

NOTICE  
OF  
MEETING  
**BERKSHIRE PENSION BOARD**

will meet on

**THURSDAY, 17TH FEBRUARY, 2022**

**At 11.00 am**

by

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

TO: MEMBERS OF THE BERKSHIRE PENSION BOARD

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

Karen Shepherd – Head of Governance - Issued: 09/02/2022

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 **Laurence Ellis** [Laurence.Ellis@RBWM.gov.uk](mailto:Laurence.Ellis@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**

#### **STANDING ITEMS**

<b><u>ITEM</u></b>	<b><u>SUBJECT</u></b>	<b><u>PAGE NO</u></b>
1.	<b><u>INTRODUCTION AND APOLOGIES</u></b>  To receive any apologies for absence.	-
2.	<b><u>DECLARATION 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 18 <sup>th</sup> November 2021.	7 - 10

#### **PART I DRAFT COMMITTEE PAPERS FOR 7 MARCH 2022**

<b><u>ITEM</u></b>	<b><u>SUBJECT</u></b>	<b><u>PAGE NO</u></b>
4.	<b><u>SCHEME AND REGULATORY UPDATE</u></b>  To receive a verbal update.	Verbal Report
5.	<b><u>ADMINISTRATION REPORT</u></b>  To note the contents of the report.	11 - 24
6.	<b><u>RISK REGISTER</u></b>  To note the contents of the report and register.	25 - 34
7.	<b><u>ADMINISTERING AUTHORITY DISCRETIONS POLICY</u></b>  To note the contents of the report.	35 - 60
8.	<b><u>PENSION FUND ABATEMENT POLICY</u></b>  To note the contents of the report.	61 - 66

9.	<u>GOVERNANCE COMPLIANCE STATEMENT</u>	67 - 80
	To note the contents of the report.	
10.	<u>BUSINESS PLANNING</u>	81 - 100
	To note the contents of the report.	
11.	<u>INVESTMENT STRATEGY STATEMENT</u>	101 - 118
	To note the contents of the report.	
12.	<u>RESPONSIBLE INVESTMENT UPDATE</u>	119 - 130
	To note the contents of the report and update.	
13.	<u>LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC</u>	
	"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 they involve the likely disclosure of exempt information as defined in Paragraph 3 of part I of Schedule 12A of the Act."	

## **PART II DRAFT COMMITTEE PAPERS FOR 7 MARCH 2022**

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
	<p><u>6 DECEMBER 2021 COMMITTEE PAPERS</u></p> <p>To note the contents of the report.</p> <p><b><i>(Not for publication by virtue of Paragraph 1, 2, 3, 4, 5, 6a, 6b, 7 of Part 1 of Schedule 12A of the Local Government Act 1972)</i></b></p> <p><u>VERBAL REPORT OF PAPERS TO BE TAKEN TO 7 MARCH 2022 COMMITTEE MEETING</u></p> <p>To receive a verbal update.</p> <p><b><i>(Not for publication by virtue of Paragraph 1, 2, 3, 4, 5, 6a, 6b, 7 of Part 1 of Schedule 12A of the Local Government Act 1972)</i></b></p>	<p>131 - 278</p> <p>Verbal Report</p>

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## MEMBERS' GUIDE TO DECLARING INTERESTS AT 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 Disclosable Pecuniary Interest (DPI) or Other Registerable 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.

Any Member with concerns about the nature of their interest should consult the Monitoring Officer in advance of the meeting.

### Non-participation in case of Disclosable Pecuniary Interest (DPI)

Where a matter arises at a meeting which directly relates to one of your DPIs (summary below, further details set out in Table 1 of the Members' Code of Conduct) you must disclose the interest, **not participate in any discussion or vote on the matter and must not remain in the room** unless you have been granted a dispensation. If it is a 'sensitive interest' (as agreed in advance by the Monitoring Officer), you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted by the Monitoring Officer in limited circumstances, to enable you to participate and vote on a matter in which you have a DPI.

Where you have a DPI on a matter to be considered or is being considered by you as a Cabinet Member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

*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 (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her 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 council.
- Any licence to occupy land in the area of the council for a month or longer.
- Any tenancy where the landlord is the council, and the tenant is a body in which the relevant person has a beneficial interest in the securities of.
- Any beneficial interest in securities of a body where:
  - a) that body has a place of business or land in the area of the council, 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.

### Disclosure of Other Registerable Interests

Where a matter arises at a meeting which **directly relates** to one of your Other Registerable Interests (summary below and as set out in Table 2 of the Members Code of Conduct), you must disclose the interest. **You may speak on the matter only if members of the public are also allowed to speak at the meeting** but otherwise **must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation**. If it is a 'sensitive interest' (as agreed in advance by the Monitoring Officer), you do not have to disclose the nature of the interest.

*Other Registerable Interests (relating to the Member or their partner):*

*You have an interest in any business of your authority where it relates to or is likely to affect:*

- a) any body of which you are in general control or management and to which you are nominated or appointed by your authority*
- b) any body*
  - (i) exercising functions of a public nature*
  - (ii) directed to charitable purposes or*

*one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)*

## **Disclosure of Non- Registerable Interests**

Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a DPI) or a financial interest or well-being of a relative or close associate, you must disclose the interest. **You may speak on the matter only if members of the public are also allowed to speak at the meeting** but otherwise **must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation**. If it is a 'sensitive interest' (agreed in advance by the Monitoring Officer) you do not have to disclose the nature of the interest.

Where a matter arises at a meeting which **affects** –

- a. your own financial interest or well-being;
- b. a financial interest or well-being of a friend, relative, close associate; or
- c. a body included in those you need to disclose under DPIs as set out in Table 1 of the Members' code of Conduct

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied.

Where a matter **affects** your financial interest or well-being:

- a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
- b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

**You may speak on the matter only if members of the public are also allowed to speak at the meeting** but otherwise **must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation**. If it is a 'sensitive interest' (agreed in advance by the Monitoring Officer, you do not have to disclose the nature of the interest.

## **Other declarations**

Members may wish to declare at the beginning of the meeting any other information they feel should be in the public domain in relation to an item on the agenda; such Member statements will be included in the minutes for transparency.

# Agenda Item 3

## BERKSHIRE PENSION BOARD

THURSDAY, 18 NOVEMBER 2021

PRESENT: Alan Cross (Chairman), Jeff Ford, Julian Curzon, Kieron Finlay and Arthur Parker (Vice-Chairman)

Officers: Damien Pantling, Andy Carswell, Andrew Vallance, Kevin Taylor and Philip Boyton

### INTRODUCTION AND APOLOGIES

Apologies were received from Nikki Craig and Tony Pettitt. Kieron Finlay would be joining the meeting later due to a prior engagement.

### DECLARATION OF INTEREST

There were no declarations of interest.

Regarding training, Jeff Ford said he had attended Barnett Waddington's local pension board's autumn seminar. Alan Cross said he had attended a day and a half of the PLSA conference. Both of these had been online.

### MINUTES

**RESOLVED UNANIMOUSLY: That the minutes of the meeting held on September 2<sup>nd</sup> be approved as an accurate record.**

Members noted that since the last meeting Ian Coleman had finished in his role as interim Head of Pension Fund, and thanked him for his service to both the Fund and the Board.

### SCHEME AND REGULATORY UPDATE

Regarding the exit cap, Kevin Taylor, Pension Services Manager, advised an update and guidance on the issue was still awaited. However it was believed to be high up on the government's agenda for reintroduction to all public sector pension schemes. In relation to reconciliation of Guaranteed Minimum Pensions, Philip Boyton, Pension Administration Manager, informed the Board there had been delays to this due to more Pension Funds becoming involved and information from HMRC not being forthcoming. Full reviews were being carried out wherever possible. Philip Boyton stated that this was not having an impact on member benefits.

Members were told that issues relating to McCloud had still not been resolved and no new guidance had been made available. Kevin Taylor said this was frustrating because it was not known what the impact would be on Pension Fund administrative staff resourcing until the matter was resolved and guidance was given. McCloud had been included as an item on the risk register.

The Board was told that The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 had been brought in following a government consultation, which was an extra layer of protection designed to stop scheme members falling victim to scams when transferring pension payments to other UK pension schemes and to overseas pension schemes. These would come into effect on December 1<sup>st</sup> 2021, although it was unclear how complying with the new regulations would impact on the Pension Fund's administration staff. Philip Boyton said there were usually 20-25 enquiries per month about making transfers and this resulted in a handful of transfers being made; however Alan Cross pointed out these could

relate to large payment sums, and welcomed the additional protection the new regulations provided fund member.

Regarding the Task Force on Climate Related Financial Disclosures (TCFD), Damien Pantling, Head of Pension Fund, advised that new regulations from the Department for Work and Pensions had taken effect from October 1<sup>st</sup> 2021. The Pension Fund was awaiting LGPS reporting guidance from DLUHC on TCFD, and its requirements were likely to become mandatory at some point in the 2022/23 financial year. Damien Pantling advised that the Pension Regulator would be given powers to levy penalty notices for non compliance and the requirements are likely to involve Fund actions as well as the pools. Regarding the Section 13 report, Damien Pantling advised there was no update although the report had been expected to be published some months ago. A draft of the report had been made available with the funding level of the Berkshire Pension Fund being the lowest in the LGPS.

## ADMINISTRATION REPORT

Philip Boyton introduced the item and advised this covered the quarter up to 30<sup>th</sup> September 2021. He drew members' attention to the fact all i-Connect submissions had been made on time by all six local authorities. Additionally there had been six new employers who had joined i-Connect, helping towards the target of ensuring the majority of employers were onboarded by 31<sup>st</sup> March 2022. Philip Boyton said all communications/surgeries had been held remotely but there had been some enquiries from employers about holding events at places of work. Members were told that percentage pass figures relating to data quality had largely remained unchanged despite the number of data items being checked increasing.

The Board was told that a review of the live status of pension payments to overseas scheme members was being undertaken in partnership with Western Union. Philip Boyton said there were around 400 scheme members based overseas who either received payment in the currency of the country where they resided or had their pension paid to a UK bank account, resulting in total payments of around £800,000 per year. Scheme members whose pension is paid to an overseas account will be required to present themselves to Western Union in person with an acceptable form of identification in order to continue receiving payments. This exercise will cost the Fund £4,500. There was no cost associated with overseas scheme members who asked for their payments to be made into a UK account. Scheme members would be warned in advance the review was taking place in order to ensure no disruption to payments, as for some scheme members their pension was their only source of income.

Responding to a question from Jeff Ford about processing deceased scheme member records within five working days, Philip Boyton said this related to when the Pension Fund had received all the relevant paperwork from the next of kin or executor to be able to pay the dependant's pension. There was also a target of five working days from notification of death being received to send out details of the dependant's pension due together with all the forms requiring completion and return to the admin staff. Philip Boyton advised there was a variety of experience across the team in regard to processing dependant benefits, those with no experience had begun training and over time this would ensure this target would be met. Philip Boyton advised that the CIPFA benchmark was two months. Occasionally a notification would be received some time after the death and Pension Fund admin staff would seek to recoup any overpayments.

Philip Boyton confirmed there were still 59 scheme employers with more than 10 employees left to join i-Connect.

## RISK REGISTER

Damien Pantling reminded members that at the last meeting he stated he would carry out a review of the risk register, and this had now been completed. He explained he had done this in line with CIPFA frameworks and by using the same best practice methodology as a number of other LGPS funds. The risks had been divided into seven categories on the register and this



would be updated each quarter. Damien Pantling explained that his intention was to include appendices at each meeting that would outline any changes to the register, as there were more than 50 items included. Quarterly updates would go to each Committee meeting.

It was noted that risk PEN003 referred to markets being affected by Covid. Damien Pantling said markets were improving but may still end up being affected by the pandemic, there had not been a negative impact on the Berkshire Pension Fund's investment performance overall, and the intention of the risk was to ensure that investments remained healthy. Regarding risk PEN006 it was agreed that it should worded as a change in government policy as being the potential risk, rather than simply a change in national government.

Damien Pantling said the reputation risk level for PEN012 was a four because if a wrong decision was taken in relation to longevity then it could have a detrimental impact to the reputation of the Fund, referring to a decrease in longevity rates following the purchase of a longevity swap given the Berkshire Fund was the only one in the LGPS with this instrument. In relation to PEN023 it was agreed that this should refer only to smaller employers, as there was a greater likelihood of a final active member leaving the Fund compared to a large corporation. It was agreed to amend PEN025 to mention the Pension Board in addition to the Committee.

Responding to a question from Jeff Ford regarding inflation, Damien Pantling explained there were two types of inflation (one is ancillary to economic growth); one of these included wage, salary and liability growth but without the assets catching up to match this. It was therefore possible for a funding gap to emerge as a result of "bad" inflation and explained why this had been identified as a risk. Damien Pantling said this was monitored through the triennial review by the actuary and managed through the investment strategy.

Regarding administrative and communicative risks, members were told there was an expectation that employers would contact the Fund if there were any issues and this was generally the case with larger employers. However in some cases the Fund would contact some employers if there was an identifiable risk. At-risk employers would be identified through the actuarial covenant review following on from the LPP review in 2019.

Julian Curzon asked if there had been any data breaches that had required reporting to the Information Commissioner's Office. Kevin Taylor said there had not, and if there had been it may not be appropriate to discuss in the Part I section of the meeting.

