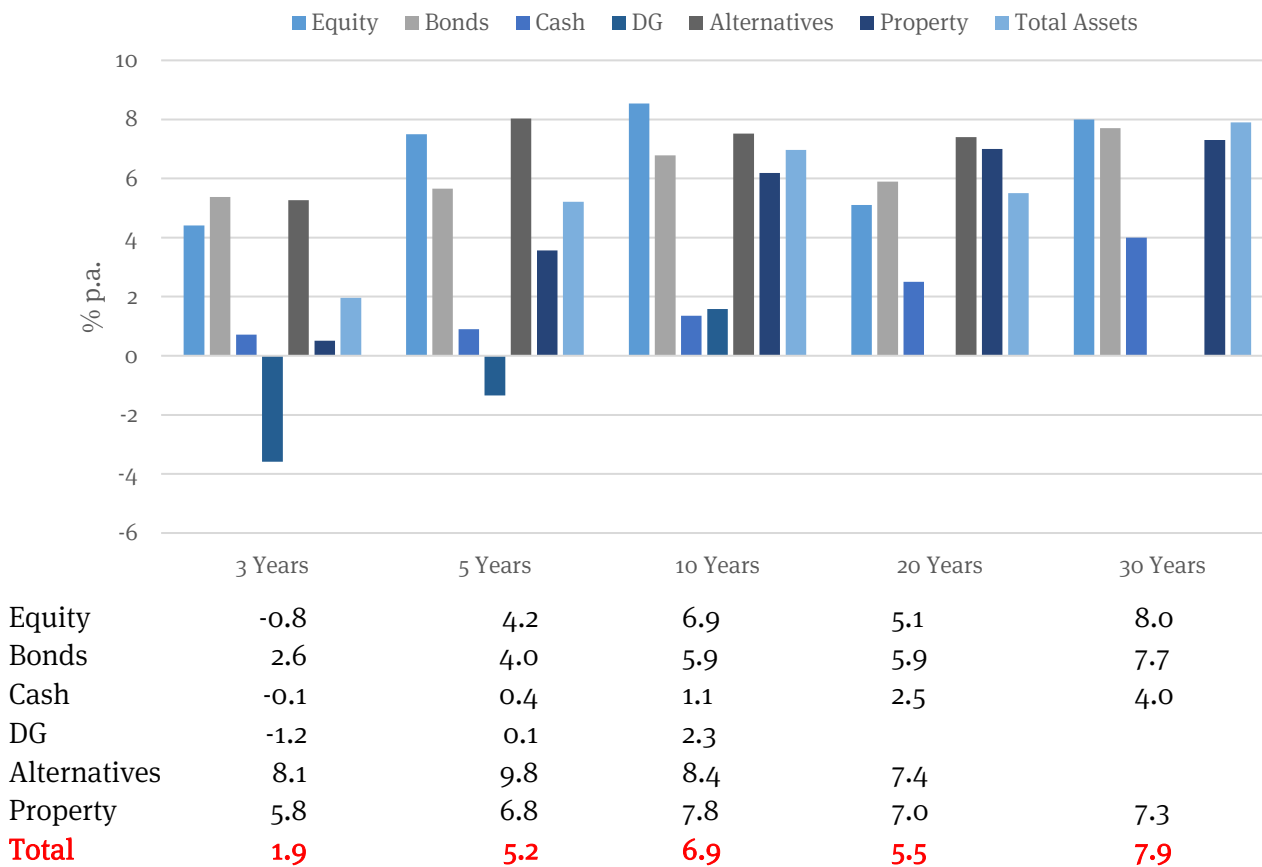
## Asset Allocation

- Strategic asset allocation remained broadly static most of the change to fund weightings came about from the relative market movements over the year.

% Allocation	End March		
	2019	2020	Diff
Equities	55	51	-4
Bonds	19	21	2
Cash	3	2	-1
Alternatives	11	12	1
Diversified Growth	3	3	-
Property	9	9	-

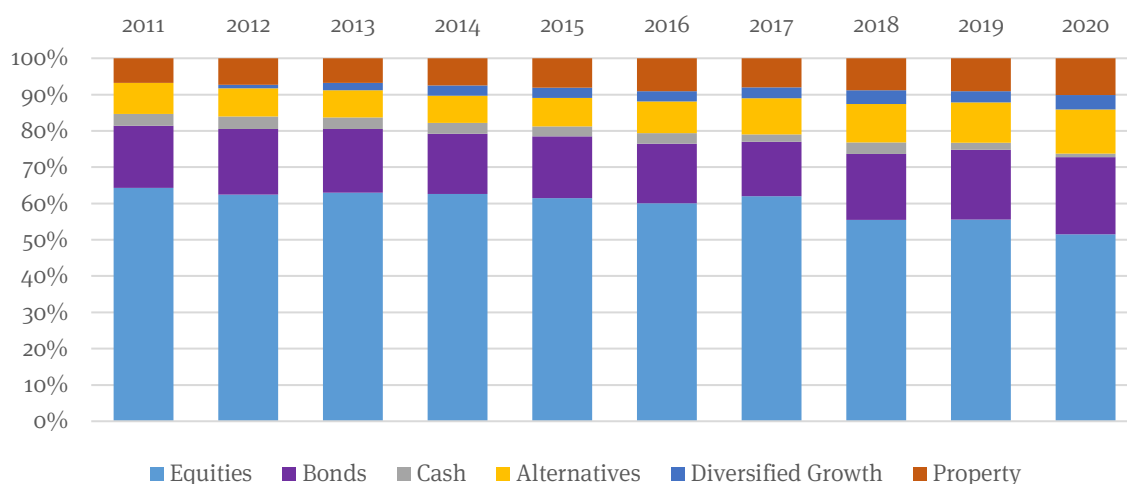
# Universe Longer Term Results

- Long term performance of the LGPS remains strong. The average funds delivered a positive return in 24 of the last 30 years and delivered an annualised performance of 7.9% p.a.
- Equities have driven the strong long term performance.
- Alternatives have performed strongly due in a large part to the excellent returns from private equity.



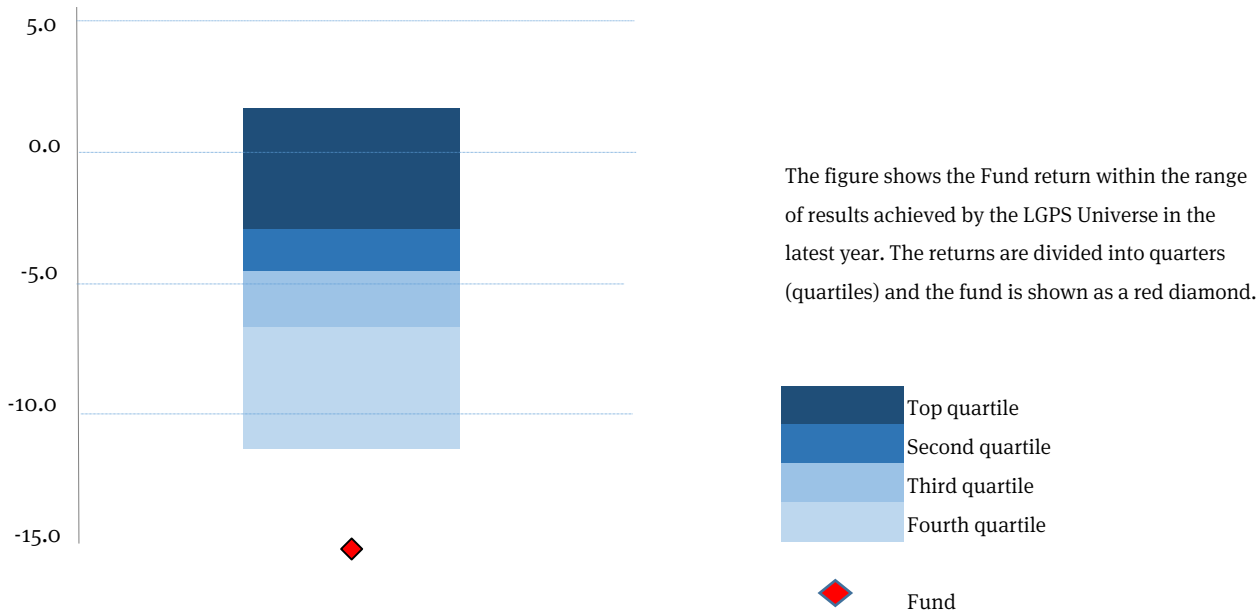
## Asset Allocation

- Equities remain the largest allocation within most fund's assets. 80% of this allocation is now invested overseas.
- Alternatives have increased markedly over the decade. Private equity makes up a half of this allocation with infrastructure increasing in recent years and expected to increase further.
- Within the bond allocation, there has been a continued move from index based towards absolute return mandates.



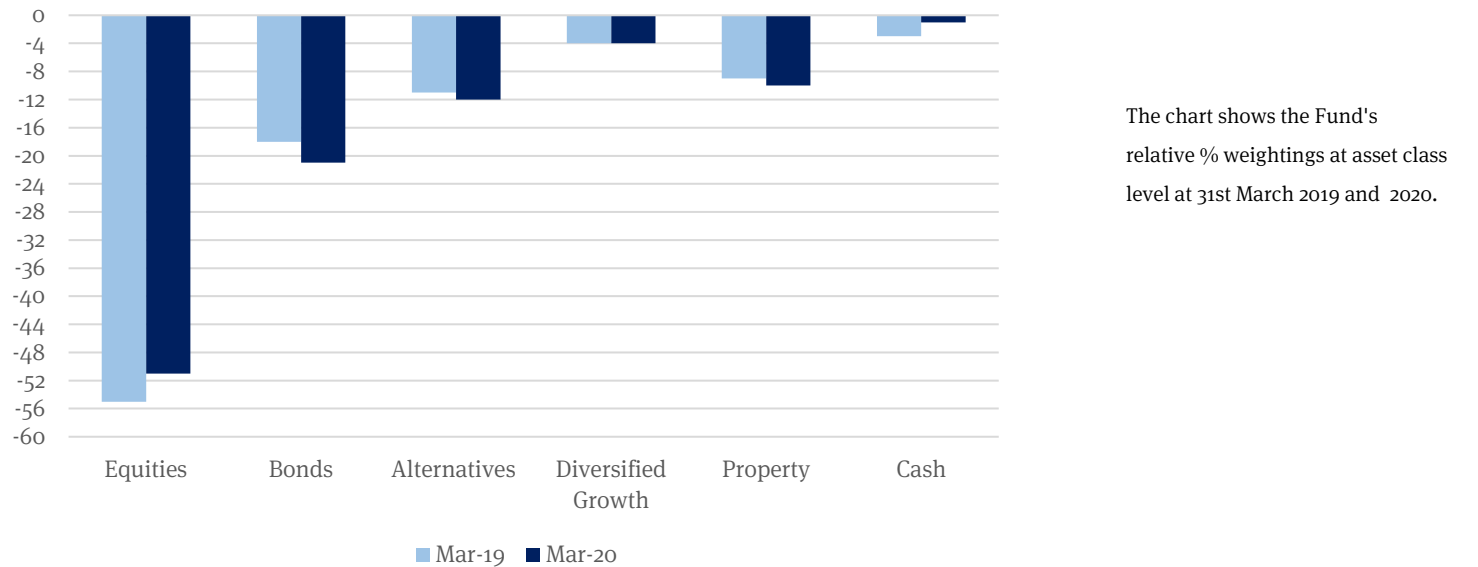
## Latest Year

- In the latest year the Fund return of -7.2% was well below the average of -4.8% and ranked in the 88th percentile.



## Fund Asset Allocation

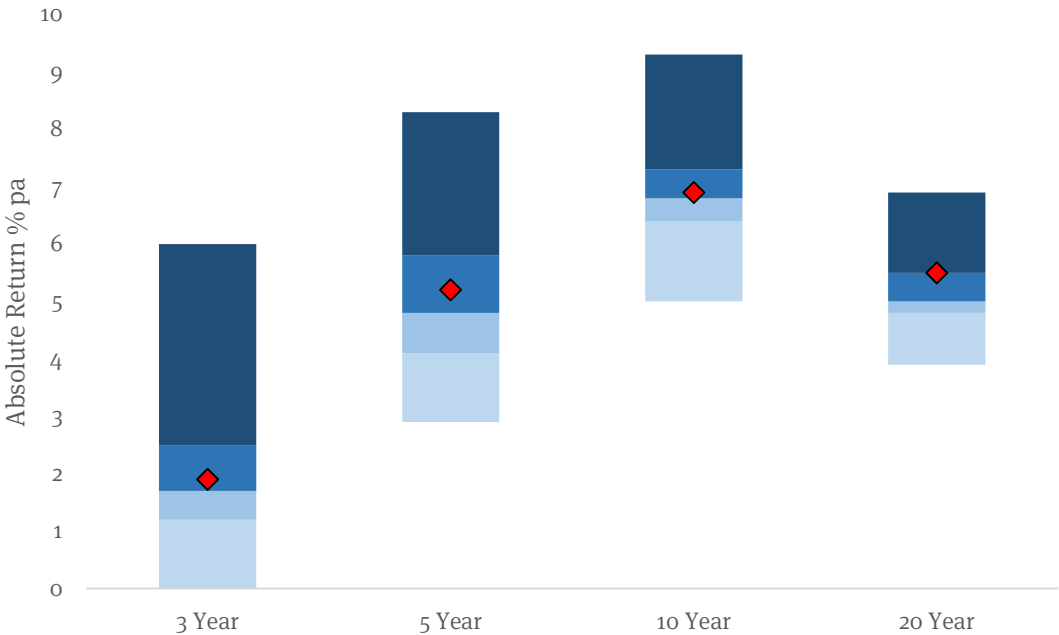
- The Fund is structured quite differently from the average.
- The key difference is the relatively high level of equities and low investment in alternatives.
- Last year these differences reduced the relative performance by close to 3%.





### Fund Longer Term Returns

- The laest year result has brought down the three year performance to below average.
- Longer term results are still strong largely due to the strong returns delivered by the active equity managers.

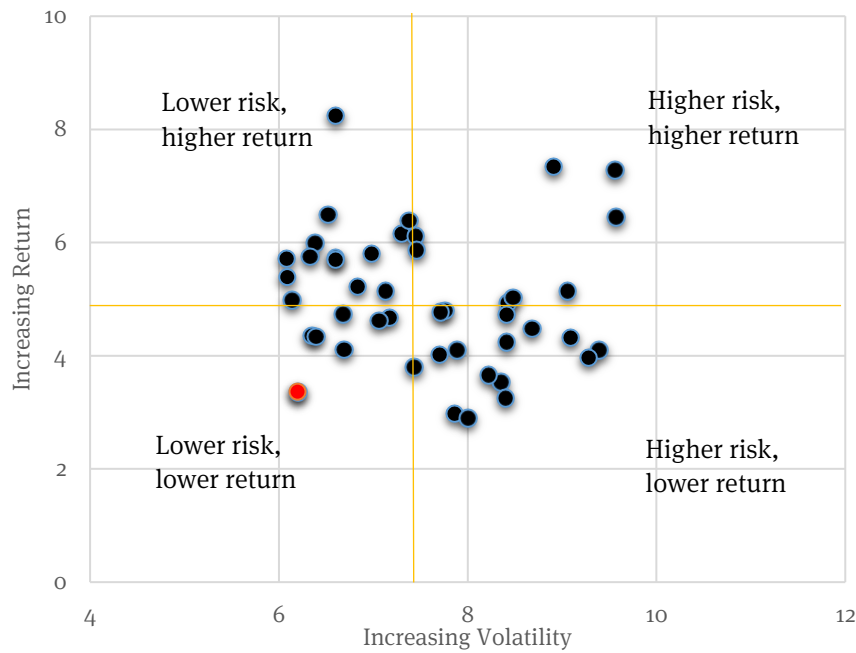


Fund	0.0	0.0	0.0	0.0
Universe Average	1.9	5.2	6.9	5.5
Ranking	0	0	0	0

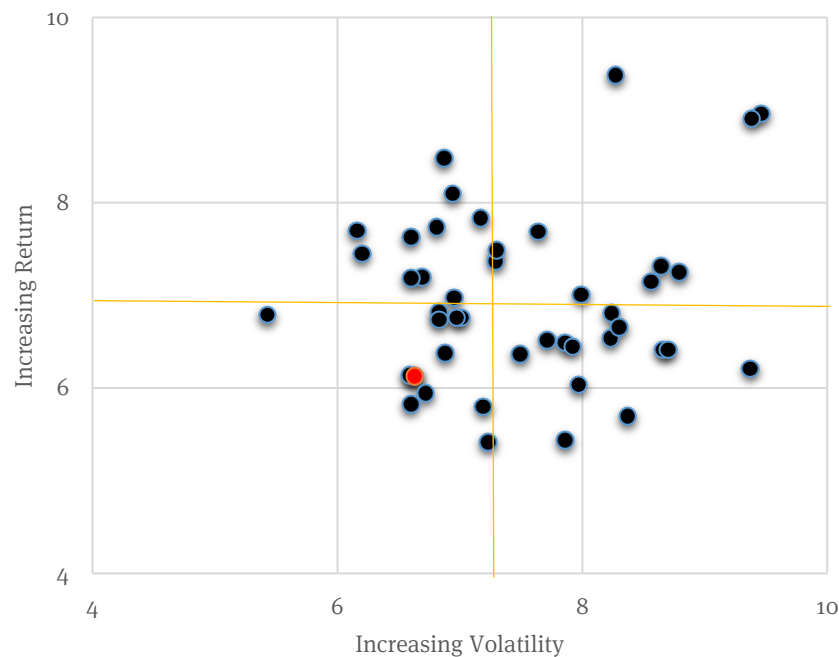
## Risk and Return

- Over the last ten years the Fund (red dot) produced a better than average return but experienced a slightly higher than average level of volatility.
- Similarly, over the last five years the Fund has been rewarded for the additional volatility that it has experienced.