## GOVERNANCE PROGRESS UPDATE

Damien Pantling informed members there were four outstanding items left on the governance recommendations. As there were clear timelines in mind for when these would be completed, the intention was for the Committee to sign off the recommendations but also to note the outstanding actions. This was felt more satisfactory than to not agree the recommendations and to report back to each future Committee with an update.

Members were told it had been suggested to split the ledgers between the Pension Fund and RBWM as the administering authority. Andrew Vallance, Head of Finance and Deputy Section 151 Officer, said a wider review of Agresso, the authority's General Ledger, was being undertaken and this may lead to a delay in the split of the ledgers. However the split should not have an effect on either the 2019/20, 2020/21 or 2021/22 accounts.

## LAPFF AND PIRC MEMBERSHIP RENEWALS

Members were reminded that the Pension Fund had joined LAPFF in 2020, with the proviso that membership would be reviewed in a year's time. The same applied to membership of PIRC. It had been suggested that the decision to renew memberships should lie with a delegated officer rather than having to come back to Committee each year. Members stated they were in agreement with this and it was suggested the specific officer delegated to the

task should be either Damien Pantling or Adele Taylor, Director of Resources and S151 Officer.

### ANY OTHER BUSINESS

Damien Pantling told members that a report would be going to Committee to approve the 2019/20 and 2020/21 annual reports, but this could not be done until the accounts were signed off. They had been agreed in principle and a pre-meeting of the Committee would be taking place on 30<sup>th</sup> November 2021. The Annual General Meeting would be taking place on December 16<sup>th</sup> 2021 and it was intended to present the annual report there. Members were told the AGM would be taking place in the Council Chamber as a hybrid meeting. Alan Cross stated his intention to attend in some format.

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

**RESOLVED UNANIMOUSLY: That the motion to exclude the public for the remainder of the meeting be approved.**

The meeting, which began at 11.05 am, finished at 12.57 pm

CHAIRMAN.....

DATE.....

Report Title:	<b>Administration Report</b>
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 7 March 2022
Responsible Officer(s):	Kevin Taylor, Pension Services Manager and Philip Boyton, Pension Administration Manager
Wards affected:	None

## **REPORT SUMMARY**

This report deals with the administration of the Pension Fund for the period 1 October 2021 to 31 December 2021. 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.

The committee are asked to 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.

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

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

- (i) Considers all areas of governance and administration as reported; and
- (ii) Considers all key performance indicators

## **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 1 appendix:

- Appendix 1: Administration Report 1 October 21 to 31 December 21

#### 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
<b>Mandatory: Statutory Officers (or deputy)</b>			
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
<b>Deputies:</b>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<b>Other consultees:</b>			

Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	23/11/2021	
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## 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
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## **ADMINISTRATION REPORT**

**QUARTER 4 – 2021**

**1 October 2021 to 31 December 2021**

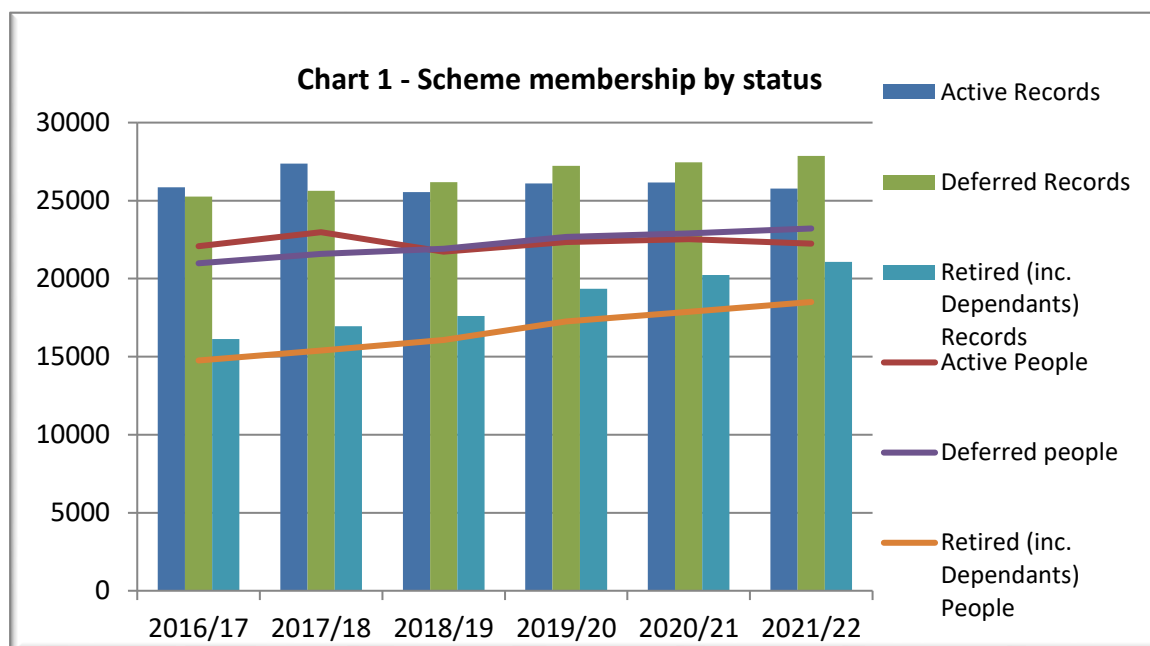
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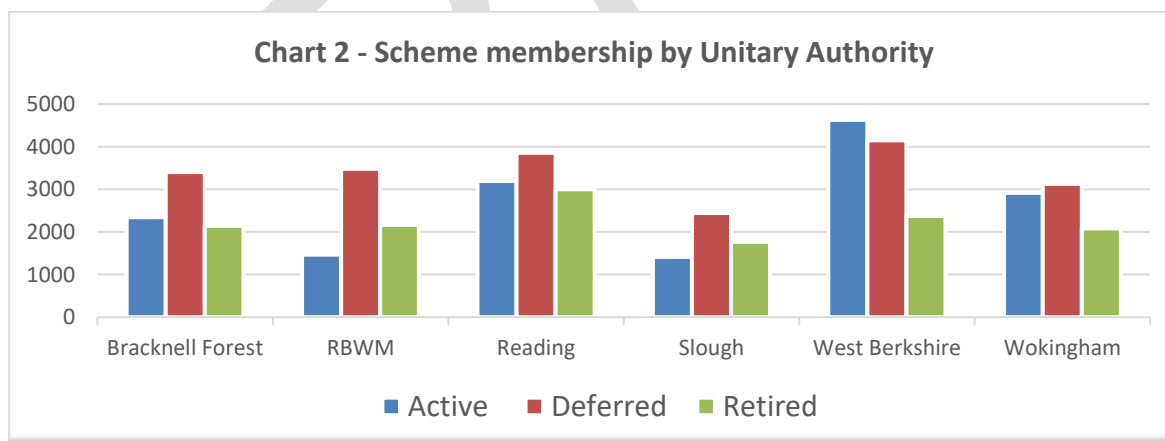
## 1. ADMINISTRATION

### 1.1 Scheme Membership



TOTAL MEMBERSHIP			
Active Records	25,773	Active People	22,253
Deferred Records	27,858	Deferred People	23,215
Retired Records	21,080	Retired People	18,503
<b>TOTAL</b>	<b>74,711</b>	<b>TOTAL</b>	<b>63,971</b>

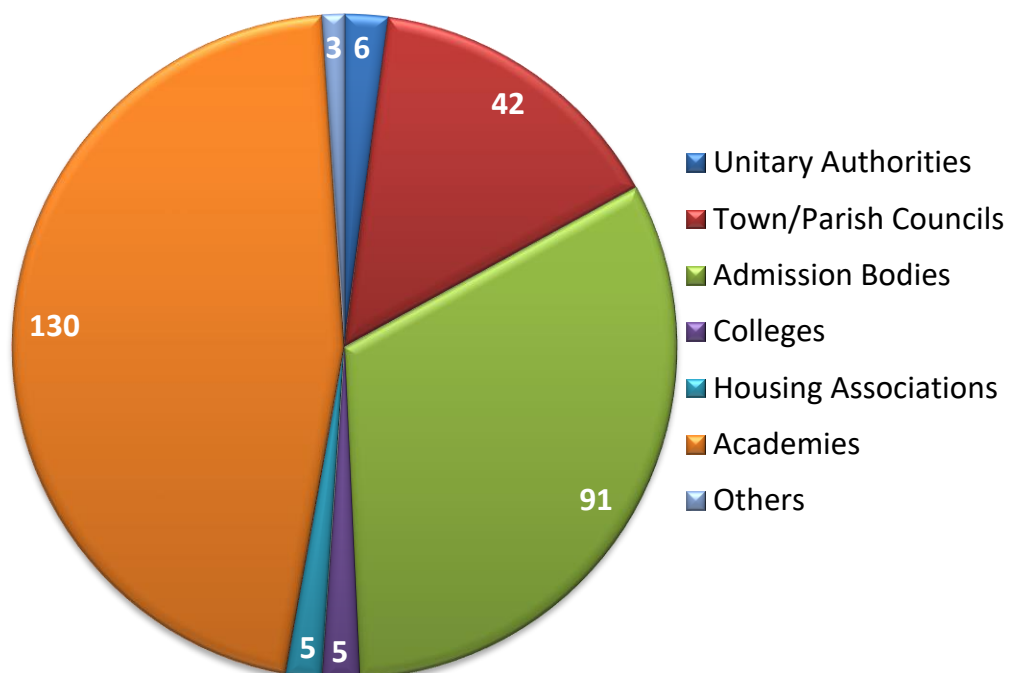
### 1.2 Membership by Employer



Membership movements in this Quarter (and previous Quarter)						
	Bracknell	RBWM	Reading	Slough	W Berks	Wokingham
Active	-20 -44	-38 +27	45 -157	-40 -92	-2 +70	+34 -31
Deferred	+4 +13	-2 -5	9 +6	+13 -4	+71 +5	+24 0
Retired	+25 +28	+17 +30	+37 +38	+13 +38	+44 +54	+35 +27

### 1.3 Scheme Employers

Chart 3 - Employers with active members

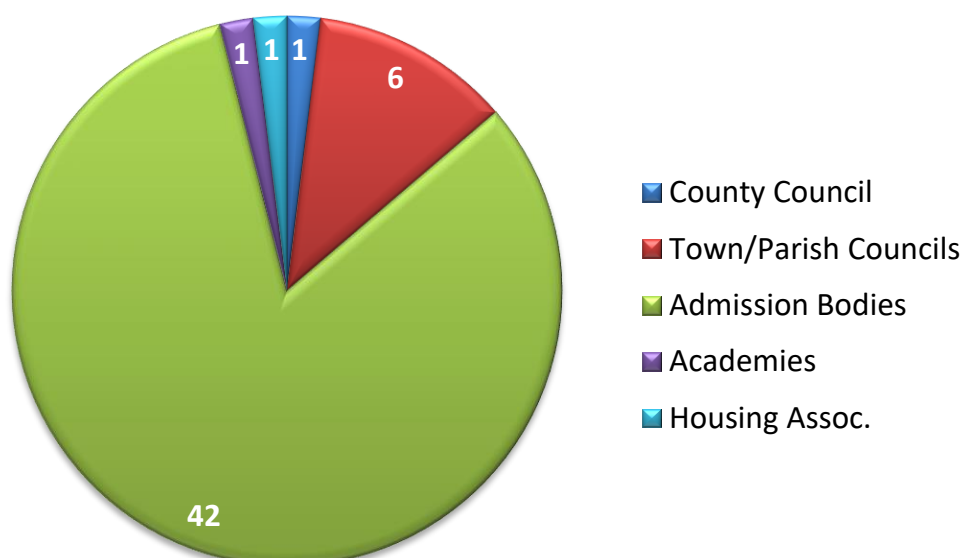


New employers since last report:

**Admission Bodies:** None

**Academies:** None

Chart 4 - Employers without active members



**Exiting employers:** Rapidclean (Circle Trust)

## 1.4 Scheme Employer Key Performance Indicators

Table 1A – i-Connect users Quarter 4 (1 October 2021 to 31 December 2021)					
Employer	Starters	Leavers	Changes	Total	Submission Received Within Specification
Bracknell Forest Cncl	172	158	519	849	100%
RBWM	135	106	421	662	100%
Reading BC	252	162	735	1,149	100%
Slough BC	59	99	178	336	100%
West Berks Council	373	210	1,010	1,593	100%
Wokingham BC	187	92	582	861	100%
Academy/ School	598	558	2,743	3,899	84.93%
Others	87	84	311	482	69.64%

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

The benefits of i-Connect are:

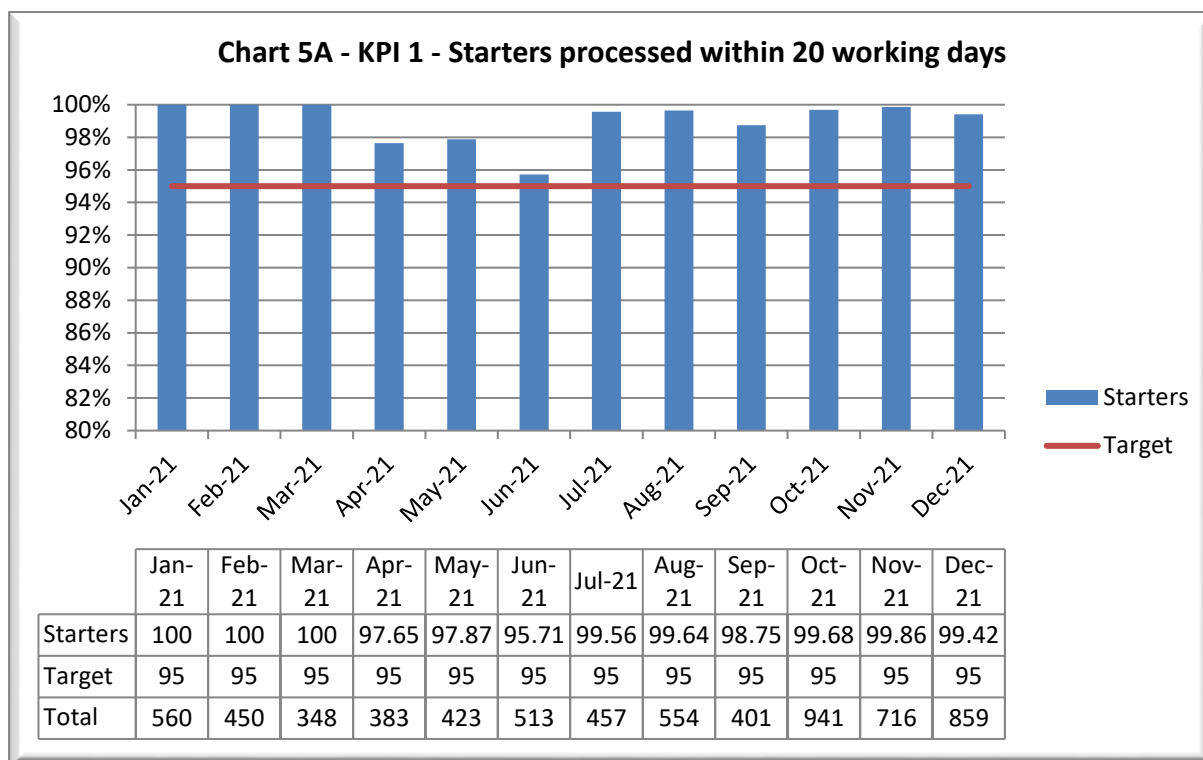
- Pension records are maintained in ‘real-time’;
- Scheme members are presented with the most up to date and accurate information through *mypension* ONLINE (Member self-service);
- Pension administration data matches employer payroll data;
- Discrepancies are dealt with as they arise each month;
- Employers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

Since the 1 October 2021 Officers are pleased to report the following scheme employers have on boarded i-connect with scheme member data received on a monthly basis:

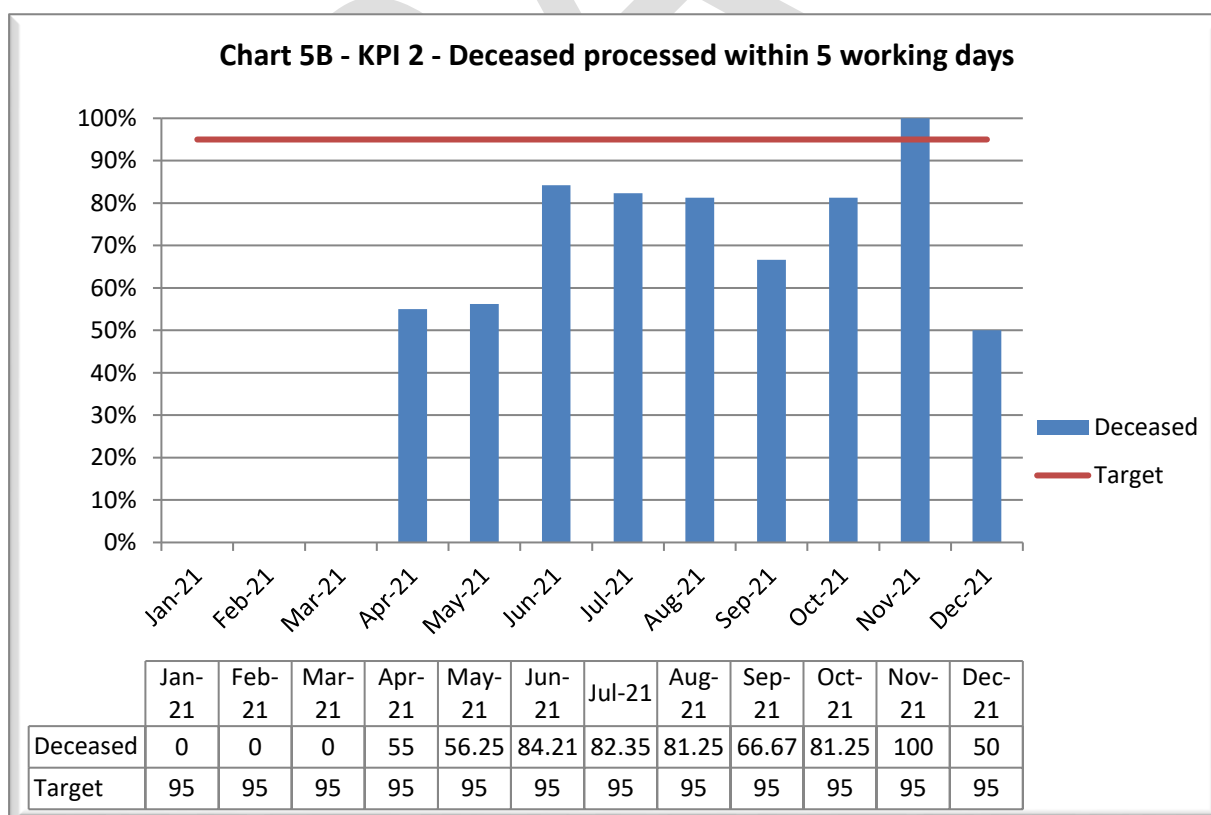
- Westgate School
- VolkerHighways Limited

136 scheme employers are yet to on board i-Connect. The Pension Fund is committed to having all scheme employers with 10 or more scheme members on boarded to i-Connect by 31 March 2022. Scheme employers with fewer than 10 scheme members (77 employers) will also be given the option of using an on-line portal version of i-Connect by that date.

## 1.5 Key Performance Indicators

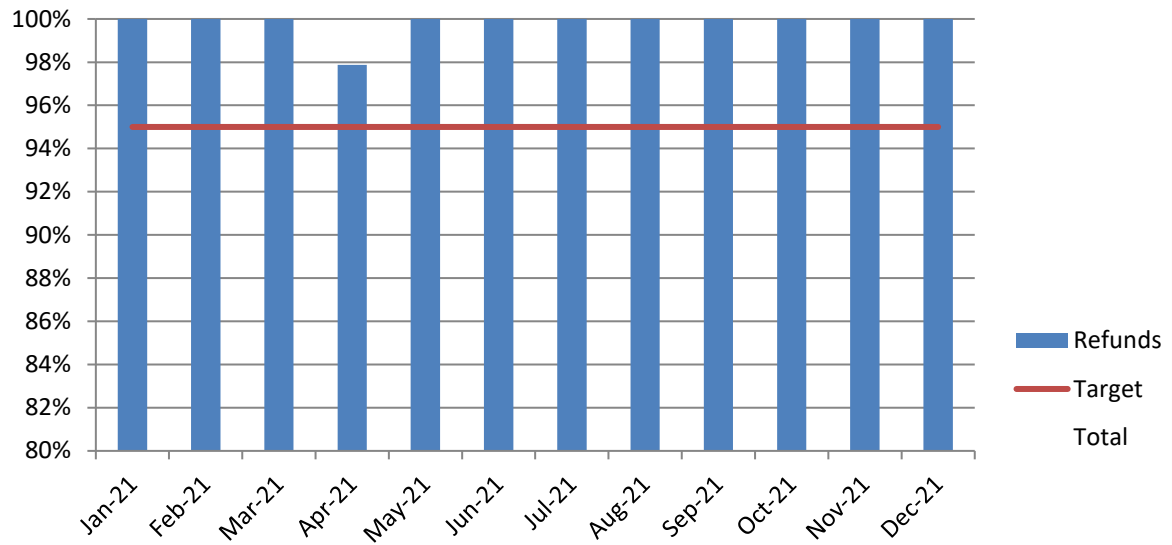


**CIPFA Benchmark:** Two months from date of joining the scheme or if earlier within one month of receiving jobholder information.



**CIPFA Benchmark:** As soon as practicable and no more than two months from date of notification of death from scheme employer or deceased's representative.

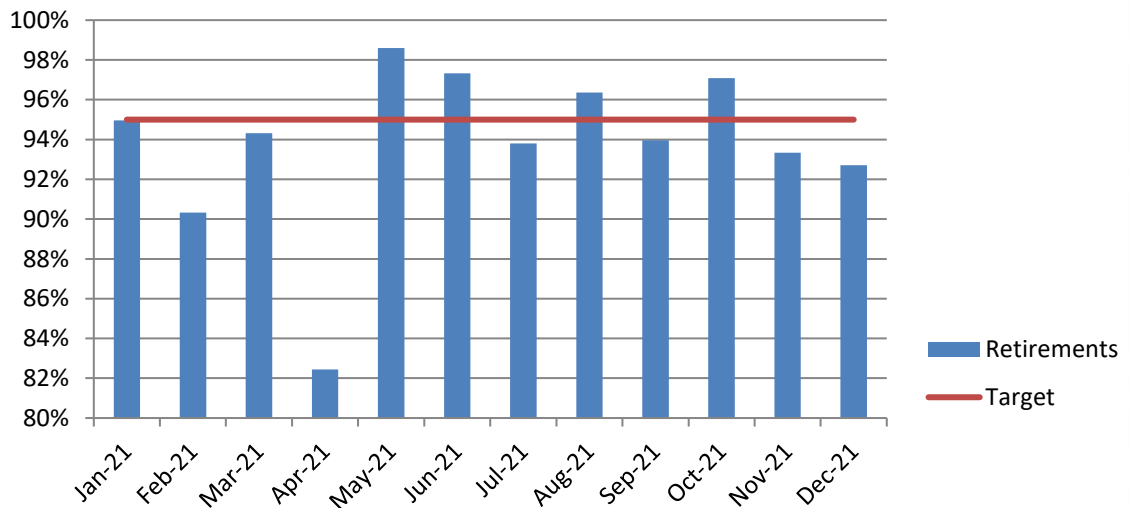
**Chart 5C - KPI 3 - Refunds processed within 10 working days**



	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Refunds	100	100	100	97.87	100	100	100	100	100	100	100	100
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	28	23	44	47	36	50	51	31	43	53	42	48

**CIPFA Benchmark:** To be confirmed.

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

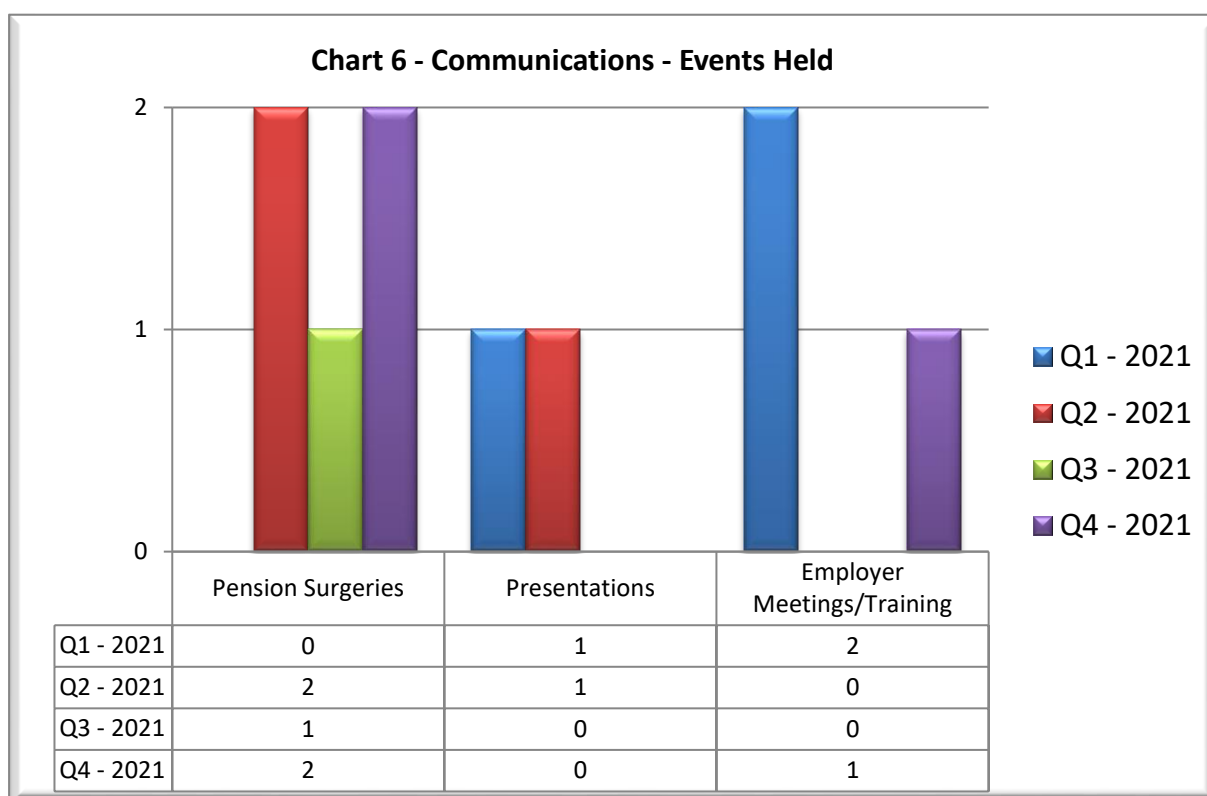


	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Retirements	94.96	90.32	94.32	82.44	98.6	97.33	93.8	96.36	93.96	97.08	93.33	92.71
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	119	93	88	131	36	150	129	110	149	137	120	96

**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

All events shown have been held remotely.