### Last Five Years (% p.a.)



### Last Ten Years (% p.a.)



The charts show the funds (black dots) in the LGPS Universe in risk/return space. The further up the vertical axis a fund is the better the return achieved. The further along the horizontal axis the more risk has been taken.

The yellow are the median results. These divide the funds into quadrants. Most funds would prefer to be in the top left quadrant.

Report Title:	<b>Responsible Investment Policy</b>
Contains Confidential or Exempt Information	No - Part 1
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 22 March 2021
Responsible Officer(s):	Ian Coleman, Interim Pension Fund Manager
Wards affected:	None



## **REPORT SUMMARY**

This report presents a draft Responsible Investment Policy for discussion and agreement.

### **1. DETAILS OF RECOMMENDATION(S)**

**RECOMMENDATION:** That the Pension Fund Committee:

- i) **Agrees a Responsible Investment Policy as drafted at Appendix 1.**

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

- 2.1 The RCBPF is required to have a Responsible Investment Policy. This draft policy complies with the requirements under the LGPS Management and Investment of Funds Regulations 2016.
- 2.2 The Responsible Investment Policy will have to be deliverable by Local Pensions Partnership Investments (LPPI), the investment manager for the RCBPF.

### **3. KEY IMPLICATIONS**

- 3.1 Responsible Investment is attracting increasing public, professional and regulatory interest. Failure to adopt and maintain a Responsible Investment Policy is likely to attract increasing criticism from the public, members of the Pension Fund, and The Pensions Regulator.

### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1 A Responsible Investment Policy is an important element in the management of investments. The lack of an adequate policy is likely to result in poorer investment performance.

## **5. LEGAL IMPLICATIONS**

- 5.1 RBWM is required to govern and administer the LGPS in accordance with legislation and regulations enacted by the Ministry of Housing Communities and Local Government, and guidance issued by The Pensions Regulator.

## **6. RISK MANAGEMENT**

- 6.1 Failure to adopt and maintain a Responsible Investment Policy could open the RCBPF to increased criticism and, potentially, to poorer investment returns.

## **7. POTENTIAL IMPACTS**

- 7.1 Failure to adopt and maintain a Responsible Investment Policy could open the RCBPF to increased criticism and, potentially, to poorer investment returns.
- 7.2 Equalities: Equality Impact Assessments are published on the [council's website](#) . N/A
- 7.3 Climate change/sustainability: Having a Responsible Investment Policy is a key part of the Pension Fund's strategy.
- 7.4 Data Protection/GDPR. N/A

## **8. CONSULTATION**

- 8.1 Local Pension Board.

## **9. TIMETABLE FOR IMPLEMENTATION**

- 9.1 Immediate.

## **10. APPENDICES**

- 10.1 This report is supported by 1 appendix:
- Appendix 1 – Draft Responsible Investment Policy

## **11. BACKGROUND DOCUMENTS**

- 11.1 This report is supported by 0 background documents:

## **12. CONSULTATION (MANDATORY)**

Name of consultee	Post held	Date sent	Date returned
-------------------	-----------	-----------	---------------

Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
Adele Taylor	Director of Resources and Section 151 Officer		
Andrew Vallance	Head of Finance and Deputy s151 Officer		

## REPORT HISTORY

<b>Decision type:</b>	<b>Urgency item?</b>	<b>To follow item?</b>
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Ian Coleman, Interim Pension Fund Manager, 07814 917798
--

## DRAFT

### Royal County of Berkshire Pension Fund (RCBPF)

#### Responsible Investment Policy

## 1. Introduction

This policy defines the commitment of the Royal County of Berkshire Pension Fund (RCBPF) to Responsible Investment (RI). Its purpose is to detail the approach that RCBPF aims to follow in integrating Environmental, Social and Governance (ESG) issues into its investments. This is consistent with the LGPS Management and Investment of Funds Regulations 2016, and the fiduciary duty to act in the best long-term interest of our members. The policy will be reflected in the Investment Strategy Statement. It will also be reflected in any future approach to complying with the UK Stewardship Code.

## 2. Responsible Investment Values and Principles

The RCBPF values and principles reflect the need to deliver sustainable investment returns in order to pay pension benefits. The values and principles recognise the importance of assessing sources of risk and opportunity over an extended time horizon and emphasise the importance of diligent stewardship as part of engaged asset ownership.

### Responsible Investment Values:

<b>Consultative</b>	The RI priorities are a reflection of the views of the members of the Pension Fund Committee and the Local Pension Board, and of evolving best practice within the management of pension funds.
<b>Being Proactive</b>	A proactive approach to evaluating ESG risks and opportunities is more likely to result in long term benefits for the RCBPF and is aligned with fulfilling our fiduciary duty.
<b>Engagement</b>	<p>The RCBPF considers engagement to be a route for exerting a positive influence over investee companies and encouraging responsible corporate behaviour.</p> <p>We will be supportive of targeted dialogue in situations where positive changes can be brought about to align governance standards with our investment needs.</p>
<b>Collaborative</b>	The RCBPF recognises that working collaboratively can achieve greater influence than acting unilaterally. The RCBPF seeks to align itself with likeminded investors through collective organisations such as the Local Authority Pension Fund Forum (LAPFF), of which we have recently become a member.
<b>Flexible</b>	The RCBPF considers that its RI policy and approach should be reviewed regularly in order to continue recognising and reflecting best practice and addressing emerging priorities.

## **Responsible Investment Principles**

The RI principles translate our values and commitments into responsible investment practices which can help to deliver a sustainable and sufficient return on all of our investments. Our RI principles inform the stewardship arrangements we have agreed with Local Pensions Partnership Investments as our provider of investment management services.

A summary of the key Responsible Investment principles:

- Effectively manage financially material ESG risks to support the requirement to protect returns over the long term;
  - Apply a robust approach to effective stewardship;
  - Seek sustainable returns from well governed and sustainable assets;
  - Responsible investment is core to our skills, knowledge and advice;
- Seek to innovate, demonstrate and promote RI leadership and ESG best practice;
- Achieve improvements in ESG through effective partnerships that have robust oversight;
  - Share ideas and best practice to achieve wider and more valuable RI and ESG outcomes.

The implementation of the RI policy is through the activities of Local Pensions Partnership Investments (LPPI) a FCA regulated Investment Manager responsible for all of the RCBPF assets which are managed within pooled arrangements.

### **3. Priorities**

Identifying core priorities for RI is an important part of focussing the attention of LPPI on the issues of greatest importance to the RCBPF. It also helps us to monitor the stewardship activities undertaken by LPPI on our behalf. The issues we have identified as being of primary concern to us as asset owners are:

- Climate change – engaging with pension funds and other stakeholders to develop and share best practice, recognising and managing the risks and opportunities investments face from climate change;
- Corporate Governance – promoting the case for well managed companies which implement fair and just employment practices;

The above mentioned are our main priorities. However there are a number of other RI issues which are of interest to the RCBPF and which will be kept under review, including:

- Ethical practices regarding use of tax havens;
- Companies with a proven record of supporting the Living Wage;
- Encouraging investment in Berkshire;
- Reducing investments in products such as fossil fuels, armaments, plastics, tobacco and alcohol.

## **Climate Change**

The RCBPF recognises the imperative to address climate change as a systemic and long term investment concern, as it poses material risks across all asset classes with the potential for loss of shareholder value including via stranded assets.

The RCBPF will endeavour to carry out the following:

- Where existing investments in fossil fuel companies are in place and identified, we expect those companies to be able to demonstrate planning for the global transition to a low-carbon economy and to meet future emissions reduction targets under the Paris Agreement or other appropriate initiatives. Where they are not, and opportunities for engagement and reform of the company or project are not possible or do not exist, then the RCBPF will make all reasonable efforts to divest provided that this will result in no material financial detriment, either through increased costs or increased investment risk.
- Where our fiduciary duty allows, we will not consider new active investments in fossil fuel companies directly engaged in the extraction of coal, oil and natural gas as sources of energy which are ignoring the risks of climate change. The RCBPF expects LPPI to take steps to ensure that the level of exposure to climate change investment risks are evaluated and monitored. This will involve the use of appropriate investigative and analytical tools to increase information and provide appropriate input around investment decision making and will be reflected in regular reporting and assurance provided to the RCBPF.

## **Corporate Governance**

The RCBPF will, principally through LPPI, promote high standards of employment practices and reasonable and equitable pay differentials for employees. This will be done through actively seeking companies who demonstrate such practices and engaging effectively to encourage these standards within existing investee companies.

LPPI is a named supporter of the Workforce Disclosure Initiative, a project which aims to "bring institutional investors together behind a call for comparable workforce reporting by publicly listed companies on their global operations and supply chains".

### **4. Responsible Investment Implementation**

The implementation of our approach to Responsible Investment divides into the following five areas of activity.

#### **a) Voting Globally**

The RCBPF recognises that effective stewardship arrangements protect the financial interest of scheme beneficiaries and contribute to enhancing the value of our investments. All aspects of shareholder voting would form a fundamental part of compliance with the UK Stewardship Code.



The RCBPF stewardship actions are implemented as an integral part of the investment management services that RCBPF receives from Local Pensions Partnership Investments (LPPI).

A Voting and Engagement Policy is being prepared, which will become part of this Responsible Investment Policy. The policy will cover areas including voting arrangements, reporting and disclosures, and voting philosophy.

#### **b) Engagement through Partnerships**

The RCBPF works in partnership with like-minded organisations. We recognise that to gain the attention of companies in addressing governance concerns, we need to join other investors with similar concerns and we do this through the Local Authority Pension Fund Forum (LAPFF) and by joining appropriate lobbying activities.

Our engagement with other investors is most significant through LAPFF. This Forum exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which we invest.

The RCBPF has recently joined LAPFF and, as such, representatives of the RCBPF attend and contribute to the quarterly business meetings.

#### **c) Shareholder Litigation**

An approach, adopted by the RCBPF, in order to encourage corporate management to behave responsibly and honestly, is through shareholder litigation. The RCBPF has agreed arrangements in conjunction with LPPI which ensure that emerging legal cases are monitored and that our rights and interests are represented via class actions and other shareholder actions globally where possible and where appropriate.

#### **d) Active Investing**

The RCBPF does not invest directly but LPPI actively seeks sustainable investments which meet our requirements for strong returns combined with best practice in ESG and corporate governance. Such investments include renewable and clean energy.

As part of a commitment to Active Ownership, LPPI seeks to use the ownership rights conveyed by the assets under its management to exert a positive influence in favour of transparent and sustainable management behaviour which recognises and addresses the broader trends which bring both risks and opportunities.

#### **e) Divestment**

The RCBPF may, at its discretion, prefer to divest from a sector due to RI considerations, provided that this would not result in any material financial detriment, either through increased costs or increased investment risks.

## 5. Definitions

<b>Responsible Investment</b>	The integration of environmental, social and corporate governance (ESG) considerations into investment management processes and active ownership practices in the belief that these factors can have an impact on financial performance.
<b>ESG</b>	Environmental, social and governance factors which may impact on company performance and therefore investment returns. Examples include resource management and pollution prevention, climate change impacts, labour management, product integrity, executive compensation, board independence, and audit functions.
<b>Governance</b>	The process and principles by which a company or organisation undertakes its business. For the RCBPF, governance includes the undertaking of both operational and investment responsibilities on behalf of the members of the Pension Fund.
<b>Active Ownership</b>	<p>This refers to the responsibility of the RCBPF to participate, where appropriate, in the governance decision-making of companies in which we invest by way of voting and by engagement with company management, either directly or via our fund managers.</p> <p>It also recognises the relevance of engaging with regulatory bodies and other market players to support policies that promote long-term sustainable growth.</p>

Report Title:	<b>Voting and Engagement Policy</b>
Contains Confidential or Exempt Information	No - Part 1
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 22 March 2021
Responsible Officer(s):	Ian Coleman, Interim Pension Fund Manager
Wards affected:	None

www.rbwm.gov.uk



## **REPORT SUMMARY**

This report presents a draft Voting and Engagement Policy for discussion and agreement.

### **1. DETAILS OF RECOMMENDATION(S)**

**RECOMMENDATION:** That the Pension Fund Committee:

- i) **Agrees a Voting and Engagement Policy as provided at Appendix 1.**

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

- 2.1 The Pensions Regulator expects pension funds to have a Voting and Engagement Policy. Such a policy forms an integral element of a Responsible Investment Policy.
- 2.2 The Voting and Engagement Policy will have to be deliverable by Local Pensions Partnership Investments (LPPI), the investment manager for the RCBPF. Therefore, it is recommended that the RCBPF adopts the LPPI Shareholder Voting Policy.

### **3. KEY IMPLICATIONS**

- 3.1 Responsible Investment is attracting increasing public, professional and regulatory interest. Failure to adopt and maintain a Voting and Engagement Policy as part of a Responsible Investment Policy is likely to attract increasing criticism from the public, members of the Pension Fund, and The Pensions Regulator.

### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1 A Voting and Engagement Policy is considered to be important in the management of investments. The lack of an adequate policy could result in poorer investment performance.

## **5. LEGAL IMPLICATIONS**

- 5.1 RBWM is required to govern and administer the LGPS in accordance with legislation and regulations enacted by the Ministry of Housing Communities and Local Government, and guidance issued by The Pensions Regulator.

## **6. RISK MANAGEMENT**

- 6.1 Failure to adopt and maintain a Voting and Engagement Policy as part of a Responsible Investment Policy could open the RCBPF to increased criticism and, potentially, to poorer investment returns.

## **7. POTENTIAL IMPACTS**

- 7.1 Failure to adopt and maintain a Voting and Engagement Policy as part of a Responsible Investment Policy could open the RCBPF to increased criticism and, potentially, to poorer investment returns.
- 7.2 Equalities: Equality Impact Assessments are published on the [council's website](#) . N/A
- 7.3 Climate change/sustainability: Having a Voting and Engagement Policy as part of a Responsible Investment Policy is a key part of the Pension Fund's strategy.
- 7.4 Data Protection/GDPR. N/A

## **8. CONSULTATION**

- 8.1 Local Pension Board.

## **9. TIMETABLE FOR IMPLEMENTATION**

- 9.1 Immediate.

## **10. APPENDICES**

- 10.1 This report is supported by 1 appendix:
- Appendix 1 – LPPI Shareholder Voting Policy.

## **11. BACKGROUND DOCUMENTS**

- 11.1 This report is supported by 0 background documents:

## **12. CONSULTATION (MANDATORY)**

Name of consultee	Post held	Date sent	Date returned
-------------------	-----------	-----------	---------------

Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
Adele Taylor	Director of Resources and Section 151 Officer		
Andrew Vallance	Head of Finance and Deputy s151 Officer		

## REPORT HISTORY

<b>Decision type:</b>	<b>Urgency item?</b>	<b>To follow item?</b>
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Ian Coleman, Interim Pension Fund Manager, 07814 917798
--

# Local Pensions Partnership Investments Ltd

## Shareholder Voting Policy

### 1. Introduction

Local Pensions Partnership Investments Ltd (LPPI) is committed to achieving sustainable investment returns over the long term through an approach to stewardship which embraces responsible investment principles and practice.

We believe that well-governed companies are best equipped to manage business risks and opportunities, and this contributes to achieving optimum risk-adjusted returns over the long term.

We encourage strong governance and sustainable business practices through our oversight and engagement activities. These feature company monitoring and dialogue (directly and via the third-party managers we select to work with us) representation on investor groups and shareholder voting. We support and participate in wider collaborations and frequently work alongside other investors as part of initiatives that build consensus and seek to use collective influence to encourage positive change.

In this document we articulate our approach and arrangements for shareholder voting.

### 2. Policy Objectives

We aim to ensure that:

- Our voting rights are exercised appropriately;
- Our voting process is consistent, efficient and auditable;
- Voting decisions are congruent with our investment beliefs and reflect the long-term financial interests of our clients;
- Voting activity reflects our commitment to responsible investment

### 3. Voting Arrangements

The listed equities we manage fall within the LPPI Global Equities Fund (GEF) which comprises an internally managed portfolio supplemented by segregated external mandates.

The voting rights for stocks within the GEF are retained and exercised centrally by LPPI rather than being delegated to third party external managers. We use our best efforts to vote each shareholder meeting we are entitled to participate in. However, in some circumstances it may be impractical or impossible for us to vote. For example, in international markets where share blocking applies, we typically may not vote due to liquidity constraints.

Where LPP participates in securities lending, procedures are in place to assess the appropriateness of recalling lent stock ahead of shareholder meetings in order to ensure the ability to vote. In each case, the direct monetary impact of recalling shares will be considered against the discernible benefits of exercising voting rights. Decisions will reflect the significance of items on the ballot and whether LPP has actively supported reform of the company's governance practices via engagement or other coordinated efforts including shareholder proposals.

The day-to-day management of our shareholder voting activities is undertaken by the Responsible Investment Team which is overseen by the Head of Responsible Investment. The process is supported by services from an external provider, Institutional Shareholder Services (ISS).

- A web-based voting and research platform (ISS ProxyExchange);
- Voting recommendations in line with a designated voting policy;
- Access to governance data, research and analytics;
- Ballot administration and vote execution;
- Monitoring and reporting functionality

Voting recommendations are made in accordance with the ISS Sustainability Proxy Voting Guidelines. These guidelines are designed to reflect the requirements of investors who have made commitments to the integration of environmental, social and corporate governance (ESG) issues and to responsible investment practices in line with the Principles of Responsible Investment. The Sustainability Guidelines are reviewed and updated annually to ensure they reflect changes in norms and standards as well as new academic research, empirical studies, and market commentary as appropriate.

As part of ongoing oversight, the Responsible Investment Team identifies upcoming company meetings with votes on priority themes and reviews the related ISS analysis and recommendation. Where resolutions are complex or contentious, the Responsible Investment Team will discuss the issue with the internal investment team to agree an appropriate stance. They may also seek insight from a third-party manager who has been in direct dialogue with the company as part of an engagement programme.

As warranted, the Head of Responsible Investment will seek the views of the LPP Stewardship Committee which is chaired by the Chief Investment Officer. Collectively, the Stewardship Committee is the ultimate arbitrator on stewardship matters.

In cases where a decision is taken to depart from the ISS voting recommendation, the underlying voting rationale is recorded for reporting purposes.

The Stewardship Committee receives and reviews voting statistics quarterly.

#### 4. Reporting and Disclosure

To protect confidentiality and remove the opportunity for undue influence as a result of external intervention or duress, LPP will not enter dialogue about voting intentions in advance of company meetings taking place.

Pre-disclosure may be considered for specific resolutions in exceptional circumstances subject to authorisation from the Stewardship Committee. Generally, we would only pre-disclose where there was a pre-existing commitment to working collaboratively with other investors as part of an initiative agreed in advance.

LPPI provides regular reports to client pension funds on shareholder voting activity for the GEF as part of information on wider stewardship and responsible investment activities.

LPPI publicly discloses summary information on voting activity through quarterly reports published retrospectively on the company's website.

Our approach to asset selection (for internally managed assets) and to manager selection and monitoring (for assets managed by external managers) is built around detailed risk analysis and an up-to-date understanding of context as part of due diligence. This approach suits the complexity and multi-dimensional nature of climate change and the challenge it poses for strategy integration.

## 5. Voting Philosophy

In our view, shareholder voting is not a route to micro-manage companies or impose formulaic standards. We use voting to encourage companies to adopt best practice standards but recognize that pragmatism is needed to accommodate local circumstances and scenarios.

We have no management bias and will consider voting against management where companies lag consistently behind accepted norms of good governance, are resistant to dialogue or fail to show evidence of sufficient progress. In circumstances where we use voting to voice concerns, we will seek to target the individual, committee or proposal most directly associated with the specific issue. For example, a failure to provide adequate disclosure in compliance with applicable standards is most likely to be addressed through voting on the annual report and accounts or other statutory publications.

We assess shareholder proposals on their individual merits. We will consider giving support to resolutions which provide an impetus for positive change on matters of significance to institutional shareholders where they;

- Are carefully drafted and proportionate;
- Are accompanied by an appropriate system of checks and balances;
- Are protective of the best interests of long-term investors;
- Do not seek to negate the responsibilities of Board.

Shareholder resolutions are most likely to be viewed sympathetically when they introduce proposals that are proportionate to the underlying issue, are not unnecessarily complex or onerous and have implementation costs which are reasonable in light of the scope of the benefit to be produced.

LPP I will consider co-filing shareholder resolutions with other investors where this offers an appropriate route for active engagement on issues of stewardship priority.



Report Title:	<b>Pension Fund Governance Progress Report</b>
Contains Confidential or Exempt Information	No - Part 1
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 22 March 2021
Responsible Officer(s):	Andrew Vallance, Head of Finance and Deputy Section 151 Officer
Wards affected:	None



## REPORT SUMMARY

This report presents to Members an update on the progress following the recommendations made in an independent report presented to Committee on 19 October 2020 into the governance arrangements of the Pension Fund.

A progress matrix can be found at Appendix 1.

### 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That the Pension Fund Committee:

i) Notes the paper and progress matrix 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 Following on from an independent governance report presented to Members on 19 October 2020, which contained a number of recommendations as to how governance could be improved, this report sets out the progress made in implementing the recommendations made.
- 2.3 A progress matrix can be found at Appendix 1.

### 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**

- 6.1 Table 1: Risk Analysis

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
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.
- 7.2 Equalities: Equality Impact Assessments are published on the [council's website](#) . N/A
- 7.3 Climate change/sustainability: N/A
- 7.4 Data Protection/GDPR. N/A

#### **8. CONSULTATION**

- 8.1 N/A

#### **9. TIMETABLE FOR IMPLEMENTATION**

- 9.1 Ongoing.

#### **10. APPENDICES**

- 10.1 This report is supported by 1 appendix:
- Appendix 1 – Governance progress matrix

## 11. BACKGROUND DOCUMENTS

11.1 This report is supported by 0 background documents:

## 12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
Adele Taylor	Director of Resources and Section 151 Officer		
Ian Coleman	Interim Pension Fund Manager		

## REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Andrew Vallance, Head of Finance and Deputy s151 Officer
---

### Independent Governance Report Actions

	Recommendation	Timeline	Progress
1.	The size of the Pension Fund Advisory Panel should be reduced so that it only includes Councillor representatives.	October 2020	The membership of the Advisory Panel has been reduced as agreed by the Pension Fund Panel on 19 October 2020.
2.	Training records need to be completed annually.	December 2020	A training framework and workplan was agreed by the Pension Fund Committee on 14 December 2020. Training records will be maintained for all members of the Pension Fund Committee, the Pension Fund Advisory Panel and the Pension Board.
3.	The Pension Board membership should be reviewed to reflect the possible reduced size of the Pension Fund Advisory Panel and membership amended accordingly.	March 2021	This forms a subsequent stage of the governance review, following agreement of the governance recommendations on 19 October 2020. An initial discussion took place at the Pension Board on 20 November 2020 and an options report has been requested for the Pension Board on 4 March 2021.
4.	The membership of the Pension Fund Panel Sub-Committee (Investment Group) should be four Councillors, and its future reviewed in two years' time.	October 2020	The Pension Fund Panel Sub-Committee has been abolished.
5.	Advisers as appointed by the Council should be entitled to attend and speak but not to vote.	October 2020	Advisers will be requested to attend and speak, but not to vote, at the Pension Fund Committee. The decision to abolish the Sub-Committee will mean that the Advisers will no longer attend these meetings.
6.	The governance changes should be approved in line with the Council Constitution.	October 2020	The governance recommendations from the Pension Fund Panel have been agreed by the Council.
7.	All meetings should be properly clerked and minuted, and the minutes checked prior to publication. In addition, details of all meetings should appear on the Council website with reasons why meeting items, or the meeting itself, are classified as exempt information.	October 2020	This recommendation relates only to the Sub-Committee, which has been abolished.

	<b>Recommendation</b>	<b>Timeline</b>	<b>Progress</b>
8.	The decision to approve an updated Investment Strategy Statement (ISS) should be postponed and, before the ISS is approved, it should be checked to ensure that it meets the requirement to provide a performance level that will reduce the funding deficit for the RCBPF.	Spring 2021	Updating the ISS has been postponed. The content of the ISS will be fully reviewed. A revised ISS is not required to be approved until 2022.
9.	Arrangements should be made to provide officer support to enable RCBPF to meet its residual direct functions post pooling.	Spring 2021	The creation of a post of Head of Pension Fund was agreed by the Pension Fund Panel on 19 October 2020. Recruitment to this post is being progressed.
10.	Discussions should take place with the Custodian, Deloitte and LPP to ensure that for those assets still within the legacy custodianship, arrangements are in place to ensure that the 2019/20 Audit runs smoothly.	March 2020	These discussions took place in March 2020.
11.	Discussions should take place with LPP to agree timescales and processes for valuations during Accounts closure and to ensure that the agreement is formally amended to reflect these processes and timescales.	March 2020 Spring 2021	The discussions with LPP took place in March 2020.  The management agreement with LPP should be reviewed in 2021.
12.	Discussions should 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 the legacy mandates.	December 2020	The Pension Fund Committee on 14 December agreed to commence a procurement exercise for the appointment of a Custodian, with the new contract to commence in Autumn 2021.
13.	Review any arrangements RBWM has for meetings and decisions to be taken electronically. The review should include the requirement for an accurate record of how decisions are taken.	October 2020	This issue relates to the Sub-Committee which has been abolished.
14.	Ensure that for any organisation where 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 that the individual is either an Officer or Member of the Council, or earlier should the Council decide.	October 2020	This will be implemented for any future appointments.

	<b>Recommendation</b>	<b>Timeline</b>	<b>Progress</b>
15.	The future model of investment advice should be one firm and one Independent Adviser to advise both the Investment Group and the Pension Fund Panel and that this advice should be procured and evaluated in a clear and transparent process.	Summer 2021	A procurement exercise will be undertaken in 2021 to appoint Independent Advisers to advise the Pension Fund Committee.
16.	Advisers should attend both meetings but not be formal members with voting rights.	October 2020	With the decision to abolish the Sub-Committee, then the Independent Advisers will attend the Pension Fund Committee but will not have voting rights.
17.	With regard to the longevity swap, RCBPF should put in place arrangements to review the assumptions used by the Actuary in calculating the value of the swap.	April 2020	This was undertaken as part of the closure of the Accounts for 2019/20.
18.	RCBPF will need to review the application of any change in accounting standards.	April 2021	This will occur if and when there are any changes to accounting standards. The changes to accounting standards that were being discussed for implementation in 2020 were deferred due to the onset of Covid.
19.	With regard to the valuation of other illiquid or non-market assets, revised arrangements should be put in place involving the Custodian, Deloitte, LPP, RBWM and RCBPF.	March 2020	Arrangements were discussed and agreed in March 2020 prior to the commencement of the Audit for 2019/20. Obtaining valuations for illiquid assets as at 31 March 2020 was severely impacted by the onset of covid.
20.	RCBPF should arrange 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.	March 2020	This meeting was held in March 2020.
21.	The Pension Fund Panel should receive the External Audit report in respect of the RCBPF.	March 2021	The External Audit report should be available to be presented to the Pension Fund Committee on 22 March 2021.

Report Title:	<b>Deloitte ISA 260 Paper for 2019-20 audit</b>
Contains Confidential or Exempt Information	No - Part 1
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 22 March 2021
Responsible Officer(s):	Andrew Vallance, Head of Finance and Deputy Section 151 Officer
Wards affected:	None



## REPORT SUMMARY

This report presents to Members an update on the progress of the 2019-20 Pension Fund audit.

Deloitte's ISA260 paper as presented to the Audit and Governance Committee on 16 February 2021 can be found at Appendix 1.

### 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That the Pension Fund Committee:

- i) Notes the report and external auditor's ISA260 paper 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).

### 3. KEY IMPLICATIONS

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of Delivery
Date when accounts are published, the audit opinion and the number of changes required by auditors	Published later than 30 Sept' or receive a qualified opinion or > 5 material changes	Published on or before 30 September With an unqualified opinion and 1-4 material changes.	Published on or before 30 September with an unqualified opinion and no changes.	n/a	30 September 2020

#### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1 The accounts and ISA260 were presented to the Audit and Governance Committee on 16<sup>th</sup> February 2021. Deloitte have still not completed the audit.
- 4.2 The draft ISA260 is attached as Appendix 1. A final ISA 260 is still awaited. A verbal update on progress will be given at the meeting.

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

- 5.1 In producing, reviewing, auditing and approving the accounts the Council is meeting its legal obligations

#### **6. RISK MANAGEMENT**

- 6.1 Table 1: Risk Analysis

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
Possibility of qualified vfm statement	Medium	Update for issues arising during audit	Low

#### **7. POTENTIAL IMPACTS**

- 7.1 Equalities: Equality Impact Assessments are published on the [council's website](#) . N/A
- 7.2 Climate change/sustainability: N/A
- 7.3 Data Protection/GDPR. N/A

#### **8. CONSULTATION**

- 8.1 N/A

#### **9. TIMETABLE FOR IMPLEMENTATION**

- 9.1 Ongoing.