## 1.7 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. Please see below feedback received from stakeholders during the fourth quarter:

Date Received	Method	Feedback
02/12/2021	E-mail	Thanks [NAME] should know not to doubt you 😊.
02/12/2021	E-mail	This is perfect as usual, and I am very grateful as always for your assistance and the info is always taken as just an estimate. I haven't forgotten my offer to buy you lunch at an appropriate time.
02/12/2021	Email	Thanks [NAME] that's great and I am privileged to have such valued support from you. I will pop a note in my diary to say hello sometime in March and take from there. Have a great Christmas and once again many thanks.
		I wish you to know that I have had outstanding service this morning from one of your Pension Administrators, [NAME]. When I called this morning I was very anxious and worried about a

<div></div>		<p>pension issue. Within moments her calm and courteous manner reduced my concerns. She consulted with another colleague and returned my call with the information required within a very acceptable timeframe. She was able to explain, what to me is a complicated issue, with clarity.</p> <p>It is very unusual these days to receive a service from someone with these qualities. [NAME] was respectful and knowledgeable without making me feel out of my depth.</p> <p>I hope that you will find a way to acknowledge [NAME] talent.</p>
14/12/2021	E-mail	

## 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.

Following a recent Southern Area Pension Officer Group (SAPOG) meeting attended by Officers of Berkshire Pension Fund, Buckinghamshire Pension Fund (BPF), East Sussex Pension Fund, Hampshire Pension Fund (HPF), Isle of Wight Pension Fund, Oxfordshire Pension Fund, Surrey Pension Fund, West Sussex Pension Fund it has been identified only BPF and HPF have begun collecting historical hour and week data from their respective scheme employers and contracted third party payroll providers.

It has so far proven to be very challenging for BPF and HPF to collect the historical data needed dating back to 1 April 2014 due to a) a lack of scheme employer engagement, b) it only being necessary to retain data for a period of seven financial years and c) scheme employers changing contracted third-party payroll providers.

Since 2019 all SAPOG Pension Funds have kept in touch with their scheme employers about this judgement. The Local Government Association did inform SAPOG that Regulations will be laid before Parliament during July or August 2022 and come into force from 1 October 2023.

In preparation of the extensive work that will be involved to bring scheme member records up to date including the re-calculation of early leaver, pensioner, dependant and transfer out events that have occurred since 1 April 2014, many Pension Funds are planning to increase the size of their administration teams with BPF and HPF having done so already by four and three Pension Officers respectively with the need for potential further resource as the project progresses.

### 2.3 *Pensions Dashboard Programme*

A national pensions dashboard has been on the horizon for some time and with the Pension Schemes Act 2021 having received Royal Assent last year on 11 February 2021, the Department for Work and Pensions (DWP) has now published, on 31 January 2022, its 137-page consultation document on the draft Pensions Dashboard Regulations. The consultation period ends on 13 March 2022. The Local Government Association (LGA) will be preparing its response to the consultation for circulation to all administering authorities in due course. Officers will await the LGA response before considering any further response that may be required.

It is anticipated the Pensions Dashboards Programme (PDP) will publish further detailed instructions on how a scheme administrator must operate with the dashboards ecosystem.

Officers recognise it is important not to wait for the conclusion of the consultation and for guidance to be issued with almost every aspect of administering a pension scheme being easier to achieve if data is actively managed and incorporates both Common and Scheme Specific data activities, an area officers have successfully improved over the last three years.

At a recent service review meeting with Heywood Pension Technologies, the software providers of the Fund's pension administration system *altair*, officers agreed to act as a 'test-site' for the development and testing of the pension system software that will ultimately enable LGPS Funds to provide member pension data for use in the dashboard.

Officers acknowledge Pensions Dashboards, if done well, could be a game changer in getting individuals to better engage with their pensions and a better efficiency of pension scheme management. Officers understand that the Pensions Dashboard will go live during 2023 but that the draft Pension Dashboard Regulations provide a staging date of 30 April 2024 for all Public Service Pension Schemes.



Report Title:	<b>Risk Register</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 – 7 March 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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## REPORT SUMMARY

At the Pension Board meeting on 2 September 2021 and Pension Committee meeting on 20 September 2021, the Head of Pension Fund agreed to review the Pension Fund's risk register and to bring a revised and updated version to the upcoming meeting for Members' consideration and approval. This report provides Members with that updated version of the risk register prepared in line with the 2018 CIPFA framework "Managing risk in the Local Government Pension Scheme". This new risk register process was approved by the Pension Fund Committee on 6 December 2021 and has undergone several iterations before being presented at this meeting.

The risk register can be found at Appendix 1 to this report.

## 1. DETAILS OF RECOMMENDATION(S)

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

- i) Approves the risk register including any changes since the last approval date, putting forward any suggested amendments as may be necessary;
- ii) Approves publication of the updated risk register on the Pension Fund website;
- iii) Agrees to a comprehensive annual risk review session with officers and the Pension Board.

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

- 2.1 The Scheme Manager (The Royal Borough of Windsor and Maidenhead as the Administering Authority for the Fund) has a legal duty to establish and operate internal controls. Failure to implement an adequate and appropriate risk assessment policy and risk register could lead to breaches of law. Where the effect and wider implications of not having in place adequate internal controls are likely to be materially significant, the Pension Regulator (tPR) must be

notified in accordance with the Scheme Manager's policy on reporting breaches of the law.

- 2.2 A comprehensive session was held by officers for Pension Fund committee and Pension Board members on 25 January 2022 to deep-dive into all of the risks, mitigations and controls included within the Fund's revised risk register. It is recommended that a comprehensive session for all parties is held at least annually.
- 2.3 As a live document, this risk register is kept under constant review and shall be presented to the committee (appended to this report) quarterly, however, key changes (additions, removals, significant changes to mitigations and/or risk scores) shall be brought to the committee's attention as follows;
  - 2.3.1 PEN004 – changed from “trending up” to “trending sideways” as post-Brexit supply chain issues are becoming less prominent. Amended following 25 Jan 2022 risk session.
  - 2.3.2 PEN033 – Added additional mitigations to reflect all of the data quality work the team are undertaking. Amended following 25 Jan 2022 risk session
  - 2.3.3 PEN035 – Enhanced controls on IT security, including RBWM penetration checks and new internal audit service. Amended following 25 Jan 2022 risk session and further amended following call with IT colleagues.
  - 2.3.4 PEN036 – Added and enhanced mitigations and controls focusing on new internal audit service and new legislation on pension scams. Amended following 25 Jan 2022 risk session.
  - 2.3.5 PEN040 – Added mitigation measures and reduced post-mitigation likelihood based on a strong control environment in regard to communications. Amended following 25 Jan 2022 risk session
  - 2.3.6 PEN045 – Added new risk entirely following 25 Jan 2022 risk session, focusing on governance and failure of oversight on investment decision making.
  - 2.3.7 PEN047 – Enhanced wording on GDPR risk to cover both data processing and holding, added additional controls. Amended following 25 Jan 2022 risk session and further amended following advice from DPO.

### **3. KEY IMPLICATIONS**

- 3.1 Failure to maintain and keep under review the Pension Fund's key risks could lead to a loss in confidence and sanctions being imposed by the Pensions Regulator where failings are deemed to be materially significant for the Pension Fund and its stakeholders.

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

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

## **5. LEGAL IMPLICATIONS**

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

## **6. RISK MANAGEMENT**

- 6.1 The risk register is attached at Appendix 1 to this report, it is reviewed quarterly by the Pension Board and the Pension Fund Committee and updated regularly by officers to ensure all risks are appropriately documented and mitigated where possible.

## **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 – Risk Register January 2022

## **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
<i>Mandatory: Statutory Officers (or deputy)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		

## REPORT HISTORY

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

Report Author: Damien Pantling, Head of Pension Fund
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Review Date: 22/11/2021

Author: Damien Pantling, Head of Pension Fund

Adele Taylor - Director of Resources (S.151 Officer)

Status: FINAL

GREEN = Score of 1 to 15

AMBER = Score of 16 to 25

RED = Score of 26 - 75

**Risk Calculation Key**











IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)

Gross Risk Score = IMPACT (Total) x Likelihood

Net Risk Score = IMPACT (Total) x Revised Likelihood

Scores all ranked 1 to 5

Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown

Risk Group		Risk Ref.	Trending	Risk Description					Fund	Employers	Regulation	TOTAL	Likelihood	Gross Risk	Mitigating Actions			Revised Likelihood	Net Risk	Reviewed		
ASSET AND INVESTMENT RISKS														IMPACT								
Asset & Investment Risk	PEN001		Investment managers fail to achieve returns of at least the actuarial discount rate over the longer term.	5	4	3	12	3	36				<b>TREAT</b> 1) The Advisory Management Agreement (AMA) clearly states expectations in terms of investment performance targets. 2) Investment manager performance is reviewed by LPPI and the committee on a quarterly basis. 3) The Pension Fund Committee should be positioned to move quickly in regards to asset allocation and strategy if it is felt that targets will not be achieved. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures. 6) Target return benchmark to be developed in due course, expected to be above the actuarial discount rate	2	24	Damien Pantling	31/01/2022					
Asset & Investment Risk	PEN002		Significant volatility and negative sentiment in global investment markets following disruptive geo-political uncertainty. Increased risk to global economic stability.	4	4	1	9	3	27				<b>TREAT</b> 1) Maintaining a well diversified portfolio with significant allocation to both public and private markets. 2) Maintaining a well diversified investment portfolio with significant allocations across a variety of asset classes such as (but not limited to) credit, equity and real-assets. 3) Routinely receiving market updates from independent advisors and acting upon the recommendations where appropriate - such as issuing additional/new guidance/instruction to LPPI.	2	18	Damien Pantling	31/01/2022					
Asset & Investment Risk	PEN003		The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	5	3	2	10	3	30				<b>TREAT</b> 1) Routinely receiving market updates from independent advisors and acting upon the recommendations as appropriate <b>TOLERATE</b> 1) Global investment market returns in aggregate for our SAA have thus far not been adversely affected by the COVID-19 pandemic, therefore, no significant changes to the investment strategy or strategic asset allocation are recommended	1	10	Damien Pantling	31/01/2022					
Asset & Investment Risk	PEN004		Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union and the economic after effects. For Example, supply chain issues and HGV driver shortages affecting UK trade and causing supply issues.	4	4	1	9	3	27				<b>TREAT</b> 1) Volatility is reduced through having a relatively low exposure to UK equities and is well diversified with a significant safe-haven focus. 2) Fund has removed the significant GBP hedge and is not undergoing any strategic currency hedging from 6th December 2021, but will seek to review in Summer 2022	2	18	Damien Pantling	31/01/2022					
Asset & Investment Risk	PEN005		Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage if not compliant. The administering authority declared an environmental and climate emergency in June 2019, effect on Pension Fund is currently unknown. TCFD regulations impact on LGPS schemes currently unknown but expected to come into force during 2022/23.	3	2	4	9	3	27				<b>TREAT</b> 1) Review ISS in relation to published best practice (e.g. Stewardship Code) . 2) Ensure fund managers are encouraged to engage and to follow the requirements of the published ISS. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and Pensions and Lifetime Savings Association (PLSA), which raises awareness of ESG issues and facilitates engagement with fund managers and company directors. 4) An ESG statement and RI Policy was drafted for the Pension Fund as part of the ISS and approved in March 2021 . 5) Officers regularly attend training events on ESG and TCFD regulations to ensure stay up to date with latest guidance. 6) LPPI manage the funds investments and have their own strict ESG policies in place which align with those of the fund.	2	18	Damien Pantling	31/01/2022					
Asset & Investment Risk	PEN006		A change in government or existing government policy may result in new wealth sharing policies which could negatively impact the value of the pension fund assets.	5	5	1	11	2	22				<b>TREAT</b> 1) Maintain links with central government and national bodies to keep abreast of national issues. Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood by (external) policy makers and the Fund.	1	11	Damien Pantling	31/01/2022					
Asset & Investment Risk	PEN007		Financial failure of third party supplier results in service impairment and financial loss.	5	4	1	10	2	20				<b>TREAT</b> 1) Performance of third parties (other than fund managers) regularly monitored by Fund officers and the Pension Fund Committee. 2) Regular meetings and conversations with global custodian (currently JP Morgan) take place. 3) Actuarial services and investment management are provided by two different providers.	1	10	Damien Pantling	31/01/2022					
Asset & Investment Risk	PEN008		Failure of global custodian or counterparty.	5	3	2	10	2	20				<b>TREAT</b> 2) Review of internal control reports on an annual basis. 3) Credit rating kept under review.	1	10	Damien Pantling	31/01/2022					
Asset & Investment Risk	PEN009		Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	20				<b>TREAT</b> 1) Fund is reliant upon current adequate contract management activity overseen by our investment managers LPPI. 2) Fund is reliant upon alternative suppliers at similar prices being found promptly.	1	10	Damien Pantling	31/01/2022					
Asset & Investment Risk	PEN010		Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	3	5	2	10	2	20				<b>TREAT</b> 1) Proportion of total asset allocation made up of equities, bonds, property funds, infrastructure and fixed income, limiting exposure to one asset category - this diversification generally reduces risk of any particular market underperformance. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Full holistic strategy review takes place every three years in line with the actuarial valuation. 4) Investment strategy reviewed every year and LPPI undertake a health-check bi-annually. 5) The actuarial assumptions regarding asset performance are regarded as achievable over the long term in light of historical data.	1	10	Damien Pantling	31/01/2022					