#### **10. APPENDICES**

- 10.1 This report is supported by 1 appendix:
- Appendix 1 – Deloitte ISA260 paper

#### **11. BACKGROUND DOCUMENTS**

- 11.1 This report is supported by 0 background documents:



## 12. CONSULTATION (MANDATORY)

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
Adele Taylor	Director of Resources and Section 151 Officer		
Ian Coleman	Interim Pension Fund Manager		

## REPORT HISTORY

<b>Decision type:</b>	<b>Urgency item?</b>	<b>To follow item?</b>
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Andrew Vallance, Head of Finance and Deputy s151 Officer
---



50

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

Audit Status Update Report to the Audit & Governance Committee  
for the year ended 31 March 2020

Issued on 08 February 2021 for the meeting on the 16 February 2021

**Deloitte Confidential: Government and Public Services – For Approved External Use Only**

# Contents

51

## 01 Our audit status update report

Introduction	3
Our audit explained	5
Significant risks	6
Control observations and findings	8
Purpose of our report and responsibility statement	13

## 02 Appendices

Audit adjustments	15
Fraud responsibilities and representations	17
Independence and fees	18

# Introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

<p>We have pleasure in presenting our audit status update report to the Audit &amp; Governance Committee of Royal Borough of Windsor &amp; Maidenhead (the "Committee") for the 2020 audit of the Royal County of Berkshire Pension Fund (the "Fund"). The scope of our audit was set out within our planning report presented to the Corporate Oversight &amp; Scrutiny Panel in May 2020.</p>	
<p><b>Status of the audit – Pension Fund</b></p>	<p>At the date of issue of this report, our audit of the pension Fund for the year ended 31 March 2020 is nearing completion. We have set out on page 4 the procedures that are in progress. Responses have been provided for all IAS 19 requests from auditors of other Fund employers, including two late requests for 2019 for Reading Borough Council and Slough Borough Council.</p> <p>Significant changes have been made to the audit timetable we presented in our planning report as a result of delays experienced in receiving information from the Fund and its third party service organisations across many key areas of testing. Some of the delays were the result of the COVID-19 pandemic. Where delays were due to weaknesses in governance or controls, we have included our comments on this within the control observations and other findings section of the report.</p> <p>On investigation, the alternative investment portfolio was materially overstated in the draft financial statements by £31.5m. This was due to the use of stale valuations that had not been adjusted to reflect the negative performance experienced by many funds during the first quarter of 2020 as a result of COVID-19. This is the second year we have performed the audit of the Fund and we have identified material misstatements in both years (£74.5m overstatement in the 2019). We therefore draw your attention to the high priority recommendations on pages 8 to 12.</p> <p>The investment manager, Local Pensions Partnership ("LPP"), has found it difficult to obtain and provide some of the requested information for our testing of the alternative investment funds. This included audited financial statements of the funds, without which it was not possible for us to conclude on our testing. We have now received all the information we require in respect of the alternative investments.</p> <p>Following the receipt of the draft financial statements for the Fund as at 31 March 2020, we revised our materiality from £14.5m to £20.3m. The initial materiality calculation had been based on an estimate that net assets would be 70% of what they were at 31 March 2019, as an estimate of the potential effect of COVID-19 on investment values. In contrast, the draft reporting for 2020 showed a much higher net asset balance than predicted. Our reporting threshold has also been updated from £0.3m to £1.02m, which is in line with our revised materiality.</p>
<p><b>Conclusions from our testing</b></p>	<p>We have set out a summary of misstatements and disclosure deficiencies identified to date in an appendix to this report (see pages 15 and 16). The main adjusted misstatement relates to the overstatement of alternative investments as noted above. The corrected disclosure misstatements relate to an undisclosed material uncertainty of property fund valuations and an undisclosed related party transaction of an overnight loan of £1.2m made by the Fund to the Royal Borough of Windsor and Maidenhead ("the Authority").</p>

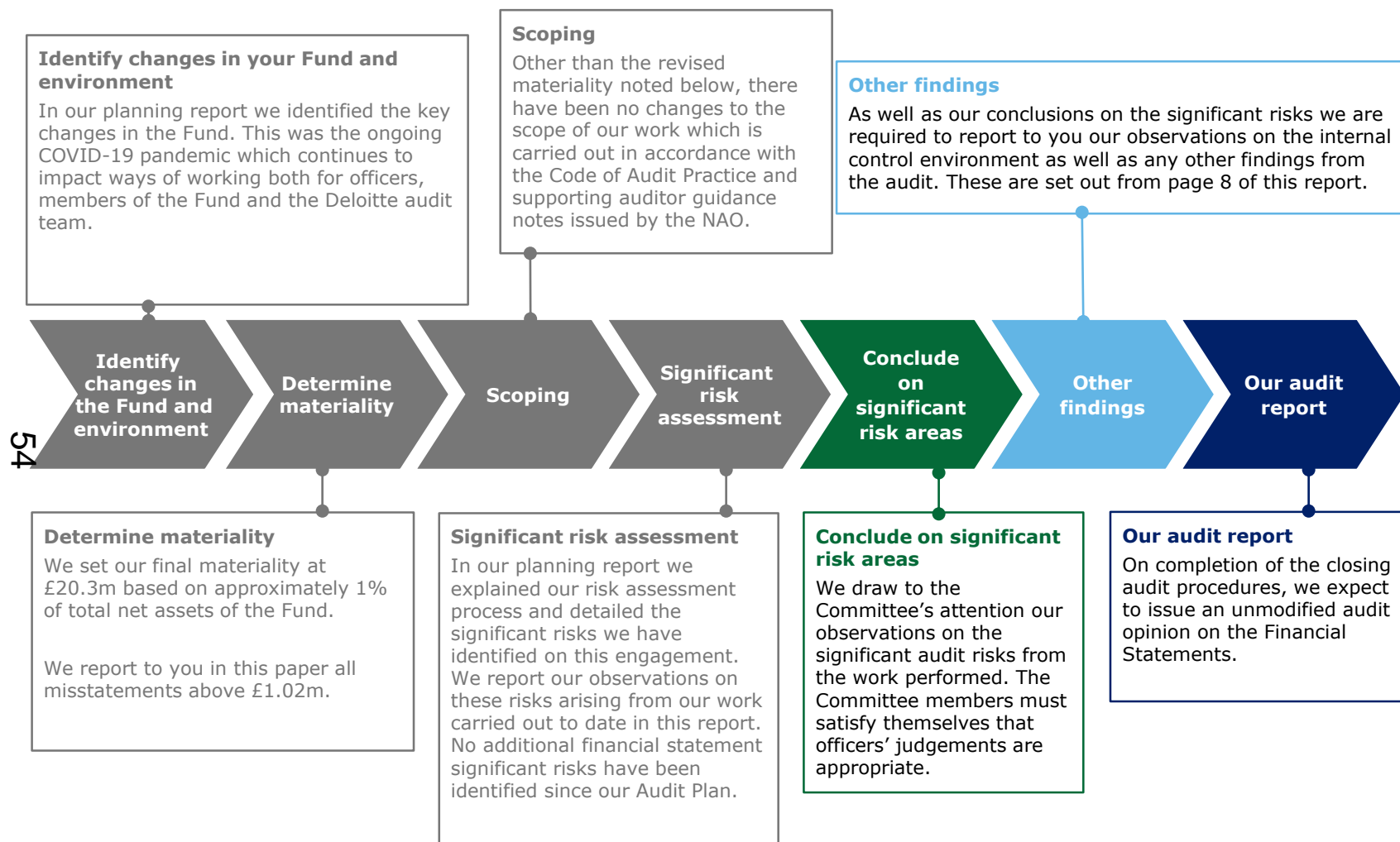
# Introduction

## The key messages in this report (continued)

<div>53</div> <div>Audit procedures outstanding</div>	<p>The following audit procedures are ongoing at the time that this report was released:</p> <ul style="list-style-type: none"> <li>• Finalise our work on the controls for investment and disinvestment of cash during the year;</li> <li>• Complete our work on the change in market value of investments;</li> <li>• Complete an assessment of the controls at the actuary regarding the longevity swap valuation;</li> <li>• Finalise our testing on lump sums, including the revised audit approach of examining lump sum controls;</li> <li>• Review the updated financial statements and provide comments on the Fund annual report;</li> <li>• Finalise the documentation on controls and substantive testing of contributions and benefits;</li> <li>• Complete concluding analytical procedures on the final draft set of financial statements;</li> <li>• Review of the accounting rationale for the key judgements and estimates in the financial statements;</li> <li>• Review the Fund’s conclusion over the extent and nature of member system super-users editing their own records and complete additional controls testing where necessary;</li> <li>• Conclude on the findings raised by the independent governance report;</li> <li>• Conclude on the permissibility under the relevant regulations of the overnight loan made by the Fund to the Authority;</li> <li>• Review the Fund’s Annual Report for consistency with the Fund’s financial statements;</li> <li>• Finalisation of our internal quality review procedures;</li> <li>• Obtain and review evidence of contributions continuing to be received and benefits being paid out in the post year end period;</li> <li>• Finalise our review of all post year end Panel and Board meeting minutes;</li> <li>• Review the final audit conclusions and consider if there are any regulatory implications;</li> <li>• Update of our subsequent events and finalise going concern procedures; and</li> <li>• Receipt of the signed representation letter.</li> </ul>
<div>Management representations</div>	<p>We will obtain written representations from the Chief Financial Officer on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the representation letter has been issued ahead of signing the financial statements.</p>
<div>Audit fee</div>	<p>As explained in our 2019/20 fee letter, our audit fee is based on assumptions about the scope and required time to complete our work. For the reasons set out above, our audit was not concluded by the original 31 July deadline, or the extended 30 November deadline, and it has required substantial further input. The audit has also required additional procedures in response to COVID-19. We continue to discuss the impact on the audit fee with the Authority and Public Sector Audit Appointments (“PSAA”). The final fee amount will be communicated to the Committee.</p>

# Our audit explained

## We tailor our audit to your organisation



# Significant risks

## Management override of controls

### Risk identified

In accordance with ISA 240 (UK) management override of controls is always a significant risk. This risk area includes the potential for officers to use their judgement to influence the financial statements as well as the potential to override the Fund's controls for specific transactions.

### Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that the Fund's draft financial statements were overstated by approximately £31.5m due to the inclusion of 55 alternative investment funds at values that had not taken account of the impact of COVID-19 on performance.

5  
We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

### *Significant and unusual transactions*

We note that the Fund made an overnight loan to the Authority on the 27 June 2019 of £1.2m. We are considering the relative permissibility of this transaction under the relevant regulations. We have not identified any other significant transactions outside the normal course of business nor any transactions where the business rationale was not clear in the current year.

### *Journals*

We have performed design and implementation testing of the controls in place for journal approval. Our work on the controls for investment and disinvestment of cash during the year is in progress.

We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest. This included consideration of related party transactions.

We have tested the appropriateness of a sample of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting, including making enquiries of individuals involved in the financial reporting process.

### *Accounting estimates*

We received an accounting paper on critical estimates and judgements on the 3 February 2021. We will perform a review of this paper.

The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest.

We have reviewed the draft financial statements' accounting estimates for biases that could result in material misstatements due to fraud.

We also considered the impact of COVID-19 on the level of risk associated with potential frauds and adjusted our procedures accordingly.

We have not completed our tested on accounting estimates and judgements due to the delay in receipt of the accounting paper. Our ongoing work is focused on the areas of greatest judgement and value. Our procedures include comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources. The findings from our work on the longevity swap valuation are included on page 7 of this report.

### Issues identified

- We have identified control deficiencies, set out on pages 8 to 11;
- We are considering the overall impact on the audit of the issues identified to date and we will report any further impact and findings to the Committee in our final report;
- Other than the undisclosed loan noted above, we have not identified any significant bias in the key judgements made by officers based on work performed; and
- We have not identified instances of management override of controls in the current year in our work to date.

# Significant risks (continued)

## Valuation of the longevity hedge

### Risk identified

The Fund holds a material longevity insurance policy to hedge longevity risk. A longevity hedge is designed to insure the Fund against the risk that pensioners live longer than the current mortality assumptions. Valuation of longevity hedges are sensitive to relatively small movements in the key assumptions used in the actuarial calculations. The setting of these assumptions involves judgement. The longevity hedge was valued as a liability of £103.8m in the 2018/19 Statement of Accounts and £121.8m in the 2019/20 Statement of Accounts presented for audit and is therefore quantitatively material. As a result of this we consider the valuation of the longevity hedge to be a significant risk.

### Key judgements and our challenge of them      Deloitte response

The Fund held a longevity hedge liability of £121.8m (PY: £103.8m) at 31 March 2020 which is required to be recorded at fair value.

The Fund's practice is to obtain a valuation from the Fund's actuary as at each year end. The actuary also reviews the assumptions relating to the overall Fund's liability on a triennial basis. The most recent triennial valuation was completed as at 31 March 2019.

During the audit the balance was revised by £2.08m (initial draft liability was £123.9m) due to the actuary issuing an updated report.

Key judgements include:

- The discount rates used in discounting the estimated cash flows associated with the instrument; and
- The mortality improvement assumptions.

We have:

- Performed an assessment of the actuarial expert in respect of their knowledge and experience in this area;
- Identified an absence of the review control that we recommended in our 2019 audit report with respect to the valuation of the longevity swap. Given the weaknesses identified, we are still considering other key controls;
- Obtained a valuation report directly from the actuary and reconciled this to the financial statements disclosure;
- Reviewed the underlying documentation for the policy, including the population covered, the assumptions and other key inputs used in the calculation, and the agreed cash flows;
- Engaged in-house actuarial specialists to challenge and assess the reasonableness of the valuation of the policy based on the underlying terms of the contract and the forecast cash flows; and
- Compared our expectation of the value with that reported by the actuary, investigating any differences identified that are outside the range of results that we consider to be reasonable.

### Deloitte view

Following review by our internal specialists we conclude that the assumptions used are in line with the market and that the value included in the financial statements is within an acceptable range based on the present value of the cash flows provided.

It is recommended that the actuary:

- monitors the mortality experience of the swap and tests the ongoing appropriateness of assuming the base mortality is in line with the pension Fund assumptions.
- continues to perform an Analysis of Change which will provide an additional layer of control on the results.
- challenges the premium schedule inputs from ReAssure (counterparty) should they change unexpectedly as this will provide an additional layer of control on the results.

We have identified a **control weakness** in this area and made recommendations for management to consider when valuing the longevity hedge in future. Our recommendations have been summarised from page 8.



# Control observations

During the course of our audit we have identified internal control findings which we have included below for information.

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit to date and that we have concluded are of sufficient importance to merit being reported to you. We will report to you any other significant deficiencies we identify during the conclusion of our audit work in our final audit report.

Area	Observation
<b>Valuation of the longevity swap</b> 57	<p>In our final report on the 2019 audit, we recommended that the Authority ensures that 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. Discussions with officers of the Fund during the 2020 audit revealed that, while the longevity swap valuation had been discussed with Barnett Waddingham, there was no formal control design documented and no recorded evidence of implementation of the control. We have been informed that the discussion with Barnett Waddingham took place after inclusion of the valuation in the financial statements.</p> <p>This is a significant control weakness and we recommend that the Authority ensures that 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. We recommend that evidence of this review and assessment is clearly documented.</p>
<b>Valuation of the convertible bond</b>	<p>In our final report on the 2019 audit, we recommended that the Authority ensures that 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. In the current year the value included in the financial statements was very close to the final value in the 31 March 2019 financial statements. The value presented in the draft financial statements was £2.3m (2019: £2.2m), but given the complexity involved in valuing this instrument, we made enquiries of the Fund to ensure that there was an evidence-based rationale for this value. On investigation it was noted that there was no formal support for the decision to leave the value unchanged in the draft financial statements and no evidenced-based rationale had been prepared. Following discussions with management, a paper was provided by the investment manager to support the valuation decision.</p> <p>We recommend that the Committee ensures that the valuation of all bespoke investments is understood by the investment manager before completion of the draft financial statements, and that controls are implemented to ensure an appropriate challenge is made of valuations received from any service organisation. We recommend that evidence of this review and assessment is clearly documented.</p>


# Control observations (continued)

Area	Observation
<b>Valuation of the private equity portfolio and other alternative funds</b>	<p>In our final report on the 2019 audit, we recommended that the Authority review the terms and conditions of its relationship with all investment service providers and seek assurance that controls are in 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. Our standard testing approach for alternative investment funds includes obtaining the most recent audited financial statements of the investment fund along with information about capital committed and any capital transactions that occurred since the date of the audited financial statements. Obtaining the specific information we require and receiving this in a timely manner has continued to be difficult during the current year audit and we have experienced delays. This has directly impacted the progress of this testing. It also continues to indicate the absence of robust controls around the management of these funds. We are aware that the Fund has taken steps to better understand the processes, controls and responsibilities of the investment service providers and that consideration is being given to how best to address this finding.</p> <p>Audit testing in the 2020 year audit revealed that the alternative funds were overstated in the draft financial statements by approximately £31.5m. This misstatement was adjusted in the final financial statements. In discovering and resolving this misstatement it was noted that there was no process or control in place to determine the valuation of lagged price funds as at the year end, or to update the financial statements if new information came to light before they were signed.</p>
<b>58</b>	<p>These matters represent significant control weaknesses. We recommend that the Fund continues to review the terms and conditions of its relationship with all investment service providers and takes steps to ensure that controls are in place such 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. We recommend that the Fund also ensures that controls within the financial reporting process are implemented such that the best estimate of the fair value of investments is used in the draft financial statements and that material changes to the investment balances that come to light before signing are reflected in the financial statements.</p>
<b>Retrospective review of investment decision making</b>	<p>In our final report on the 2019 audit we also recommended that the Fund perform a review of the arrangements around pension asset investment decision making, monitoring and reporting of the valuation of those investments. This was to include an historic review of the arrangements with respect to the specific assets that were adjusted significantly to identify the lessons that can be learned and to embed this learning into the new arrangements. The outcome from these reviews was to be reported to both the Corporate Oversight &amp; Scrutiny Panel and the pension Fund Panel. We note that the scope of the work did include these considerations and that the final report was provided to the Authority in July 2020. Our consideration of the conclusions of this report is ongoing and we will present our findings to the Committee in our final audit report.</p>

# Control observations (continued)

Area	Observation
<b>Review of financial statements</b>	<p>The design of the control for review of the financial statements did not include checking the draft statements to the underlying workings. We also noted that for the 2020 financial statements there was no evidence of a formal review and, at the time of testing this control, there was a lack of awareness of any review process. Furthermore, there was no evidence that the CIPFA checklist had been used in the accounts preparation process, or in any review that may have taken place. This weakness in control increases the likelihood of misstatements in the financial statements.</p> <p>We recommend that the design of the financial statement review control is amended to include checking to underlying working papers, includes completion of a full CIPFA checklist, and is communicated clearly to all those involved in the preparation and review process. The implementation of the control should be evidenced appropriately and this evidence should be retained for a sufficient period.</p>
<b>5 Review of journals</b>	<p>The design of the control for review of journal postings does not include a formal description of the review process. There was no clear evidence available that a review took place over journal postings for a month selected. We also noted that some of the monthly investment posting updates did not occur within a reasonable timeframe. Furthermore, during journal testing it was noted that there were multiple errors in original journal postings that had to be adjusted in subsequent journal entries. This suggests that any control implemented over journal review was deficient.</p> <p>We recommend that the design of the journal posting review control is amended to include a well defined scope, for example a checklist, is communicated clearly to all those involved in the preparation and review process, and takes place in a timely manner before journals are posted to the accounting system. The implementation of the control should be evidenced appropriately and this evidence should be retained for a sufficient period.</p>
<b>Administration system editing rights</b>	<p>From the work performed on controls around member data, we noted that the system super-users have the access rights to edit their own member records and those of each other. Whilst any editing of the system can be reviewed in a system audit report, there is no formal regular review of this editing activity and no evidence was available of any other mitigating controls. On review of the system audit report for a two year period ended 31 March 2020, it was noted that both super-users had edited either their own or the other super-user's records. We have asked the Authority to determine the effect of this editing and to provide confirmation that they were made legitimately. This report has not yet been received. Once received, we will review the Fund's conclusion over the extent and nature of super-users editing their own records, complete additional testing where necessary and conclude as to whether there is any impact on our audit opinion.</p> <p>We recommend that the IT system is updated to prevent super-users from editing their own records, that any editing of each other's records is checked by a third person, and that an annual review of the system audit report is conducted to ensure that this control is being implemented and evidenced.</p>

# Control observations (continued)

Area	Observation
<p><b>No evidence of authorisation for overnight loan prior to payment</b></p>	<p>As noted on page 6, the Fund made an overnight loan to the Authority on the 27 June 2019 of £1.2m. The amount was returned to the Fund in full on the 28 June 2019. Officers of the Fund have made it clear that they were aware of and approved the transaction at the time. However, there was no evidence available to demonstrate that the Fund authorised this transaction in advance of the payment to the Authority, nor was there a formal record of the business rationale from the perspective of the Fund for such a transaction. We are considering the relative permissibility of this transaction under the relevant regulations.</p> <p>We also consider this transaction to be qualitatively material and therefore should be disclosed in the notes to the Financial Statements of the Fund. This disclosure was not present in the initial draft, but has now been added following our audit recommendation.</p> <p>We recommend that the Fund implements a control to record and review the rational for all transactions outside the normal course of business, including consideration of any relevant laws, regulations and conflicts of interest. We also recommend that sufficient appropriate evidence is retained demonstrating that the control has operated for all such transactions.</p>
<p></p> <p><b>Separation of the Fund from the Authority</b></p>	<p>In reconciling the journal activity for the year, it was noted that some journal postings included activity for both the Fund's financial statements and those of the Authority. On reviewing the journal population as a whole for both the Fund and the Authority we concluded that the population was complete for the year ended 31 March 2020. We also noted that some payments made to the Authority by the Fund for costs incurred on behalf of the Fund, were not formally invoiced by the Authority and that there was no evidence of formal authorisation available for these transactions.</p> <p>We recommend that the general ledgers of both entities are maintained in isolation. We also recommend that formal documentation is prepared by the Authority to request payments from the Fund, and that this is reviewed by the Fund before payments are made. Furthermore, sufficient appropriate evidence should be retained demonstrating that the control has operated for all such transactions.</p>

# Other Findings

During the course of our audit we have identified findings which we have included below for information.

The purpose of the audit was for us to express an opinion on the financial statements. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you. We will report to you any other significant findings we identify during the conclusion of our audit work in our final audit report.

Area	Observation
<b>Lack of continuity plans in relation to absence of key individuals</b>	We have noted during our audit that the departure in early 2020 of the Fund accountant has led to delays in providing a number of elements of documentation. This may also have contributed to the failure of some financial statement controls as noted above. The impact of the departure may have been more significant if not for the assistance provided by the outgoing accountant, months after he had left his post. We note that accounting is not the only area of the Fund's operations that could be susceptible to changes in key personnel. Therefore we recommend that continuity plans be developed for all key roles within the Fund's operations.
<b>Internal audit and monitoring of controls</b>	It was noted that there was no formal internal audit review of the controls of the Fund for the year to 31 March 2020. We understand that this was partly due to the result of the review in the previous year. A governance review was planned, but this was superseded by the independent external review commissioned by the Authority. However, given the number of control deficiencies noted above, we recommend that the internal audit function of the Authority is engaged annually to assess the operation of controls at the Fund. We are still considering the overall governance structure in our review of the independent governance report and we will report any additional conclusions regarding the control environment to the Committee in our final report.
<b>Compliance with LGPS regulations and the regulator</b>	Within the administration strategy document, it is noted that there should be clear procedures laid out in relation to confirming compliance with LGPS regulations and the regulator. The Fund staff informed us that a work plan takes all items to committee meetings throughout the year, but no evidence was available to demonstrate that a formal procedure document exists. We recommend that procedures are developed in response to the requirements, and which ensure that the Fund meets its statutory obligations and regulatory requirements.

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Audit & Governance Committee and the Fund discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

### What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Fund.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by officers or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

This report has been prepared for the Audit and Governance Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

We welcome the opportunity to discuss our report with you and receive your feedback.



**Jonathan Gooding**

for and on behalf of Deloitte LLP

St Albans

08 February 2021

# Appendices

63





# Audit adjustments

## Uncorrected misstatements

There are no misstatements that have been identified up to the date of this report which have not been corrected by officers of the Fund.

## Corrected misstatements

The following misstatements have been identified which have been corrected by officers. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/ (credit) Fund account £m	Debit/ (credit) in Net asset statement £m	If applicable, control deficiency identified
<b>Misstatements identified in current year</b>				
Overstatement of investments from stale priced alternative funds	[1]	(31.5)	31.5	Yes
Overstatement of longevity swap liability	[2]	2.1	(2.1)	No
<b>Total</b>		<b>(29.4)</b>	<b>29.4</b>	
<b>Misstatements identified in prior years – see prior year ISA 260 for details</b>				
Revaluation of longevity swap		40.3	(40.3)	Yes
Revaluation of convertible bond		34.2	(34.2)	Yes
<b>Total</b>		<b>74.5</b>	<b>(74.5)</b>	

(1) 55 alternative funds had been included within the draft financial statements at stale prices, unadjusted for market movements up to the year end. Valuations received during the audit showed that these funds had decreased in value in aggregate by a material amount.

(2) During the audit, the actuary updated the longevity swap valuation.



# Audit adjustments (continued)

## Disclosures

### Disclosure misstatements

The following disclosure misstatements have been identified which officers have corrected.

---

#### Disclosure

##### Material uncertainty of property fund valuations

In our planning report dated the 21 May 2020, we identified that property valuers had experienced difficulties in assessing the market value of properties as at the 31 March 2020 due to the restrictions in force as a response to COVID-19. This was an industry wide issue and, following guidance issued by the Royal Institute for Chartered Surveyors, it was expected that all valuers will report a material uncertainty over the value of property assets held at 31 March 2020 as a result of Covid-19 factors. In response to the valuation uncertainties, many property funds were gated as at 31 March 2020. The extent to which this issue affected the Fund was to be assessed.

As part of the audit we received more information about the material property funds. We consulted with our Deloitte Real Estate Specialists, including consideration of the type and nature of the properties held. On review of the evidence received it was concluded that a material uncertainty did exist over the valuation of the Fund's property funds as at 31 March 2020. Given the value of the property funds included within the Fund's financial statements (approximately £292m), the presence of a material uncertainty over these valuations should be disclosed in the financial statements. This disclosure was absent from the draft financial statements, but has now been added in response to this audit finding.

---

##### Related party transaction

As noted within our controls findings above, the Fund made an overnight loan to the Authority of £1.2m on 27 June 2019. We are considering the permissibility under the relevant regulations of the overnight loan made by the Fund to the Authority, but we consider this transaction to be qualitatively material and requiring disclosure as a related party transaction. This disclosure was absent from the draft financial statements, but has now been added in response to this audit finding.

---

# Fraud responsibilities and representations

## Responsibilities explained



### Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with officers and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



### Required representations:

We have asked the Fund to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Fund.

We have also asked the Fund to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



### Audit work performed:

In our planning we identified valuation of the longevity hedge and management override of controls as key audit risks for the Fund.

During course of our audit, we have had discussions with officers and those charged with governance.

In addition, we have reviewed officers' own documented procedures regarding fraud and error in the financial statements.

# Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Fund.
<div data-bbox="79 468 349 579">Audit fees</div> <div data-bbox="79 579 349 722">67</div>	<p>The scale fee for the 2019/20 audit of the Pension Fund was £19k. This is the same scale fee as the 2018/19 audit. Our audit fee is based on assumptions about the scope and required time to complete our work.</p> <p>As noted earlier in this report, our audit was not concluded by the original 31 July deadline and it has required substantial further input. We continue to discuss the impact on the audit fee with the authority and Public Sector Audit Appointments ("PSAA"). The final fee amount will be communicated to the Committee once agreed.</p>
Non-audit fees	There were audit related services carried out regarding the issuance of assurance letters to the auditors of participating employers. The fees for this work are being considered as part of the discussions around the main audit fee. There are no other non-audit fees.
Independence monitoring	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Fund, its members, officers and affiliates. We have not supplied any services to other known connected parties.
Ethical Standard 2019	The FRC has released the Ethical Standard 2019. The standard classes pension schemes as 'other entities of public interest' where assets are greater than £1bn and there are 10,000 members. As a result, non audit services will be limited primarily to reporting accountant work, audit related and other regulatory and assurance services. All other advisory services to these entities, their UK parents and world-wide subs will be prohibited.



Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities).

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

© 2021 Deloitte LLP. All rights reserved.

Report Title:	<b>Administration Report</b>
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 – 22 March 2021
Responsible Officer(s):	Kevin Taylor, Pension Services Manager, Philip Boyton, Pension Administration Manager
Wards affected:	None

www.rbwm.gov.uk



## REPORT SUMMARY

This report deals with the administration of the Pension Fund for the period 1 October 2020 to 31 December 2020. It recommends that Members (and Pension Board representatives) note the Key Administrative Indicators throughout the attached report.

Good governance requires all aspects of the Pension Fund to be reviewed by the Administering Authority on a regular basis. There are no financial implications for RBWM in this report

### 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That Committee notes the report and:

- (i) All areas of governance and administration as reported
- (ii) 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

- 2.1 The Berkshire Pension Fund Committee has a duty in securing compliance with all governance and administration issues.

### 3. KEY IMPLICATIONS

- 3.1 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

- 4.1 Not applicable.

## **5. LEGAL IMPLICATIONS**

5.1 None.

## **6. RISK MANAGEMENT**

6.1 None.

## **7. POTENTIAL IMPACTS**

7.1 Equalities: Equality Impact Assessments are published on the [council's website](#)  
N/A

7.2 Climate change/sustainability: N/A

7.3 Data Protection/GDPR. N/A

## **8. CONSULTATION**

8.1 Not applicable.

## **9. TIMETABLE FOR IMPLEMENTATION**

9.1 Not applicable.

## **10. APPENDICES**

10.1 This report is supported by 0 appendices

## **11. BACKGROUND DOCUMENTS**

11.1 This report is supported by 0 background documents.

## **12. CONSULTATION (MANDATORY)**

<b>Name of consultee</b>	<b>Post held</b>	<b>Date issued for comment</b>	<b>Date returned with comments</b>
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		

## REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Kevin Taylor, Pension Services Manager 07992 324393
--



## **ADMINISTRATION REPORT**

**QUARTER 4 – 2020/21**

**1 October 2020 to 31 December 2020**

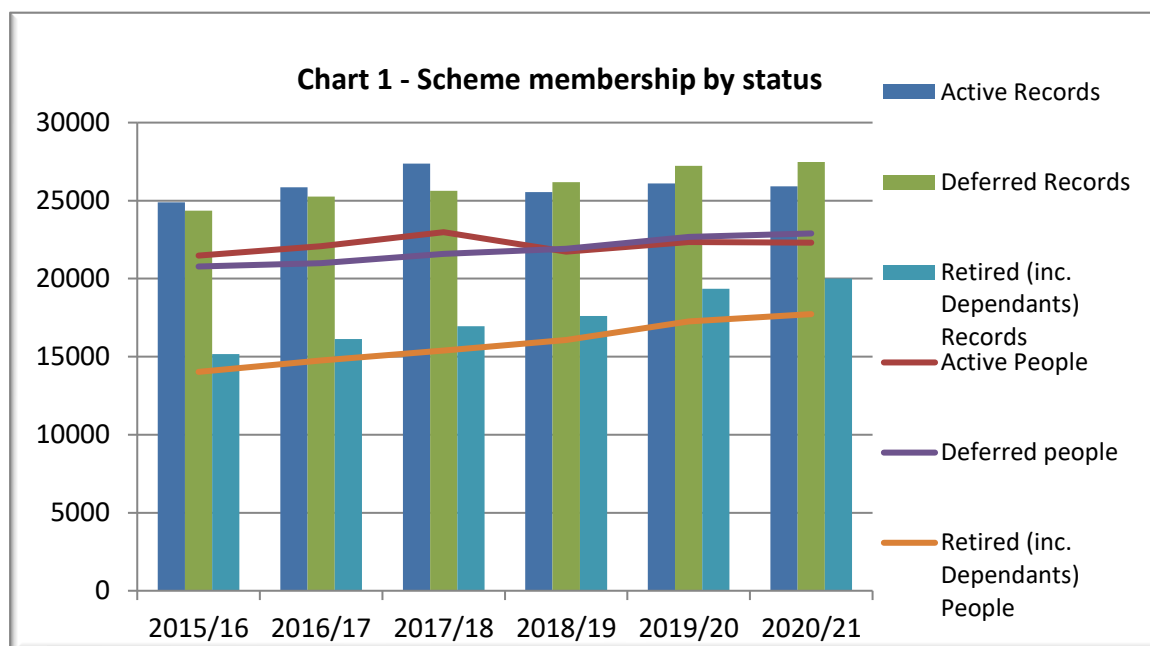


## Contents

1.	ADMINISTRATION .....	6
1.1	Scheme Membership .....	6
1.2	Membership by Employer.....	6
1.3	Scheme Employers.....	7
1.4	Scheme Employer Key Performance Indicators .....	8
1.5	Key Performance Indicators.....	9
1.6	Communications .....	11
1.7	Website Page Views.....	11
1.8	Stakeholder Feedback .....	11
2	SPECIAL PROJECTS.....	12
2.1.	McCloud Judgement .....	<b>Error! Bookmark not defined.</b> 1