Review Date: 22/11/2021

Author: Damien Pantling, Head of Pension Fund

Adele Taylor - Director of Resources (S.151 Officer)

Status: FINAL

GREEN = Score of 1 to 15

AMBER = Score of 16 to 25

RED = Score of 26 to 75

**Risk Calculation Key**













IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)

Gross Risk Score = IMPACT (Total) x Likelihood

Net Risk Score = IMPACT (Total) x Revised Likelihood

Scores all ranked 1 to 5

Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown

Risk Group		Risk Ref.	Trending	Risk Description	Fund	Employers	Reputation	TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised	Likelihood	Not Risk	Reviewed
LIABILITY RISKS															
Liability Risk	PEN011		Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	22	<b>TREAT</b> 1) A longevity swap insurance contract was entered into in 2009 which effectively hedged the risk of longevity rates increasing for all of the retired scheme members (c11,000 members) at that point in time. 2) All scheme members that were not part of the longevity swap contract group in 2009 (i.e. all active or deferred members as at 2009 or that have since joined the scheme) have liabilities exposed to longevity risk. Whilst longevity risk in isolation cannot be hedged without further consideration of another longevity contract, it is managed through regular review of the investment strategy (risk profile, cashflows, liability matching)	1	11	Damien Pantling	31/01/2022	
Liability Risk	PEN012		Longevity rates decreasing, or increasing at a lower rate than those assumed in the longevity contract, leading to an increased contractual liability at present value.	3	4	4	11	2	22	<b>TOLERATE</b> 1) The opportunity cost in entering into the longevity contract was the loss of upside benefits associated with decreasing longevity rates - this was an active decision previously taken. 2) At present, the cost or even the option of exiting the contract has not been explored and may not be possible contractually. Any cost of exit if applicable is likely to far exceed the benefits.	2	22	Damien Pantling	31/01/2022	
Liability Risk	PEN013		Price inflation is significantly more than anticipated in the actuarial assumptions.	5	5	1	11	3	33	<b>TREAT</b> 1) Ensure sizeable holding in real assets (infrastructure and property) which generally act as protection against inflation. 2) The fund's material allocation to equity will provide a degree of protection against inflation. 3) The actuary will take a prudent view on inflation through the valuation process. 4) Material deviations (unexpected increases in inflation) and their impacts are modelled by the actuary through stress test analysis.	2	22	Damien Pantling	31/01/2022	
Liability Risk	PEN014		Employee pay increases are significantly more than anticipated for employers within the Fund.	3	4	2	9	2	18	<b>TOLERATE</b> 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to be made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014). 4) Employee pay rises currently remain below inflation. 5) Employer decisions to increase pay more than anticipated would result in increased contributions for that employer at the next triennial valuation	2	18	Damien Pantling	31/01/2022	
Liability Risk	PEN015		Impact of economic and political decisions on the Pension Fund's employer workforce and government funding level affecting the Council's spending decisions. For example scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	5	2	1	8	3	24	<b>TREAT</b> 1) Barnet Waddingham uses prudent assumptions on future of employees within the workforce. Employer responsibility to flag up potential for major bulk transfers outside of the fund. The potential for a significant reduction in the workforce as a result of the public sector financial pressures may have a future impact on the Fund. 2) Barnet Waddingham will make prudent assumptions about diminishing workforce when carrying out the triennial actuarial valuation in 2022. 3) Review maturity of scheme at each triennial valuation. Secondary deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions and mitigate risk of reducing workforce on cashflow. 4) Cashflow position monitored monthly.	2	16	Damien Pantling	31/01/2022	
Liability Risk	PEN016		Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	14	<b>TOLERATE</b> 1) Review "budgets" at each triennial valuation and challenge actuary as required. Charge capital cost of ill health retirements to admitted bodies at the time of occurring. Occupational health services provided by the unitaries and other large employers to address potential ill health issues early.	2	14	Damien Pantling	31/01/2022	
Liability Risk	PEN017		Impact of increases to employer contributions following the actuarial valuation.	4	5	3	12	3	36	<b>TREAT</b> 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	2	24	Damien Pantling	31/01/2022	
Liability Risk	PEN018		There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	5	4	3	12	2	24	<b>TREAT</b> 1) Cashflow forecast maintained and monitored. 2) Cashflow requirement is a factor in current investment strategy review. 3) Maintain a material level of cash held within a short duration bond fund, which allows access at short notice.	1	12	Damien Pantling	31/01/2022	
Liability Risk	PEN019		Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy.	5	3	3	11	2	22	<b>TREAT</b> 1) Active investment strategy and asset allocation monitoring by LPPI, overseen by Pension Fund Committee, officers and independent advisors. 2) Strategic asset allocation review was approved in September 2021 with a move out of diversifying strategies and an increase in equities. 3) Setting of Fund specific benchmark relevant to the current position of fund liabilities to be approved in March 2022. 4) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.	1	11	Damien Pantling	31/01/2022	
Liability Risk	PEN020		Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	4	4	2	10	2	20	<b>TREAT</b> 1) Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values.	1	10	Damien Pantling	31/01/2022	
Liability Risk	PEN021		Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	20	<b>TREAT</b> 1) At time of appointment, ensure advisers have appropriate professional qualifications and quality assurance procedures in place. Committee, Board and officers scrutinise and challenge advice provided by all parties.	1	10	Damien Pantling	31/01/2022	
Liability Risk	PEN022		Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	1	10	<b>TOLERATE</b> 1) Political will required to effect the change - this would be a major change to the LGPS, and a significant lead in time, probably with protection for almost all existing benefits, so there would be considerable time to assess the likely impact. 2) Significant and sustained political will be required to make such a change, with likely opposition of existing members to be managed.	1	10	Damien Pantling	31/01/2022	

Review Date: 22/11/2021

Author: Damien Pantling, Head of Pension Fund

Adele Taylor - Director of Resources (S.151 Officer)

Status: FINAL

GREEN = Score of 1 to 15

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**Risk Calculation Key**











IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)

Gross Risk Score = IMPACT (Total) x Likelihood

Net Risk Score = IMPACT (Total) x Revised Likelihood

Scores all ranked 1 to 5

Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown

PENSION FUND														
Risk Group	Risk Ref.	Trending	Risk Description	Fund	Employers	Reputation	TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	Reviewed	
EMPLOYER RISK														
Employer Risk	PEN023		Last active employee of scheduled or admitted body retires leading to cessation valuation liability calculated either on an ongoing or minimum risk basis, the latter applies to community admission type bodies without a bond or appropriate financial security in place. The full cessation at minimum risk could challenge the employer as a going concern and lead to failure.	3	5	4	12	3	36	<b>TREAT</b> 1) Employer covenant risk assessment was conducted by LPP in 2019 and presented to committee ( <i>formerly panel</i> ) on 19 December 2019 based on 2019 valuation results. This identified a number of key at-risk employers in the fund, those were all community admission body type employers at risk of cessation in the near future and without security in place. 2) A further review is to be commissioned by the actuary to re-evaluate these risks based on 2022 triennial figures, from this a number of employers can be contacted to discuss possible options and plans. 3) A number of employers have either had cessation arrangement decisions taken already through committee or have approached officers to discuss options, demonstrating the proactive rather than reactive nature of treating this risk. 4) Where appropriate seek to agree support from the relevant Local Authority.	2	24	Damien Pantling	31/01/2022
Employer Risk	PEN024		Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	5	3	3	11	2	22	<b>TREAT</b> 1) Transferee admission bodies (term no longer used) were required to have bonds or guarantees in place at time of signing the admission agreement. 2) Regular monitoring of employers and follow up of expiring bonds. 3) Regular reviews of what were formally referred to as community admission bodies, which are deemed high risk as no bond or guarantee was put in place at the time of admission.	1	11	Damien Pantling	31/01/2022
RESOURCE AND SKILL RISK														
Resource & Skill Risk	PEN025		Change in membership of Pension Fund Committee or Local Pensions Board leads to dilution of member knowledge and understanding - as such, Committee or Board members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	2	2	1	5	4	20	<b>TREAT</b> 1) Succession planning process to be considered. 2) Ongoing training of Pension Fund Committee members, training plan in place. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer. 5) Training to be supported by external parties including but not limited to the actuary, auditor, investment advisor and independent advisors. 6) External professional advice is sought where required	2	10	Damien Pantling	31/01/2022
Resource & Skill Risk	PEN026		Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	20	<b>TREAT</b> 1) Person specifications are used in recruitment processes to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. 3) Officers maintain their CPD by attending training events and conferences.	1	10	Damien Pantling	31/01/2022
Resource & Skill Risk	PEN027		Concentration of knowledge in a small number of officers and risk of departure of key staff. Loss of technical expertise and experience. Risk identified in 2023 of key personnel potentially leaving the Fund.	4	3	3	10	3	30	<b>TREAT</b> 1) Practice notes in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee to be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs for senior fund officers. 4) Training plans in place for all officers.	2	20	Damien Pantling	31/01/2022
Resource & Skill Risk	PEN028		McCloud remedy will generate considerable additional workloads for the team resulting in potential resource concerns.	3	4	2	9	4	36	<b>TREAT</b> 1) Statutory guidance to be issued by government setting out how remedy is to be managed. 2) All Pension Committee, Advisory Panel and Board Members receive regular updates and actions will be taken by officers once guidance is issued. 3) If necessary, consider the recruitment of temporary staff.	3	27	Damien Pantling	31/01/2022
ADMINISTRATIVE AND COMMUNICATIVE RISK														
Administrative & Communicative Risk	PEN029		Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	2	4	4	10	3	30	<b>TREAT</b> 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans through regular communication. 3) Contribution rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers exercise undertaken by LPP in December 2019, further work to be undertaken by Actuary as part of 2022 Triennial Valuation. 6) Monitoring of gilt yields for assessment of pensions deficit on a minimum risk basis.	2	20	Kevin Taylor	31/01/2022
Administrative & Communicative Risk	PEN030		Failure to comply with Scheme regulations and associated pension law leading to incorrect pension payments being made. Risk of fines, adverse audit reports and breaches of the law.	5	4	4	13	1	13	<b>TREAT</b> 1) Training provided as and when Regulations are updated. 2) Competent software provider maintains up to date systems. 3) Competent external consultants.	1	13	Kevin Taylor	31/01/2022
Administrative & Communicative Risk	PEN031		Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	3	2	3	8	3	24	<b>TREAT</b> 1) Review of administration roles and responsibilities to be undertaken in 2022/23. 2) Establishment of key training and development budget from 2022/23. 3) Key staff movements to be monitored closely. 4) Ongoing monitoring of administration statistical outcomes and KPI's via Local Pensions Board and Pension Fund Committee.	2	16	Kevin Taylor	31/01/2022
Administrative & Communicative Risk	PEN032		Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	5	5	5	15	2	30	<b>TREAT</b> 1) System hosted and backed up in two separate locations. 2) Re-issue previous months BACS file in extreme circumstances.	1	15	Kevin Taylor	31/01/2022

Review Date: 22/11/2021

Author: Damien Pantling, Head of Pension Fund

Adele Taylor - Director of Resources (S.151 Officer)

Status: FINAL

GREEN = Score of 1 to 15

AMBER = Score of 16 to 25

RED = Score of 26 - 75

**Risk Calculation Key**












IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)