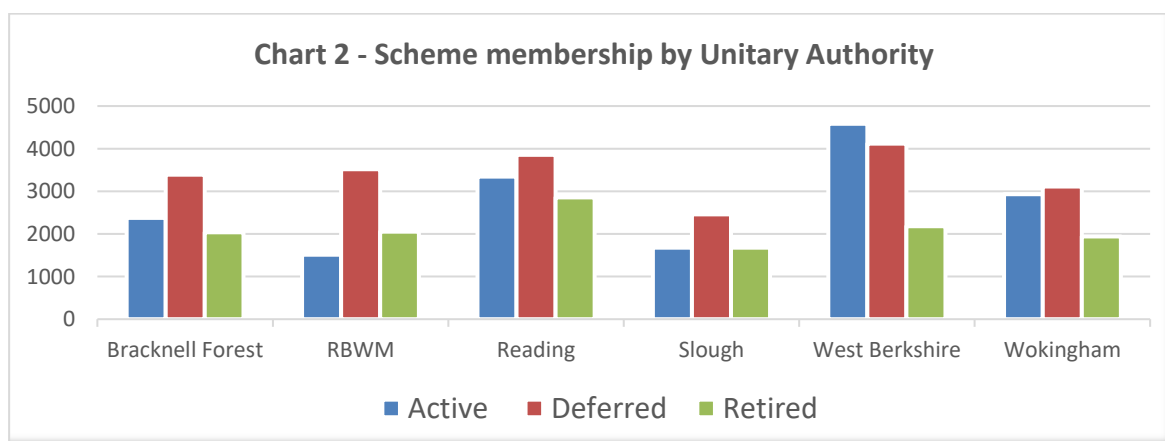
## 1. ADMINISTRATION

### 1.1 Scheme Membership



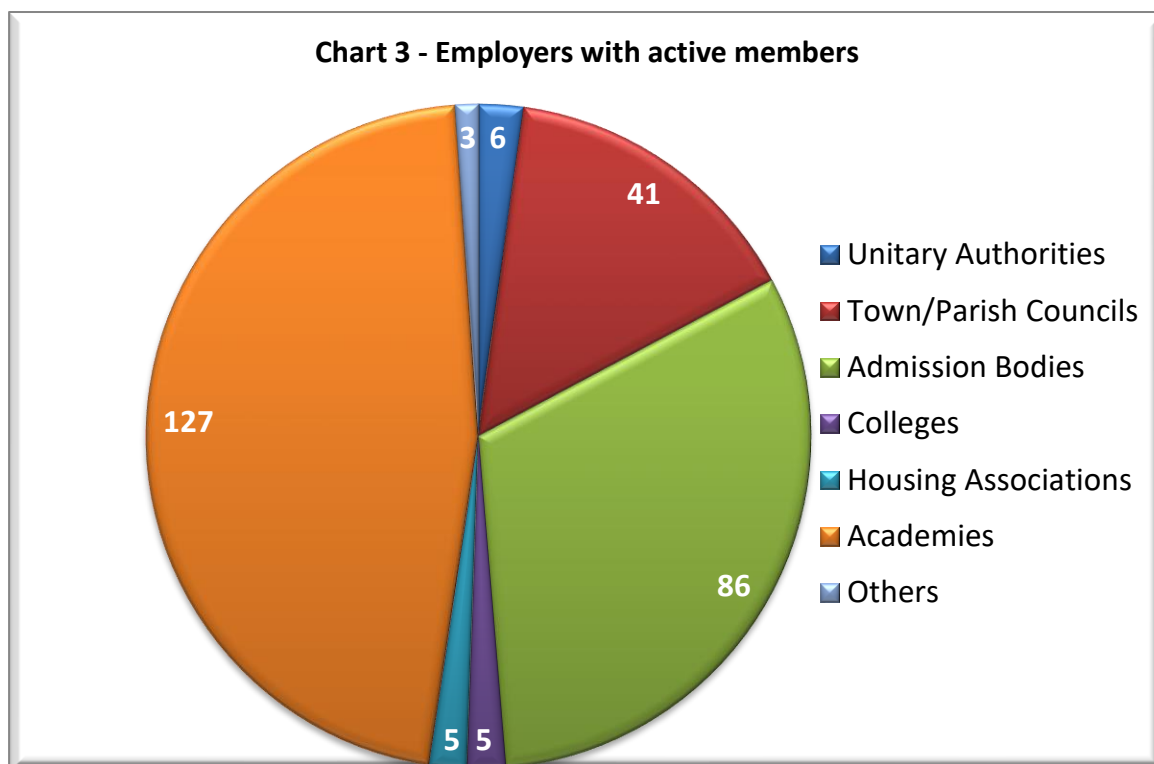
TOTAL MEMBERSHIP			
Active Records	25,918	Active People	22,314
Deferred Records	27,477	Deferred People	22,898
Retired Records	20,014	Retired People	17,728
<b>TOTAL</b>	<b>73,419</b>	<b>TOTAL</b>	<b>62,940</b>

### 1.2 Membership by Employer



Membership movements in this Quarter (and previous Quarter)						
	Bracknell	RBWM	Reading	Slough	W Berks	Wokingham
Active	-39 -51	+3 -77	-1 -120	-22 -42	+221 -37	-31 -14
Deferred	-27 -8	-32 +3	-35 +6	-49 -5	-1 +2	-3 +8
Retired	+80 +24	+53 +12	+101 +31	+46 +14	+96 +19	+72 +16

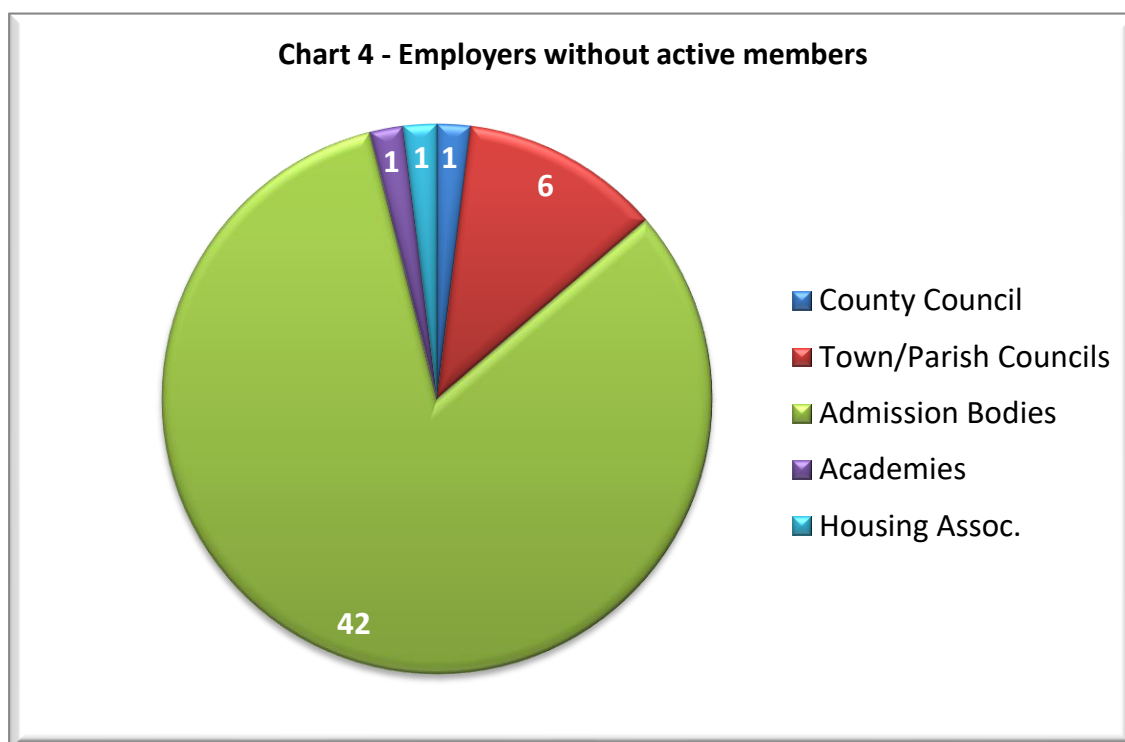
### 1.3 Scheme Employers



New employers since last report:

**Admission Bodies:** Hayward Services Limited (SASH Education Trust)

**Academies:** Reach2 Academy Trust (Green Park Village School)



**Exiting employers:** None

## 1.4 Scheme Employer Key Performance Indicators

Table 1A – i-Connect users Quarter 4 (1 October 2020 to 31 December 2020)					
Employer	Starters	Leavers	Changes	Total	Submission Received Within Specification
Bracknell Forest Cncl	157	126	254	537	100%
RBWM	142	105	154	401	66.6%
Reading BC	208	137	347	692	66.6%
Slough BC	124	155	144	423	100%
West Berks Council	490	142	575	1,207	100%
Wokingham BC	103	42	201	346	100%
Academy/ School	322	182	1599	2,103	72.3%
Others	277	181	1150	1,608	85.71%
<b>Totals</b>	<b>1,823</b>	<b>1,070</b>	<b>4,424</b>	<b>7,317</b>	

**NOTES:** Table 1A above shows all transactions through i-Connect for the third quarter of 2020/2021. Changes include hours/weeks updates, address amendments and basic details updates.

The benefits of i-Connect are:

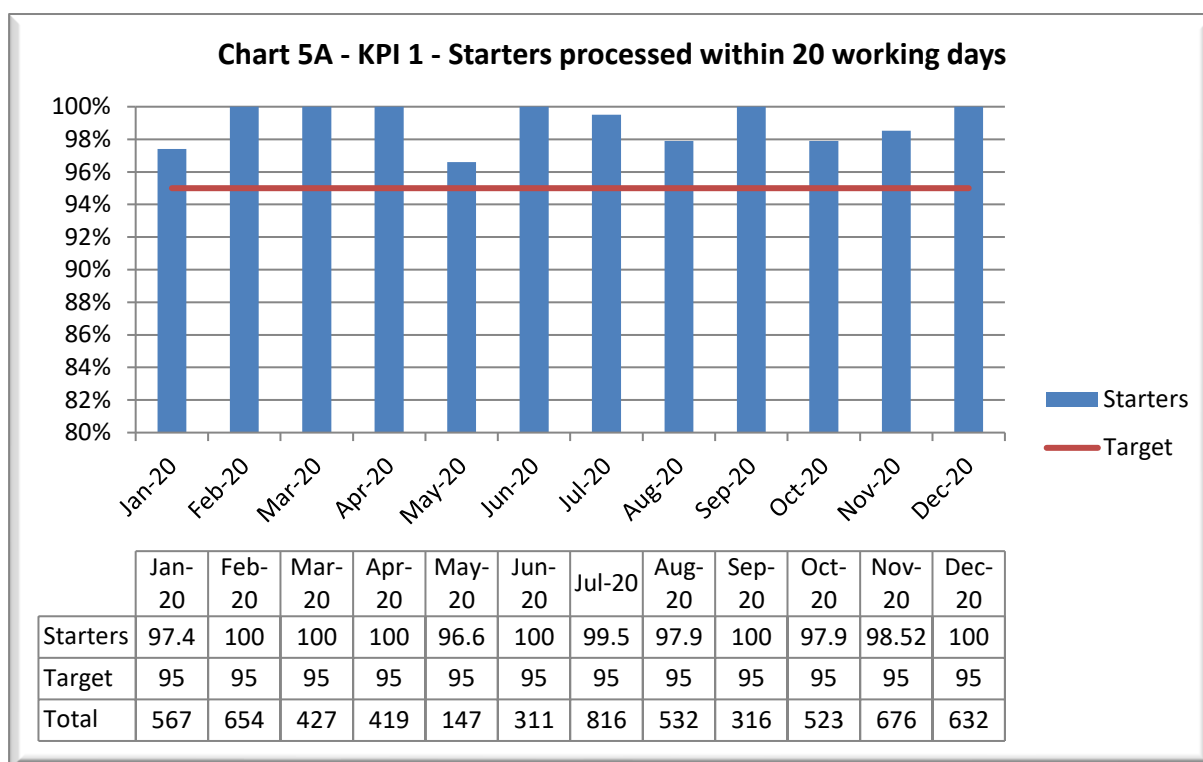
- Pension records are maintained in 'real-time';
- Scheme members are presented with the most up to date and accurate information through *mypension* ONLINE (Member self-service);
- Pension administration data matches employer payroll data;
- Discrepancies are dealt with as they arise each month;
- Employers 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.

178 scheme employers are yet to on board i-Connect.

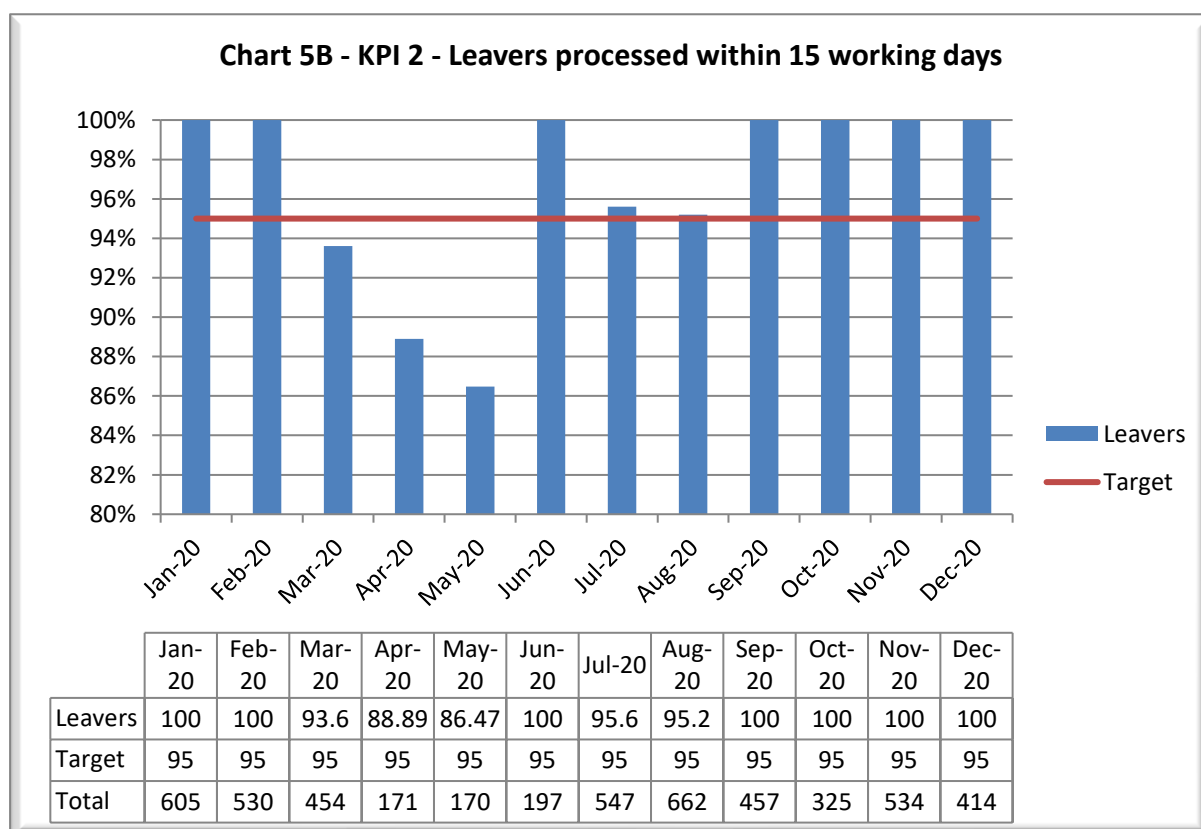
The Pension Fund is committed to having the vast majority of scheme employers with 10 or more scheme members uploaded to i-Connect by 31 March 2021. Scheme employers with fewer than 10 scheme members will also be given the option of using an on-line portal version of i-Connect by that date.