Gross Risk Score = IMPACT (Total) x Likelihood

Net Risk Score = IMPACT (Total) x Revised Likelihood

Scores all ranked 1 to 5

Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown

PENSION FUND														
Risk Group	Risk Ref.	Trending	Risk Description	IMPACT					Likelihood	Gross Risk	Mitigating Actions	Revised		Reviewed
				Fund	Employers	Regulation	TOTAL	Net Risk				Likelihood	Net Risk	
ADMINISTRATIVE AND COMMUNICATIVE RISK (CONTINUED)														
Administrative & Communicative Risk	PEN033		Failure to maintain a high quality member database leading to loss in member confidence, incorrect calculations of benefits, increased number of complaints, poor performance and loss of reputation.	5	5	3	13	1	13	<b>TREAT</b> 1) Fund undertakes annual data quality exercise required by and reported to TPR. 2) Implementation of I-Connect to enable employers to submit membership data in real time. 3) Fund makes further data checks as part of year end processing. 4) Fund undertakes additional data cleansing exercise with the actuary ahead of the triennial valuation. 5) Mortality screening checks undertaken as reported in Risk PEN037	1	13	Kevin Taylor	31/01/2022
Administrative & Communicative Risk	PEN034		Failure to hold data securely due to poor processing of data transfers, poor system security, poor data retention and disposal, poor data backup and recovery of data.	4	4	4	12	1	12	<b>TREAT</b> 1) Database hosted off-site and backed up in 2 separate locations every day. 2) Access to systems is limited to a defined number of users via dual password and user identification. 3) Data transferred is encrypted. 4) Compliant with RBWM data protection and IT policies. 5) No papers files all managed via image and system documentation generation. 6) Confidential waste disposed of in line with RBWM policy.	1	12	Kevin Taylor	31/01/2022
Administrative & Communicative Risk	PEN035		Failure of cyber security measures following a cyber attack or data breach, including information technology systems and processes, leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal scheme membership data.	4	2	5	11	3	33	<b>TREAT</b> 1) Fund to develop its own cyber security risk policy. 2) System provider has robust accredited solutions in place to ensure any cyber-attack can be identified and prevented. 3) Fund shares cyber security systems with the administering authority, these are well funded and up to date. 4) Fund to engage consultancy in due course to independently test systems and recommend any further cyber security measures to implement. 5) Administering authority engages in system penetration checks annually, fund to utilise this service going forward with specific penetration checks in fund IT systems. 6) New internal auditors appointed by administering authority, major focus on IT security going forward and recommendations to come out of internal audits.	2	22	Kevin Taylor	31/01/2022
Administrative & Communicative Risk	PEN036		Loss of funds through fraud or misappropriation by an employer, agent or contractor leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	20	<b>TREAT</b> 1) Fund undertakes National Fraud Initiative (NFI) biannually. 2) Fund is subject to external audit and ad hoc internal audit which can be more frequent than annually - this tests the resilience and appropriateness of controls. New internal audit service is expected to enhance scrutiny in this regard. 3) Regulatory control reports from investment managers and the custodian are obtained. 4) New regulatory controls are in place to avoid pension transfer scams occurring	1	10	Kevin Taylor	31/01/2022
Administrative & Communicative Risk	PEN037		Payments continue to be made incorrectly at a potential cost to the Pension Fund. Distress caused to dependents.	3	3	4	10	2	20	<b>TREAT</b> 1) The fund undertakes a monthly mortality screening exercise. 2) Additional validation measures are put in place with our overseas payments provider to check the information held in regards to payments to non-UK bank accounts. 3) The fund participates in the biannual national fraud initiative (NFI).	1	10	Kevin Taylor	31/01/2022
Administrative & Communicative Risk	PEN038		Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	16	<b>TREAT</b> 1) Fund has a business continuity plan. 2) Systems hosted and backed up off-site in 2 locations. 3) All officers have the ability to work from home or any location where secure internet access is available.	1	8	Kevin Taylor	31/01/2022
Administrative & Communicative Risk	PEN039		Late or non-receipt of pension contributions from Scheme employers within statutory deadlines leading to loss of Fund investment. Risk of being reported to the Pensions Regulator with actions and fines being imposed if regulation breach is considered to be materially significant.	4	5	4	13	1	13	<b>TREAT</b> 1) Fund closely monitors receipts of contributions and will chase any employer that is late in making a payment. 2) A notice of unsatisfactory performance will be sent to a Scheme employer who regularly misses the statutory deadline for payment. 3) Fund has power to report a Scheme employer to the Pensions Regulator if it deems the potential loss of investment as a result of the late payment of contributions to be materially significant. 4) Large employers (unitaries) have opted to pay secondary contributions in advance.	1	13	Kevin Taylor	31/01/2022
Administrative & Communicative Risk	PEN040		Failure to communicate properly with stakeholders leading to Scheme members being unaware of the benefits the Scheme provides so take bad decisions and Scheme employers being unaware of their statutory responsibilities and duties in maintaining the Scheme for their employees.	4	4	2	10	2	20	<b>TREAT</b> 1) Fund has a Communication policy and a dedicated Communications Manager. 2) Pension Fund website is maintained to a high quality standard. 3) Quarterly bulletins issued to Scheme employers providing details of any and all scheme updates. 4) Training provided for Scheme employers. 5) Newsletters available to all active, deferred and retired scheme members. 6) Guides, factsheets and training notes are provided as relevant.	1	10	Kevin Taylor	31/01/2022
Administrative & Communicative Risk	PEN041		Lack of guidance and process notes leads to inefficiency and errors.	3	3	1	7	2	14	<b>TREAT</b> 1) Desktop procedures have been written for all administrative tasks and are kept under review. 2) All Committee, Advisory Panel and Board Members have received a 'Member Handbook' and are required to undertake the Pension Regulator's online Public Sector toolkit.	1	7	Kevin Taylor	31/01/2022
Administrative & Communicative Risk	PEN042		Failure to identify GMP liability leads to ongoing costs for the pension fund.	5	2	1	8	2	16	<b>TREAT</b> 1) Fund has carried out and completed a GMP reconciliation against all pensions in payment. 2) Ongoing action is being taken to complete a reconciliation of all GMPs held on active and deferred member records.	1	8	Kevin Taylor	31/01/2022
Administrative & Communicative Risk	PEN043		Loss of office premises due to fire, bomb, flood etc. leading to temporary loss of service.	5	5	4	14	2	28	<b>TREAT</b> 1) All staff are now able to work remotely. 2) A business continuity plan is in place. 3) Systems are cloud hosted and backed up.	1	14	Kevin Taylor	31/01/2022



Review Date: 22/11/2021

Author: Damien Pantling, Head of Pension Fund

Adele Taylor - Director of Resources (S.151 Officer)

Status: FINAL

GREEN = Score of 1 to 15

AMBER = Score of 16 to 25

RED = Score of 26 - 75

**Risk Calculation Key**

IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)

Gross Risk Score = IMPACT (Total) x Likelihood

Net Risk Score = IMPACT (Total) x Revised Likelihood

Scores all ranked 1 to 5

Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown

PENSION FUND														
Risk Group	Risk Ref.	Trending	Risk Description	Fund	Employers	Regulation	TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk		
REPUTATIONAL RISK														
Reputational Risk	PEN044		Financial loss of cash investments from fraudulent activity.	3	3	5	11	2	22	<b>TREAT</b> 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Strong governance arrangements and internal controls are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls) that are reviewed by auditors.	1	11	Damien Pantling	31/01/2022
Reputational Risk	PEN045		Financial loss and/or reputation damage associated with poor investment decision making, - through failure of governance and oversight as opposed to fraud	4	3	4	11	3	33	<b>TREAT</b> 1) Specific manager/investment decisions are delegated to, and undertaken by LPPI and are thus subject to rigorous investment manager selection processes involving a team of appropriately qualified and experienced investment professionals 2) LPPI's investment recommendations are presented to the Pension Fund committee for scrutiny by officers, members and independent advisors 3) Where appropriate, additional opinions may be called in i.e. LAPFF, PIRC, or other LGPS funds on matters that are either controversial or non-straightforward. 4) Good governance recommendations regularly reviewed following governance review in 2020, also new Internal Audit team to engage on governance matters and propose additional recommendations where appropriate	2	22	Damien Pantling	31/01/2022
Reputational Risk	PEN046		Inaccurate information in public domain leads to reputation damage and loss of confidence.	1	1	3	5	3	15	<b>TREAT</b> 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc.) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies, our communications team and LPPI's press team to ensure that news is well managed. 3) Hold AGM every year.	2	10	Damien Pantling	31/01/2022
REGULATORY AND COMPLIANCE RISK														
Regulatory & Compliance Risk	PEN047		Failure to process (Collect, retain, use and disclose) personal data in accordance with relevant data protection legislation including UK GDPR and DPA 2018	3	3	5	11	3	33	<b>TREAT</b> 1) Data sharing with partners is end to end encrypted. 2) IT data security policy adhered to. 2) Implementation of and adherence to RBWM information governance policies and data retention schedules 3) Mandatory staff training for new joiners on GDPR data processing which is annually refreshed 4) Administering Authority has an assigned data protection officer responsible for advising on data protection obligations. 5) Data protection compliance checks to be part of internal audit workplan going forward 6) Staff are aware of data breach process	2	22	Damien Pantling	31/01/2022
Regulatory & Compliance Risk	PEN048		Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales.	3	2	1	6	3	18	<b>TOLERATE</b> 1) Officers consult and engage with DLUHC, LGPS Scheme Advisory Board, advisors, LPPI, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Uncertainty surrounding new DLUHC pooling guidance.	3	18	Damien Pantling	31/01/2022
Regulatory & Compliance Risk	PEN049		Changes to LGPS Regulations along with failure to comply with legislation leads to ultra-vires actions resulting in financial loss and/or reputational damage - and pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	3	3	1	7	3	21	<b>TREAT</b> 1) Fund will respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood. 2) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulation on compulsory pooling to be monitored. 3) Officers maintain knowledge of legal framework for routine decisions. 4) Eversheds retained for consultation on non-routine matters. 5) Maintain links with central government and national bodies to keep abreast of national issues. 6) Fund officers to ensure there are regular internal audits and that both internal and external audit recommendations are adhered to	2	14	Damien Pantling	31/01/2022
Regulatory & Compliance Risk	PEN050		Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	3	3	4	10	2	20	<b>TREAT</b> 1) Publication of all documents on external website and all appointed managers expected to comply with ISS and investment manager agreements. 2) Local Pensions Board is an independent scrutiny and assistance function. 3) Compliance with the legislative requirements are reviewed annually through the audit process.	1	10	Damien Pantling	31/01/2022
Regulatory & Compliance Risk	PEN051		Failure to comply with recommendations from the Local Pensions Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator.	1	3	5	9	2	18	<b>TREAT</b> 1) Ensure that a co-operative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pensions Board. 2) Chair of Pension Board normally attends the committee and speaks as appropriate.	1	9	Damien Pantling	31/01/2022
Regulatory & Compliance Risk	PEN052		Loss of flexibility to engage with Fund Managers and loss of elective professional status with any or all of the existing Fund managers and counterparties resulting in reclassification. (The Fund is a retail client to counterparties unless opted up).	3	2	2	7	2	14	<b>TREAT</b> 1) More reliance on LPPI to keep Officers and Committee updated. 2) Maintaining up to date information about the fund on relevant platforms. 3) Fund can opt up with prospective managers. 4) Existing and new Officer appointments subject to requirements for professional qualifications and CPD. 5) MIFID2 regulations to be monitored by fund officers and LPPI.	1	7	Damien Pantling	31/01/2022
Regulatory & Compliance Risk	PEN053		Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process.	2	2	3	7	2	14	<b>TOLERATE</b> 1) Pooled funds are not subject to OJEU rules, and most of our funds are in LPPI's pooled vehicles. <b>TREAT</b> 1) For those that are held directly, ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process.	1	7	Damien Pantling	31/01/2022

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Report Title:	<b>Administering Authority Discretions 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 – 7 March 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

www.rbwm.gov.uk



## REPORT SUMMARY

This report brings back to Members' attention the Administering Authority's requirement to take decisions in respect of various discretions afforded to it under the current and former LGPS Regulations.

Whilst Members will have previously seen and approved a version of the document contained at Appendix 1 to this report, the revised version has been updated to reflect the need to have policy statements for discretions under both the current and former LGPS Regulations. The Administering Authority Discretions Policy found at Appendix 1 to this report is, therefore, split into a number of sections to facilitate the requirements of all sets of LGPS Regulations as they apply to current and former scheme members. Some items may appear to be duplicated but need to be re-stated in this way to account for the changes to the statutory legislation governing the Scheme.

## 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That the Pension Fund Committee note the report ;

- i) **Considers, notes and approves the revised administering authority discretions policy and;**
- ii) **Approves publication of the final version on the Pension Fund website.**

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

- 2.1 In accordance with Regulation 53 of the Local Government Pension Scheme Regulations 2013 (as amended) ("the Regulations") and as listed in Part 1 of Schedule 3 of the Regulations, RBWM is an Administering Authority (Scheme Manager) required to maintain a Pension Fund for the Scheme.
- 2.2 An Administering Authority is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate Administering Authority under the Regulations.
- 2.3 The Pension Fund Committee as set out in RBWM's Constitution acts as the Scheme Manager and is therefore responsible for ensuring that the

Administering Authority fulfils its statutory responsibilities in accordance with the Regulations and the Public Service Pension Act 2013

- 2.4 The purpose of this paper is to identify for Committee members all of the discretions set out in the current and former LGPS Regulations as they apply to current and former scheme members and to set a policy decision as to how each of those discretions should be applied.
- 2.5 The Administering Authority Discretions Policy found at Appendix 1 to this report is based on guidance and a template issued by the Local Government Pension Committee (LGPC) Secretariat, part of the Local Government Association (LGA) who, in order to facilitate strong governance, recommend that a policy is maintained in all areas described.
- 2.6 The policy was last approved by the Pension Fund Committee (formerly the Pension Fund Panel) on 12 November 2018.

### **3. KEY IMPLICATIONS**

- 3.1 The Administering Authority (Scheme Manager) is required by law to maintain the Royal County of Berkshire Pension Fund in accordance with the Regulations and all other associated legislation. Failure to do so could result in the Pensions Regulator issuing fines to the Authority where he deems it to have failed in areas of scheme governance, risk management and administration.

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

- 4.1 None

### **5. LEGAL IMPLICATIONS**

- 5.1 The Public Service Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and former version of the LGPS Regulations set out the statutory requirements of the Administering Authority.

### **6. RISK MANAGEMENT**

- 6.1 The below table relates to risk "PEN050" from the risk register considered and approved by Pension Fund Committee on 7 March 2022.

**Table 1: Impact of risk and mitigation (PEN050)**

<b>Risk description</b>	<b>Gross Risk Score</b>	<b>Mitigating Actions</b>	<b>Net Risk Score</b>
Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	<b>20</b>	1) Publication of all documents on external website and all appointed managers expected to comply with ISS and investment manager agreements. 2) Local Pensions Board is an independent scrutiny and assistance function.	<b>10</b>

		3) Compliance with the legislative requirements are reviewed annually through the audit process.	
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## 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 From 7 March 2022

## 10. APPENDICES

- 10.1 This report is supported by 1 Appendix:
- Appendix 1 – Administering Authority Discretions 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
<i>Mandatory:</i>		<i>Statutory Officers (or deputy)</i>	
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		

Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
Nikki Craig	Head of HR, Corporate Projects and IT		

## 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: Damien Pantling, Head of Pension Fund
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## Administering Authority Discretions Policy

### Section 1 Discretionary policies applicable from 1 April 2014 in relation to post 31 March 2014 active members and post 31 March 2014 leavers being discretions under:

The Local Government Pension Scheme Regulations 2013 (S.I. 2013 No. 2356)<sup>1</sup> (prefix **LGPS13**)

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014 No. 525)<sup>2</sup> (prefix **TP14**)

Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008 No. 239)<sup>3</sup> (prefix **A08**)

Local Government Pension Scheme Regulations 1997 (SI 1997 No. 1612)<sup>4</sup> (prefix **LGPS97**)

Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (SI 2007 No. 1166)<sup>5</sup> (prefix **B07**)

Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (SI 2008 No. 238)<sup>6</sup> (prefix **T08**)

No.	Regulation	Administering Authority Discretion	Administering Authority Decision
1	<b>LGPS13:</b> 3(1A), 3(5) & Sch. 2, Part 3, para. 1	Whether to agree to an admission agreement with a body applying to become an admission body other than where a body as defined in paragraph 1(d) must be admitted providing they undertake the requirements of the regulations.	Report to be submitted to the Pension Fund Committee for approval subject to an employer covenant review being undertaken.
2	<b>LGPS13:</b> 4(2)(b)	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or Care Quality Commission	Report to be submitted to the Pension Fund Committee for approval subject to an employer covenant review being undertaken.
3	<b>LGPS13:</b> 16(1)	Whether the administering authority deems it inappropriate for a scheme member to pay Additional Pension Contributions (APCs)	Pension Fund Committee have set an agreed minimum level of contribution whereby the scheme member will be

<sup>1</sup> <http://www.legislation.gov.uk/ukSI/2013/2356/contents/made>

<sup>2</sup> <http://www.legislation.gov.uk/ukSI/2014/525/contents/made>

<sup>3</sup> <http://www.legislation.gov.uk/ukSI/2008/239/contents/made>

<sup>4</sup> <http://www.legislation.gov.uk/ukSI/1997/1612/contents/made>

<sup>5</sup> <http://www.legislation.gov.uk/ukSI/2007/1166/contents/made>

<sup>6</sup> <http://www.legislation.gov.uk/ukSI/2008/238/contents/made>

		over a period of time due to the contribution being very small.	required to pay APC as a lump sum - £100.
4	<b>LGPS13: 16(10)</b>	Whether to require a scheme member to have a medical (at their own expense) in order to satisfy the administering authority of their reasonably good health before agreeing to the scheme member's application to pay APCs/SCAPCs (Shared Cost Additional Pension Contributions).	Require a medical in circumstances where a scheme employer has already taken action to investigate the scheme member's possible ill health retirement.
5	<b>LGPS13: 17(12)</b>	Decide to whom any Additional Voluntary Contributions (AVCs) or Shared Cost Additional Voluntary Contributions (SCAVC) monies should be paid upon the scheme member's death.	To follow scheme member's expression of wish where appropriate. If non-contentious delegate to officers for a decision or report to the Pension Fund Committee where decision could be contentious.
6	<b>LGPS13: 22(3)(c)</b>	Pension accounts to be kept in a form as considered appropriate.	Pension accounts to be maintained in line with regulatory and pension software requirements.
7	<b>LGPS13: 30(8)</b>	Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement.	<i>NOTE: Administering authority decision required where Scheme Employer is defunct)</i> Apply former employer's discretionary statement of policy where possible and where not possible adopt RBWM's discretionary statement of policy.
8	<b>LGPS13: 30(8)</b>	Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age other than on grounds of flexible retirement (where the member only has post 31 March 2014 membership).	<i>NOTE: Administering authority decision required where Scheme Employer is defunct)</i> Apply former employer's discretionary statement of policy where possible and where not possible adopt RBWM's discretionary statement of policy.
9	<b>LGPS13: 32(7)</b>	Whether to extend beyond three months the time limits within which a scheme	To restrict the time limit to three months as set out in regulation.



		member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement.	
10	<b>LGPS13:</b> 34(1)(a)	Whether to commute the payment of a small pension into a trivial commutation lump sum within the meaning of section 166 of the Finance Act 2004.	To commute upon request from the scheme member in line with the rules and limits imposed by HMRC.
11	<b>LGPS13:</b> 34(1)(b)	Whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004.	To commute upon request from the scheme member in line with the rules and limits imposed by HMRC.
12	<b>LGPS13:</b> 34(1)(c)	Whether to pay a commutation payment under regulations 6, 11 or 12 of the Registered Pension Schemes (Authorised Payments) Regulations 2009.	To commute upon request from the scheme member in line with the rules and limits imposed by HMRC.
13	<b>LGPS13:</b> 36(3)	Whether to approve or not a scheme employer's choice of Independent Registered Medical Practitioner (IRMP).	Approval delegated to officers.
14	<b>LGPS13:</b> 38(3)	Whether a deferred member of a former employer that no longer exists meets the criteria for release of deferred benefits due to permanent ill health and the likelihood of not obtaining gainful employment before normal pension age or within three years, whichever is sooner.	<i>NOTE: Administering authority decision required where Scheme Employer is defunct)</i>  Potentially contentious cases to be reported to Pension Fund Committee for a decision otherwise delegated to officers.
15	<b>LGPS13:</b> 38(6)	Whether a suspended tier-3 ill health pension should be reinstated upon request from a deferred pensioner member of a former employer that no longer exists where that member is unlikely to be capable of undertaking gainful employment before normal pension age.	<i>NOTE: Administering authority decision required where Scheme Employer is defunct)</i>  Potentially contentious cases to be reported to Pension Fund Committee for a decision otherwise delegated to officers.
16	<b>LGPS13:</b> 40(2), 43(2), 46(2) & <b>TP14:</b> 17(5) to (8)	To whom a death grant should be paid following the death of a scheme member.	To follow scheme member's expression of wish where appropriate. If non-

			contentious delegate to officers for a decision or report to the Pension Fund Committee where decision could be contentious.
17	<b>LGPS13: 49(1)(c)</b>	To determine the benefit payable to a scheme member, in the absence of an election from the scheme member, where the scheme member is entitled to a benefit under 2 or more of the regulations in respect of the same period of membership.	Delegated to officers who will pay the benefit most beneficial to the scheme member.
18	<b>LGPS13: 54(1)</b>	Whether to establish an “admission agreement fund” in addition to the “main fund”.	Not to establish a separate fund.
19	<b>LGPS13: 55</b>	<p>Governance Compliance Statement must state whether the administering authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the administering authority and if they do so delegate, state:</p> <ul style="list-style-type: none"> <li>• The frequency of any committee or sub-committee meetings, the terms, structure and operational procedures appertaining to the delegation, and</li> <li>• Whether representatives of employing authorities or members are included and, if so, whether they have voting rights.</li> </ul> <p>The policy must also state:</p> <ul style="list-style-type: none"> <li>• The extent to which a delegation, or the absence of a delegation, complies with Secretary of State guidance and, to the</li> </ul>	Separate Governance Compliance Statement prepared, published, and reviewed by Pension Fund Committee and available from the Pension Fund’s website <sup>7</sup>

<sup>7</sup> <https://www.berkshirepensions.org.uk/bpf/publications/pension-fund-policies>

		extent that it does not comply, state the reason for not complying, and the terms, structure and operational procedures pertaining to the local Pension Board.	
20	<b>LGPS13: 58</b>	Decide on Funding Strategy for inclusion in the Funding Strategy Statement.	Funding Strategy Statement prepared, published, and reviewed by Pension Fund Committee and available from the Pension Fund's website <sup>8</sup>
21	<b>LGPS13: 59(1) &amp; (2)</b>	Whether to produce and publish a written pension administration strategy and the matters to be included.	To produce and publish a Pension Administration Strategy. Available from the Pension Fund website <sup>9</sup>
22	<b>LGPS13: 61</b>	Communication policy must set out the policy on provision of information and publicity to, and communicating with, members, representatives of members, prospective members and Scheme employers; the format, frequency and method of communications; and the promotion of the Scheme to prospective members and their employers.	Communication Strategy Statement prepared, published and reviewed by Pension Fund Committee and available from the Pension Fund's website <sup>10</sup>
23	<b>LGPS13: 64(2A);</b>	Whether to issue a written suspension notice to an exiting employer to suspend that employer's liability to pay an exit payment for up to 3 years where the administering authority considers it reasonable that the exiting employer will appoint one or more active members during the period specified in the suspension notice.	Delegated to officers to identify exiting scheme employers and to issue a suspension notice and report to the Pension Fund Committee, and Pension Board, on the action taken.

<sup>8</sup> <https://www.berkshirepensions.org.uk/bpf/publications/pension-fund-policies>

<sup>9</sup> <https://www.berkshirepensions.org.uk/bpf/publications/pension-fund-policies>

<sup>10</sup> <https://www.berkshirepensions.org.uk/bpf/publications/pension-fund-policies>

24	<b>LGPS13:</b> 64(2ZA)	Whether to extend the period beyond 3 months from the date a Scheme Employer ceases to be a Scheme Employer, by which to pay an exit credit.	Delegated to officers to identify exiting scheme employers and to agree extension of exit credit payment and report to the Pension Fund Committee, and Pension Board, on the action taken.
25	<b>LGPS13:</b> 64(4)	Whether to obtain a revised rates and adjustment certificate from the pension fund Actuary where it is considered that a scheme employer will become an exiting employer.	Delegated to officers to identify those scheme employers with a poor covenant and report to the Pension Fund Committee, and Pension Board, on action taken.
26	<b>LGPS13 64(7A)</b>	Administering authority to enter into a deferred debt agreement with an exiting employer.	Delegated to officers to identify those scheme employers and report to the Pension Fund Committee, and Pension Board, on actions taken.
27	<b>LGPS13 64(7B)</b>	Administering authority to enter into a debt spreading arrangement with an exiting employer	Delegated to officers to identify those scheme employers and report to the Pension Fund Committee, and Pension Board, on actions taken.
28	<b>LGPS13:</b> 68(2)	To require a scheme employer to make a strain (capital) cost payment to the Pension Fund in all cases where a scheme employer's decision results in the immediate release of a scheme member's benefits because of flexible retirement, redundancy or retirement due to business efficiency.	In all cases the scheme employer will be required to make payment of a strain (capital) cost in full and within 21 days of receipt of an invoice from the scheme manager.
29	<b>LGPS13:</b> 69(1)	To consider the frequency that payments of contributions should be made to the Pension Fund by scheme employers and whether scheme employers should make a contribution towards to the cost of administration.	Payments required by the 19 <sup>th</sup> day of the month following deduction in accordance with statutory regulations. Currently no administration charges are made.
30	<b>LGPS13:</b> 69(4)	To consider the form and frequency of information	Delegated to officers. Failures by scheme

		required from a scheme employer to support the payment of contributions.	employers to meet requirements to be reported to the Pension Board.
31	<b>LGPS13: 70 &amp; TP14: 22(2)</b>	Whether to recover sums from a scheme employer where additional costs have been incurred because of the scheme employer's unsatisfactory level of performance (for example frequent late payments).	Pension administration strategy provides details of when notices of unsatisfactory performances will be issued to scheme employers and reported to the Pension Fund Committee and Pension Board.
32	<b>LGPS13: 71(1)</b>	Whether to charge interest on payments received from a scheme employer later than prescribed in the pension administration service level agreement or the pension administration strategy.	Instances to be reported to the Pension Fund Committee and Pension Board as part of an administration report for decision and where considered material, invoice to be raised, sent to scheme employer and reported to the Pensions Regulator.
33	<b>LGPS13: 76(4) &amp; TP14: 23</b>	To determine the procedure to be followed at stage 2 of the Internal Dispute Resolution Procedure (IDRP) and the manner in which the exercise of those procedures should be undertaken.	The appointed adjudicator at stage 2 of the IDRP is the Head of Pension Fund for the administering authority who will seek advice and guidance from relevant officers and the Pension Board before making a determination.
34	<b>LGPS13: 79(2) &amp; TP14: 23</b>	Whether to appeal to the Secretary of State against a scheme employer's decision, or lack of decision, on a question arising under regulation 72 of LGPS13 (first instance decisions).	Cases to be reported to the Pension Fund Committee and Pension Board as part of an administration report but decision delegate to officers.
35	<b>LGPS13: 80(1)(b) &amp; TP14: 22(1) &amp; 23</b>	To specify the format in which information supplied by a scheme employer is provided to the administering authority.	Delegated to officers who provide all standard forms, spreadsheets, templates and guidance to scheme employers to assist them in providing all information required to enable the administering authority to discharge its scheme functions.
36	<b>LGPS13: 82(2)</b>	Whether to pay out in full or part a death grant due from the Pension Fund without	Delegated to officers for a decision where non-contentious but referred to