Officers are pleased to confirm since the last meeting of the Pension Fund Committee Windsor College Forest Group have on boarded i-connect with Kennet School Academies Trust, Maiden Erlegh Schools Trust and St Bartholomew's School due to on board before 1 April 2021. These on boards will cover circa 800 scheme member records.

## 1.5 Key Performance Indicators

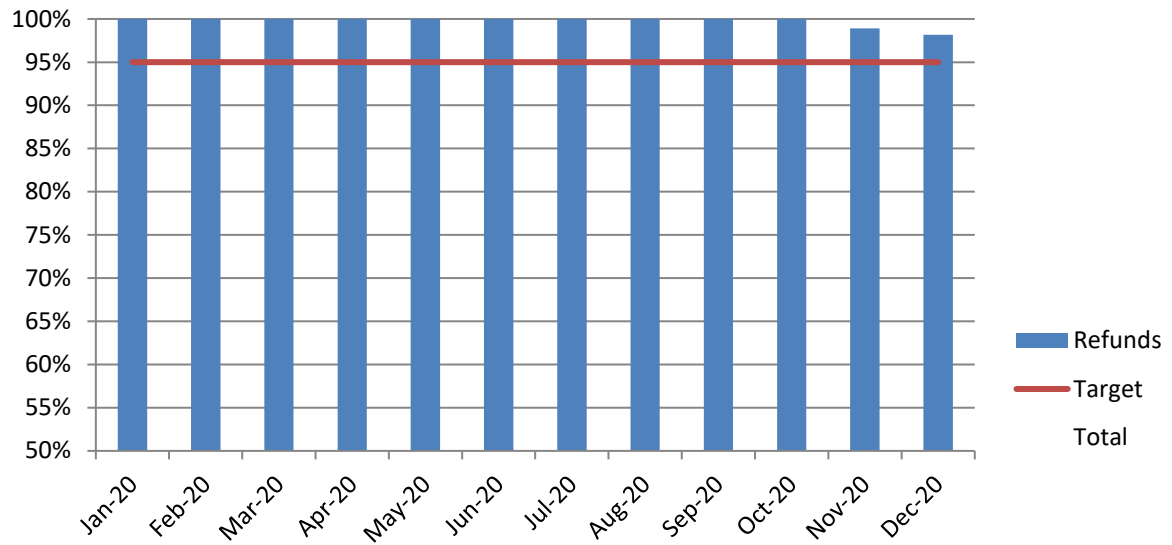


**CIPFA Benchmark:** Two months from date of joining the scheme or if earlier within one month of receiving jobholder information.



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

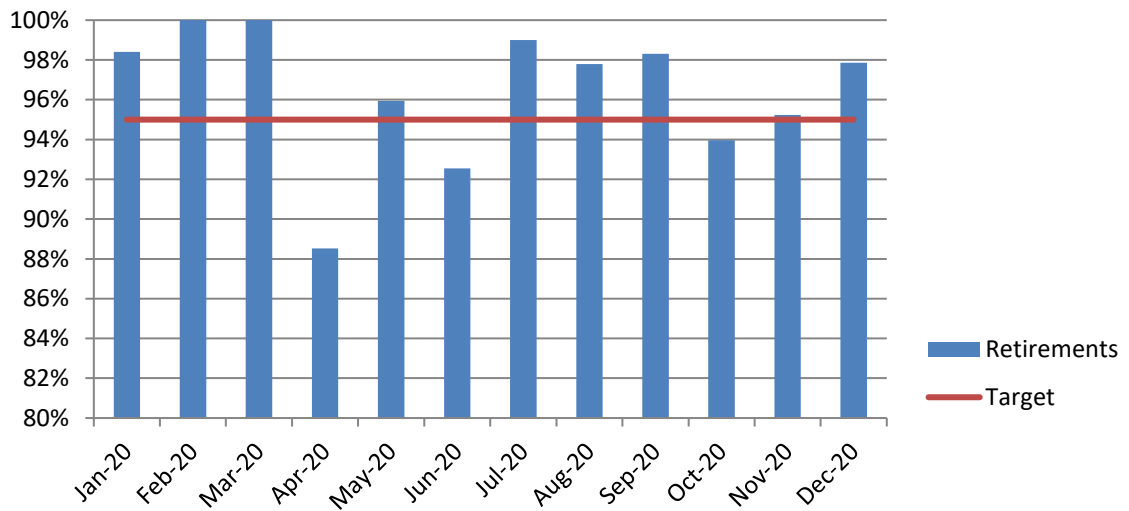
**Chart 5C - KPI 3 - Refunds processed within 10 working days**



	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Refunds	100	100	100	100	100	100	100	100	100	100	98.92	98.18
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	78	66	172	21	12	17	74	64	48	48	93	55

**CIPFA Benchmark:** To be confirmed.

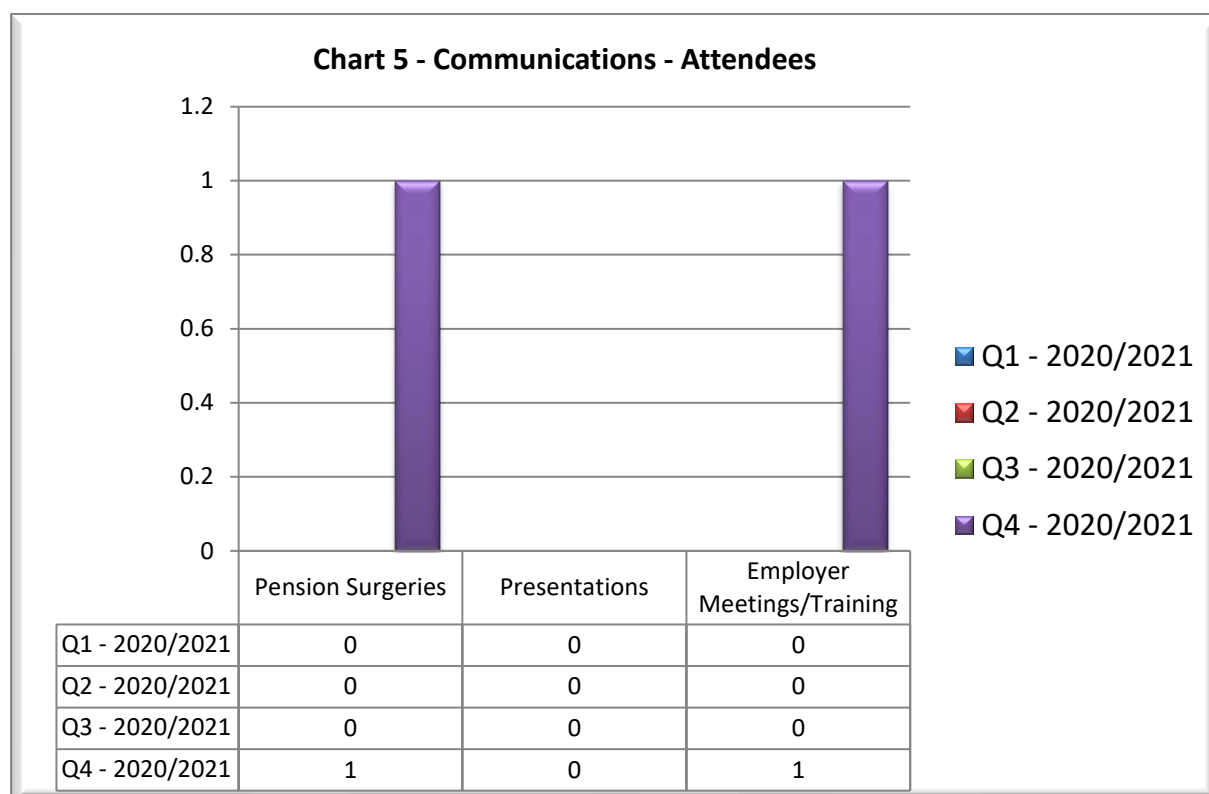
**Chart 5D - KPI 4 - Retirements processed within 5 working days**



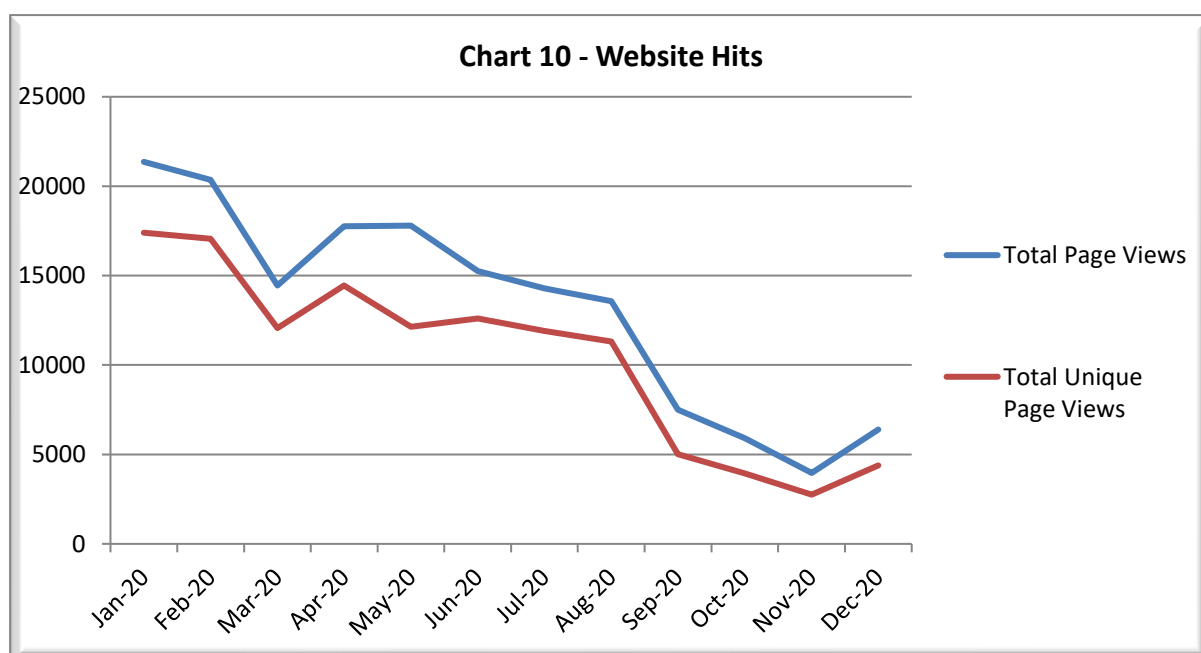
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Retirements	98.4	100	100	88.52	95.95	92.54	99	97.8	98.3	93.96	95.24	97.85
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	121	85	67	61	74	67	107	91	120	149	126	93

**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. *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.



Report Title:	<b>Pension Fund Business Plan 2021/22</b>
Contains Confidential or Exempt Information	No - Part 1
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 22 March 2021
Responsible Officer(s):	Kevin Taylor, Pension Services Manager
Wards affected:	None



## **REPORT SUMMARY**

This report presents the Pension Fund Business Plan for 2021/22 and medium term strategy for 2022 to 2025.

It recommends that Committee approve this business plan and authorises Officers to publish it on the Pension Fund website.

### **1. DETAILS OF RECOMMENDATION(S)**

**RECOMMENDATION:** That the Pension Fund Committee:

- i) Approves the Business Plan and Medium Term Strategy and
- ii) Authorises Officers to publish it on the Pension Fund website

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

- 2.1 The publication of the Pension Fund Business Plan and Medium Term Strategy demonstrates that the Fund is properly governed, managed and that appropriate controls are in place.

### **3. KEY IMPLICATIONS**

- 3.1 The Business Plan and Medium Term Strategy defines desired outcomes by objective and Officers will report achievement against these objectives.

### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1 Not applicable.

### **5. LEGAL IMPLICATIONS**

- 5.1 None.

## **6. RISK MANAGEMENT**

6.1 Good governance reduces the risk of intervention by The Pensions Regulator.

## **7. POTENTIAL IMPACTS**

7.1 Equalities: Equality Impact Assessments are published on the [council's website](#) . N/A

7.2 Climate change/sustainability: N/A

7.3 Data Protection/GDPR. N/A

## **8. CONSULTATION**

8.1 None

## **9. TIMETABLE FOR IMPLEMENTATION**

9.1 1 April 2021.

## **10. APPENDICES**

10.1 This report is supported by 1 appendix:

- Appendix 1 – Draft Business Plan 2021/22.

## **11. BACKGROUND DOCUMENTS**

11.1 This report is supported by 0 background documents:

## **12. CONSULTATION (MANDATORY)**

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
Adele Taylor	Director of Resources and Section 151 Officer		
Ian Coleman	Interim Pension Fund Manager		

## **REPORT HISTORY**

<b>Decision type:</b>	<b>Urgency item?</b>	<b>To follow item?</b>
Pension Fund Committee decision	Yes/No	Yes/No





## **BUSINESS PLAN 2021-22**

**And**

## **MEDIUM-TERM STRATEGY 2022/2025**





## CONTENTS

1.0	INTRODUCTION.....	5
2.0	STRATEGIC INTENT – MISSION STATEMENT .....	5
3.0	BUSINESS OBJECTIVES.....	5
4.0	VALUES.....	6
5.0	BUSINESS TARGETS 2021/22 .....	7
6.0	KEY ASSUMPTIONS AND RISKS .....	8
7.0	KEY INITIATIVES 2020/21.....	8
9.0	REVIEW OF 2020/21 KEY INITIATIVES.....	11
10.0	MEDIUM TERM PLAN 2022/25 .....	14



## 1.0 INTRODUCTION

This document is intended to outline how the Royal County of Berkshire Pension Fund will deal with its key responsibilities during 2021/22 and the over the medium-term from 2022 to 2025. The Administering Authority to the Royal County of Berkshire Pension Fund is the Royal Borough of Windsor & Maidenhead (RBWM).

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

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

## 2.0 STRATEGIC INTENT – MISSION STATEMENT

The Royal County of Berkshire Pension Fund aims:

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

- Is cost effective, high quality, innovative and fit for purpose;*
- Ensures that Scheme members receive the right benefits at the right time;*
- Ensures Scheme members are kept informed about their benefits and changes in regulations which will affect them;*
- Recognises that pensions are an important part of employees' reward packages which assists employers to deliver their strategic goals;*
- Provides staff in the Pension Fund team with a satisfying work environment and career development path.*

## 3.0 BUSINESS OBJECTIVES

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

Business Aim	Business Objective
<b>Stakeholder Satisfaction</b>	To deliver an effective pension service that meets the expectations of Scheme members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.
<b>Value for Money</b>	To set an investment strategy that achieves the medium-term investment return objective.  Achieve value for money in all contracts.  Manage all other direct Fund costs associated with the



	<p>Fund and paying pension benefits.</p> <p>To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks and minimising any negative internal and external audit comments and feedback.</p>
<b><i>Equip Ourselves for the Future</i></b>	<p>To manage staff effectively in order to deliver high levels of morale, ensuring all staff are effectively performance managed and developed.</p> <p>To transform, develop and improve the Pension Team through creating an evidence-based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.</p>
<b><i>Delivering Together</i></b>	<p>To work together with Elected Members to deliver the goals and objectives of the Pension Fund Committee, to be measured by positive feedback from Lead Members.</p>

#### 4.0 VALUES

The Pension Team will adopt the following values and behaviours:

- There will be no ‘ambushing’ or surprises - discuss first before raising in public;
- We will always be realistic when negotiating timescales and be considerate of other’s priorities and time;
- Everyone’s view matters and we will always give credit where it is due;
- We will share information, be inclusive and supportive and back each other up;
- We will always consider Scheme members and other stakeholders in everything we do;
- We will always look to do something rather than find ways not do it and we will always look to support a reasonable request;
- We will accept being challenged and only challenge ideas not people;
- We will always deal with issues and not let them fester;
- We will always lead by example;
- We will use electronic/digital forms of communication wherever possible but will always use a stakeholder’s preferred method of contact where possible whether that be face to face, via telephone or email;
- We will always respect each other and work together to meet the Fund’s objectives;

- We will promote and celebrate success;
- We will take full responsibility for our actions.