		having to obtain grant of probate or letters of administration where the value does not exceed that specified in section 6 of the Administration of Estates (Small Payments) Act 1965.	the Pension Fund Committee where decision could be contentious.
37	<b>LGPS13: 83</b>	Whether, where a person appears to be incapable of managing their affairs by reason of mental disorder or otherwise, to make payment of benefits to another person.	Delegated to officers for a decision where non-contentious but referred to the Pension Fund Committee where decision could be contentious.
38	<b>LGPS13: 98(1)(b)</b>	Whether to agree to bulk transfer payments where two or more scheme members' membership ends on their joining a different registered pension scheme.	Delegated to officers who will in all instances seek the advice and guidance of the Pension Fund Actuary.
39	<b>LGPS13: 100(6)</b>	Whether to extend the normal time limit for acceptance of a transfer value beyond 12 months from date scheme member joined the LGPS.	Delegated to officers as Scheme employers are required to include a statement in their discretions policy and where it is agreed to extend beyond the 12 month period the administering authority will endorse the scheme employer's decision unless it is clearly identified that such a decision would be detrimental for the Pension Fund.
40	<b>LGPS13: 100(7)</b>	Whether to allow the transfer of relevant pension rights into the Pension Fund.	To permit the transfer of relevant pension rights for credit to the member's pension account.
41	<b>LGPS13: 105(2)</b>	Decide whether to delegate any administering authority functions under the Regulations	Decision taken not to delegate any administering authority functions.
42	<b>LGPS13: 106(3)</b>	Decide whether to establish a joint local pension board (if approval has been granted by the Secretary of State)	Decision taken not to establish a joint local pension board.
43	<b>LGPS13: 106(6)</b>	To determine the procedures applicable to a local Pension Board.	Terms of reference set out in the Council's Constitution.

44	<b>LGPS13:</b> 107(1)	To determine the membership of the local Pension Board and the manner in which members may be appointed and removed.	Approved by Pension Fund Committee.
45	<b>LGPS13:</b> 108(1)	To determine the method by which to confirm that a member of the Pension Board does not have a conflict of interest.	Set out in Council's code of conflict policy.
46	<b>LGPS13:</b> Sch. 1 & <b>TP14:</b> 17(9)(a)	In accordance with definition of eligible child determine whether to treat a child as being in continuous education or vocational training despite a break.	Pensions payable to eligible children will continue to be paid during breaks in education or training of up to one year.
47	<b>LGPS13:</b> Sch.1 & <b>TP14:</b> 17(9)(b)	In accordance with definition of cohabiting partner determine the evidence required to confirm financial dependence of a cohabiting partner on a scheme member or financial interdependence of cohabiting partner and scheme member.	Delegate to officers for a decision where non-contentious or to the Pension Fund Committee where decision could be contentious.  Pension Fund Committee to consider an Affidavit to be signed by cohabiting member.
48	<b>LGPS13:</b> Sch. 2, Part 3, para. 9(d)	To determine the right to terminate an admission agreement under circumstances listed in regulation.	Report to be submitted to the Pension Fund Committee.
49	<b>LGPS13:</b> Sch. 2, Part 3, para 12(a)	To consider definition of the term "employed in connection with the provision of the service or assets".	Must be continuously employed for a minimum of 50% of the time in connection with the provision of the service or assets as referred to in the admission agreement.
50	<b>LGPS13:</b> Sch. 2, Part 3, para 14	Whether to agree that an admission agreement may take effect on a date before the date on which it is executed.	Admission agreement not to take effect prior to date on which is executed.
51	<b>TP14:</b> 3(6), 4(6)(c), 8(4),	In respect of a scheme member who retains a right to have the use of the average of	Delegated to officers to calculate and apply the best (most financially beneficial)

	10(2)(a), 17(2)(b) & <b>B07</b> : 11(2)	3 years pay for final pay purposes, to determine, should the member die before making an election, whether to make that election on behalf of the deceased scheme member.	option for the scheme member's dependants.
52	<b>TP14</b> : 3(6), 4(6)(c), 8(4), 10(2)(a), 17(2)(b) & <b>T08</b> : Sch. 1 & <b>LGPS97</b> : 23(9)	In respect of a scheme member who retains a certificate of protection of pension benefits under former regulations to determine should the member die before making an election as to the use of that certificate, whether to make an election on behalf of the deceased scheme member.	Delegated to officers to calculate and apply the best (most financially beneficial) option for the scheme member's dependants.
53	<b>TP14</b> : 10(9)	In the absence of an election from a scheme member within 12 months of ceasing a concurrent employment, to determine, where the scheme member has more than one on-going employment, to which pension account the ceasing employment benefits should be aggregated.	Delegated to officers to calculate and apply the best (most financially beneficial) option for the member.
54	<b>TP14</b> : 12(6)	Whether to use a certificate produced by an Independent Registered Medical Practitioner (IRMP) under the LGPS2008 for the purposes of making an ill health determination under the LGPS2013.	<i>NOTE: Administering authority decision required where Scheme Employer is defunct)</i>  Delegated to officers to make the necessary determination on a case-by-case basis.
55	<b>TP14</b> : 15(1)(c) & <b>T08</b> : Sch. 1 & <b>LGPS97</b> : 83(5)	Whether to extend the time period for capitalisation of ongoing added years contracts still in force under previous regulations.	Delegated to officers to make the necessary determination on a case-by-case basis.
56	<b>TP14</b> : 15(1)(d) & <b>A08</b> : 28(2)	Whether to charge a scheme member for the provision of an estimate of additional pension that would be provided for by the scheme in return for the transfer of in house AVC funds (where the arrangement was	No charge to be applied.



		entered into before 1 April 2014).	
57	<b>TP14:</b> Sch. 2, para. 2(3)	Whether to require a strain (capital) cost to be paid “up front” by a scheme employer following their decision to waive any actuarial reduction to benefits under the 85-year rule.	A scheme employer must make payment of a strain (capital) cost to the pension fund in full and “up front” on every occasion that such a cost arises.
58	<b>TP14:</b> Sch2, para 1(2) & 1(1)(c)	Whether to “switch on” the 85-year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 (other than on the grounds of flexible retirement)	<i>NOTE: Administering authority decision required where Scheme Employer is defunct)</i> Apply former employer's discretionary statement of policy where possible and where not possible adopt RBWM's discretionary statement of policy.
59	<b>TP14:</b> 3(1), Sch2, para 2(1) and <b>B07:</b> 30(5) & 30A(5)	Whether to waive any actuarial reduction for a member voluntarily drawing benefits before normal pension age other than on the grounds of flexible retirement (where member has both pre-1 April 2014 and post 31 March 2014 membership) on compassionate grounds.	<i>NOTE: Administering authority decision required where Scheme Employer is defunct)</i> Apply former employer's discretionary statement of policy where possible and where not possible adopt RBWM's discretionary statement of policy.
60	<b>A08:</b> 70(1) & 71(4)(c); <b>TP14:</b> 3(13)	To formulate a policy concerning abatement of pensions upon re-employment of retired scheme member.	Separate policy prepared, published and reviewed by Pension Fund Committee. Available from Pension Fund website <sup>11</sup>

**Section 2 Discretionary policies in relation to scheme members who ceased active membership on or after 1 April 2008 and before 1 April 2014 being discretions under:**

The Local Government Pension Scheme Regulations 2013 (S.I. 2013 No. 2356)<sup>12</sup> (prefix **LGPS13**)

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014 No. 525)<sup>13</sup> (prefix **TP14**)

<sup>11</sup> <https://www.berkshirerpensions.org.uk/bpf/publications/pension-fund-policies>

<sup>12</sup> <http://www.legislation.gov.uk/uksi/2013/2356/contents/made>

<sup>13</sup> <http://www.legislation.gov.uk/uksi/2014/525/contents/made>

Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008 No. 239)<sup>14</sup> (prefix **A08**)

Local Government Pension Scheme Regulations 1997 (SI 1997 No. 1612)<sup>15</sup> (prefix **LGPS97**)

Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (SI 2007 No. 1166)<sup>16</sup> (prefix **B07**)

Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (SI 2008 No. 238)<sup>17</sup> (prefix **T08**)

No.	Regulation	Administering Authority Discretion	Administering Authority Decision
1	<b>TP14:</b> 15(1)(c) & <b>T08:</b> Sch 1 & <b>LGPS97:</b> 83(5)	Extend time period for capitalisation of added years contract where the member leaves employment by reason of redundancy.	Delegated to officers to make the necessary determination on a case-by-case basis.
2	<b>A08:</b> 45(3)	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits.	Delegated to officers to make the necessary determination on a case-by-case basis.
3	<b>A08:</b> 52(2)	Whether to pay the whole or part of the amount that is due to the personnel representatives (including anything due to the deceased member at the date of death) to: <ul style="list-style-type: none"><li>• Personal representatives, or</li><li>• Anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965.</li></ul>	Delegated to officers to make the necessary determination on a case-by-case basis.
4	<b>A08:</b> 56(2)	Approve medical advisors used by employers (for early payment, on grounds of ill health, of a deferred benefit or	Any medical advisor used by an employer must be able to evidence that they are registered with the General

<sup>14</sup> <http://www.legislation.gov.uk/uksi/2008/239/contents/made>

<sup>15</sup> <http://www.legislation.gov.uk/uksi/1997/1612/contents/made>

<sup>16</sup> <http://www.legislation.gov.uk/uksi/2007/1166/contents/made>

<sup>17</sup> <http://www.legislation.gov.uk/uksi/2008/238/contents/made>

		a suspended Tier 3 ill health pension).	Medical Council and hold a relevant qualification in occupational medicine as set out in the definition of IRMP in Schedule 1 of <b>LGPS13</b> .
5	<b>TP14:</b> 23 & <b>LGPS13:</b> 76(4)	Decide procedure to be followed by administering authority when exercising its stage two IDRPs functions and decide the manner in which those functions are to be exercised.	The appointed adjudicator at stage 2 of the IDRPs is the Head of Pension Fund for the administering authority who will seek advice and guidance from relevant officers and the Pension Board before making a determination.
6	<b>TP14:</b> 23 & <b>LGPS13:</b> 79(2)	Whether administering authority should appeal against employer decision (or lack of decision).	Cases to be reported to the Pension Fund Committee and Pension Board as part of an administration report but decision delegate to officers.
7	<b>TP14:</b> 23, & 22(1) & <b>LGPS13:</b> 80(1)(b)	Specify information to be supplied by employers to enable administering authority to discharge its functions.	Delegated to officers who provide all standard forms, spreadsheets, templates, and guidance to scheme employers to assist them in providing all information required to enable the administering authority to discharge its scheme functions.
8	<b>B07:</b> 10(2)	Where member to whom <b>B07:</b> 10 applies dies before making an election, whether to make that election on behalf of the deceased member.	Delegated to officers to make the necessary determination on a case-by-case basis.
9	<b>B07:</b> 27(5)	Whether to pay the whole or part of a child's pension to another person for the benefit of the child.	Delegated to officers to make the necessary determination on a case-by-case basis.
10	<b>A08:</b> 52A	Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	Delegated to officers for a decision where non-contentious but referred to the Pension Fund Committee where decision could be contentious.
11	<b>TP14:</b> Sch 2, para 1(2) and 1(1)(c)	Whether to "switch on" the 85 year rule for a member voluntarily drawing benefit on	<i>NOTE: Administering authority decision required</i>

		or after age 55 and before age 60.	<i>where Scheme Employer is defunct)</i> Apply former employer's discretionary statement of policy where possible and where not possible adopt RBWM's discretionary statement of policy.
12	<b>B08:</b> 30(5), <b>TP14:</b> Sch 2, para 2(1)	Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under <b>B08</b> 30 (member).	<i>NOTE: Administering authority decision required where Scheme Employer is defunct)</i> Apply former employer's discretionary statement of policy where possible and where not possible adopt RBWM's discretionary statement of policy.
13	<b>TP14:</b> Sch 2, para 1(2) & 1(1)(c)	Whether to "switch on" the 85 year rule for a pensioner member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60.	<i>NOTE: Administering authority decision required where Scheme Employer is defunct)</i> Apply former employer's discretionary statement of policy where possible and where not possible adopt RBWM's discretionary statement of policy.
14	<b>B07:</b> 30A(5) & <b>TP14:</b> Sch 2, para 2(1)	Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early under <b>B07:</b> 30A (pensioner member with deferred benefits).	<i>NOTE: Administering authority decision required where