## 5.0 BUSINESS TARGETS 2021/22

Pension Team Business Objective	2021/22 Target
To deliver the requirements and objectives set out in the independent governance review undertaken in 2020/21 including the appointment of a Head of Pension Fund	To appoint a Head of Pension Fund as soon as is practically possible.
To review the Pension Team structure to ensure greater resilience and reduce risks incurred by the loss of key staff.	To review all key areas and set out a strategy by July 2021 for achieving the business aim of full resilience by 31 March 2022.
To deliver an effective pensions service that meets the expectations of members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.	All annual benefits statements to be issued on time.  95% of critical service standards achieved (stretch 100%).  90% of non-critical service standards to be achieved (stretch of 95%).
To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks and minimising any negative internal and external audit comments and feedback.	Positive feedback from internal and external auditors that controls are better than in previous years.  To maintain robust business continuity, disaster recovery and emergency plans for all areas.  Reduce risk profile of the Pension Fund.
To maintain Integrated Risk Management into the management of the Fund	Work with our key stakeholders in identifying at risk scheme employers.
To manage staff effectively in order to deliver high levels of morale, ensuring all staff are effectively performance managed and developed by ensuring sickness rates are low, aligned objectives are set for all staff, performance appraisals are undertaken and poor performers are dealt with appropriately.	All staff appraisals to be undertaken within required deadlines and areas for improvement identified with relevant objectives being set and monitored by managers.
To transform, develop and improve the pension teams through creating an evidence-based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.	Deliver 90% of tasks within the pension teams' operational plan (stretch of 95%).  Deliver all agreed programmes and projects to time and budget.
To work together with Elected Members to deliver the goals and objectives of the	Positive feedback from Lead Members on performance and engagement.

Pension Fund Committee, to be measured by positive feedback from Lead Members.	
To work with the Fund's Investment Manager, (LPPI) to ensure the Investment Strategy is successful.	Investment aims are met and in line with the Investment Strategy Statement and Asset Allocation requirements.

## 6.0 KEY ASSUMPTIONS AND RISKS

The following are the key business assumptions used in the compilation of the 2021/22 budget:

- Sufficient staff resources are available and committed to deliver business as usual and agreed projects, with key posts filled if they become vacant;
- The gap between benefits payable and contributions received will grow in the medium-term thereby requiring the investment portfolio to generate a level of investment income sufficient to meet that gap to avoid the need to sell investments at an inopportune time;
- Staff turnover is as expected otherwise the Pension Team will struggle to meet its obligations to stakeholders;
- That performance targets remain as agreed;
- That central support resources are available to support the Pension Team;
- Changes to legislation do not adversely impact on the operation of the Pension Fund;
- Training and development resources are available;
- FOI and DPA requests will not increase;
- Number of schools converting to academies and the number of new employers admitted to the Fund will remain in-line with previous years' experience.

## 7.0 KEY INITIATIVES 2020/21

Business Objective	Key Initiatives
To deliver an effective pensions service that meets the expectations of members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.	<p>Ensure that Pension Administration Software is kept up to date.</p> <p>To continue to work with Scheme employers to increase the percentage of member records administered via i-Connect from 85% at March 2021 to 100% at 31 March 2022.</p> <p>Annual review of the Pension Administration Strategy.</p>

	<p>Annual review of Communications Policy with the continuing aim to provide Scheme information digitally wherever possible.</p> <p>Keep members up to date via newsletters and Scheme employers up to date via bulletins.</p> <p>Run Pension Surgeries at least twice annually for each Unitary Authority and at least once a year for other Scheme employers upon request.</p> <p>Continue to provide training and literature for Scheme employers to assist them in administering the Scheme on behalf of their employees.</p> <p>Continue to provide presentations and literature for Scheme members to provide greater understanding of their Scheme.</p> <p>Maintain the Pension Fund website to the highest standards ensuring that all information is current and accurate.</p> <p>Ensure the continued development and best use of Member Self Service to the highest possible standard primarily in line with scheme and pension software supplier changes but also endeavouring to reduce printing and postal costs.</p> <p>Continue to improve data quality in line with tPR recommendations in respect of Common and Scheme Specific data.</p>
To set an investment strategy in such a way as to achieve the medium-term investment return objective with minimal loss of capital, achieve value for money in all contracts and manage all other direct costs in managing the fund and paying benefits.	<p>Continue to be an Investment Client of Local Pensions Partnership Investment Limited (LPPI) and ensure they implement the Investment Strategy as agreed by the Pension Fund Committee.</p> <p>Ensure that no fire-sale of assets is required to meet benefit payments.</p>
To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks and minimising any negative internal and external audit comments and feedback.	<p>Produce Annual Financial Statements so they can be published by 1 December 2021.</p> <p>Complete contributions reconciliation.</p> <p>Achieve a clean audit.</p> <p>Complete Year End procedures in advance of 31 August 2021 to enable prompt issue of</p>

	<p>annual benefit statements.</p> <p>Annual Benefit Statements (Active and Deferred members) to be issued by 31 August 2021.</p> <p>Apply Pensions Increase and HMT Revaluation Orders.</p> <p>Issue P60's and payslips by 31 May 2021 in line with statutory legislation.</p> <p>Service the Berkshire Pension Board to ensure they receive the information they require to discharge their obligations.</p> <p>Ensure that all Pension Fund policies are current.</p> <p>Ensure continuing compliance with the Pensions Regulator's Code of Practice number 14.</p> <p>Ensure continued compliance with General Data Protection Regulation (GDPR).</p> <p>Complete GMP Reconciliation in respect of Active and Deferred scheme members by 31 March 2022.</p>
To manage staff effectively in order to deliver high levels of morale, ensuring all staff are performance managed with aligned objectives being set for all staff.	Monitor staff requirements to ensure a high-quality service is provided to stakeholders.
To transform, develop and improve the Pensions Team through creating an evidence based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.	Ensure that staff receive appropriate training internally and from external providers.
To work together with Elected Members to deliver the goals and objectives of the Pension Fund Committee, to be measured by positive feedback from Lead Members.	<p>Ensure Pension Fund Committee, Advisory Panel and Pension Board members receive appropriate training.</p> <p>Ensure that Pension Fund Committee, Advisory Panel and Pension Board members understand the Fund's strategy.</p>

## 9.0 REVIEW OF 2020/21 KEY INITIATIVES

In 2020/21 we said that we would:

Business Objective	Key Initiatives	Outcome
To deliver an effective pensions service that meets the expectations of members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.	Ensure that Pension Administration Software is kept up to date.	Achieved
	Apply for PASA accreditation by April 2018 and to become fully accredited by December 2018.	Not achieved. To be reviewed by 31 March 2022 with an aim to achieve by 31 March 2024.
	To continue to work with Scheme employers to increase the percentage of member records administered via i-Connect from 85% at March 2020 to 100% by March 2021.	Not Achieved due to restrictions placed upon the working environment by Covid-19.
	Continual review of Service Level Agreements to ensure they remain current.	Achieved.
	Annual review of the Pension Administration Strategy.	Achieved.
	Annual review of Communications Policy with the continuing aim to provide Scheme information digitally wherever possible.	Not Achieved due to restrictions place on meeting time as a result of Covid-19.
	Keep members up to date via newsletters and Scheme employers up to date via bulletins.	Achieved.
	Run Pension Surgeries at least twice annually for each Unitary Authority and at least once a year for other Scheme employers upon request. Continue to provide training and literature for Scheme employers to assist them in administering the Scheme on behalf of their employees.	Not Achieved due to restrictions place on the working environment by Covid-19.

	<p>Continue to provide presentations and literature for Scheme members to provide greater understanding of their Scheme.</p> <p>Maintain the Pension Fund website to the highest standards ensuring that all information is current and accurate.</p> <p>Ensure the continued development of Member Self Service to the highest possible standard and in line with scheme and pension software supplier changes.</p> <p>Continue the promotion and development of Employer Self Service (ESS) to enable Scheme employers to access the pension details of their own employees.</p>	<p>Partially Achieved. Full programme of presentations limited by the restrictions placed on the working environment by Covid-19.</p> <p>Achieved.</p> <p>Achieved.</p> <p>Achieved.</p>
To set the Investment Strategy of the Fund and determine the allocation assets.	<p>Implement Investment Strategy as agreed by the Pension Fund Committee.</p> <p>Ensure that no fire-sale of assets is required to meet benefit payments.</p>	<p>Achieved.</p> <p>Achieved.</p>
To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks and minimising any negative internal and external audit comments and feedback.	<p>Produce Annual Financial Statements so they can be published by 1 December 2020.</p> <p>Complete contributions reconciliation.</p> <p>Achieve a clean audit.</p> <p>Complete Year End procedures in advance of 31 August 2020 to enable prompt issue of annual benefit statements.</p>	<p>Not achieved due to extension of external audit procedures.</p> <p>Achieved.</p> <p>No internal audit undertaken in 2020/21 as superseded by governance review required by external audit.</p> <p>Achieved.</p>

	<p>Annual Benefit Statements (Active and Deferred members) to be issued by 31 August 2020.</p> <p>Apply Pensions Increase and HMT Revaluation Orders. Issue P60's and payslips by 31 May 2020 in line with statutory legislation.</p> <p>Service the Berkshire Pension Board to ensure they receive the information they require to discharge their obligations.</p> <p>Ensure that all Pension Fund policies are current.</p> <p>Ensure continuing compliance with the Pensions Regulator's Code of Practice number 14.</p> <p>Ensure continued compliance with General Data Protection Regulation (GDPR).</p>	<p>Achieved.</p> <p>Achieved.</p> <p>Achieved.</p> <p>Achieved – Pension Committee work-plan introduced December 2020.</p> <p>Achieved.</p> <p>Achieved.</p>
To manage staff effectively in order to deliver high levels of morale, ensuring all staff are performance managed and developed by ensuring sickness rates are reduced, aligned objectives are set for all staff, performance appraisals are undertaken and poor performers are appropriately dealt with.	Monitor staff requirements to ensure a high-quality service is provided to stakeholders.	Achieved.
To transform, develop and improve the Pensions Team through creating an evidence based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.	Ensure that staff receive appropriate training internally and from external providers.	Achieved.



To work together with Elected Members to deliver the goals and objectives of the Pension Fund Committee, to be measured by positive feedback from Lead Members.	Ensure Pension Fund Committee, Advisory Panel and Pension Board members receive appropriate training.	Achieved.
	Ensure that Pension Fund Committee, Advisory Panel and Pension Board members understand the Fund's strategy.	Achieved.

## 10.0 MEDIUM TERM PLAN 2022/25

The following table details the medium-term plan for the Pension Fund for the period 2022 to 2025.

Objective	Rationale	Timescale
Investment Pooling.	Required by the Ministry for Housing, Communities and Local Government (MHCLG).	All investments to be pooled with Local Pensions Partnership Investments Limited (LPP) by the mid-2020's.
Attain accreditation to the Pensions Administration Standards Association (PASA).	Accreditation will confirm that the Pension Administration Team are adhering to industry best practice.	Accreditation to be achieved by 2024.
i-Connect	Will lead to improved quality of data held by Fund and increased efficiency of the service	100% (or maximum viable) achieved by 31 March 2022
Data Quality	High standards of data quality ensure correct calculation of pension benefits and provides all stakeholders with accurate real-time information.	Ongoing.
Maintain sufficient cash-flow to avoid fire-sale of assets to meet benefits payable	Avoid sale of assets at low process negatively impacting long-term sustainability of the Fund	On-going
Continuous review of investment strategy	Ensure that investment strategy is "fit for purpose"	On-going

Approved by Berkshire Pension Fund Panel: 22 March 2021  
Date for review: March 2022

Report Title:	<b>Public Sector Exit Payment Reform</b>
Contains Confidential or Exempt Information	No - Part 1
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 22 March 2021
Responsible Officer(s):	Kevin Taylor, Pension Services Manager
Wards affected:	None



## REPORT SUMMARY

This report provides Pension Fund Committee and Advisory Panel Members with an update to the Public Sector Exit Payment Reform (the £95k Cap).

### 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That the Pension Fund Committee:

i) **Note the report.**

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

- 2.1 On 12 February 2021 HM Treasury (HMT) issued the Exit Payment Cap Directions 2021 which dis-applied parts of the Restriction of Public Sector Exit Payments Regulations 2020 in England with immediate effect.
- 2.2 A Governmental statement issued at the same time gave reason for the action taken: *“After extensive review of the application of the Cap, the Government has concluded that the Cap may have had unintended consequences and the [2020] Regulations should be revoked. HMT Directions have been published that dis-apply the Cap until the Regulations have been revoked.”*
- 2.3 It is important to note that the Exit Payment Cap Directions 2021 dis-apply the exit cap with effect from 12 February 2021 and do not revoke the Restriction on Public Sector Exit Payments Regulations 2020.
- 2.4 However, HM Treasury has now laid regulations to formally revoke The Restriction of Public Sector Exit Payments Regulations 2020 with effect from 19 March 2021.
- 2.5 The Restriction of Public Sector Exit Payments (Revocation) Regulations 2021 (the “Revocation Regulations”) formally tidy up the revocation of the Cap and whilst not strictly retrospective in effect, require relevant authorities to make additional exit payments up to the greater amount which would otherwise have applied if the Cap had not been in force. This is a mandatory requirement and not an employer discretion.

- 2.6 Members are advised that the pension payment policy approved by the Pension Fund Committee on 14 December 2020 to only offer affected scheme members a fully reduced or deferred pension benefit is now void.
- 2.7 The Pension Fund will apply Regulation 30(7) of the LGPS Regulations 2013 (as amended) in all cases where a scheme member aged 55 or over is either made redundant or retired on grounds of business efficiency i.e. pay to such members immediately an unreduced pension (as was the case prior to 4 November 2020) and require the employer to pay, in full, any pension strain cost arising.
- 2.8 Chapter 3 of guidance issued by HMT makes it clear what they expect employers to do for those individuals who may have left their employment on or after 4 November 2020 and before 12 February 2021 and were affected by the Cap. Chapter 2 of the guidance also sets out what HMT expects those individuals who have been affected by the Cap to do. In effect, to ensure that scheme members receive the pension benefits they would otherwise have received but for the introduction of the Restriction of Public Sector Exit Payments Regulations 2020 on 4 November 2020.
- 2.9 The Local Government Association (LGA) has advised that HMT will legislate again to tackle unjustified exit payments although an expected timeframe is not known.

### **3. KEY IMPLICATIONS**

- 3.1 The Exit Payment Cap Directions 2021 place all Local Authority Pension Funds in England back in the same position as prior to the introduction of the Restriction of Public Sector Exit Payments Regulations 2020 on 4 November 2020.
- 3.2 Action has already been taken by the Pension Fund to identify any cases where a scheme member may have been affected by the Cap.

### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1 Whilst there is no direct financial implication it should be noted that considerable time and resource has been used by Pension Fund officers in interpreting now dis-applied Regulations and providing guidance and support to scheme employers and scheme members alike as to how the Exit Cap would be applied.

### **5. LEGAL IMPLICATIONS**

- 5.1 None.

### **6. RISK MANAGEMENT**

- 6.1 None.

## **7. POTENTIAL IMPACTS**

7.1 Equalities: Equality Impact Assessments are published on the [council's website](#) . N/A

7.2 Climate change/sustainability: N/A

7.3 Data Protection/GDPR. N/A

## **8. CONSULTATION**

8.1 Not applicable.

## **9. TIMETABLE FOR IMPLEMENTATION**

9.1 Immediate.

## **10. APPENDICES**

10.1 This report is supported by 0 appendices.

## **11. BACKGROUND DOCUMENTS**

11.1 This report is supported by 0 background documents:

## **12. CONSULTATION (MANDATORY)**

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
Adele Taylor	Director of Resources and Section 151 Officer		
Andrew Vallance	Head of Finance and Deputy s151 Officer		
Ian Coleman	Interim Pension Fund Manager		

## **REPORT HISTORY**

<b>Decision type:</b>	<b>Urgency item?</b>	<b>To follow item?</b>
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Kevin Taylor, Pension Services Manager, 07792 324393
---

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank



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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank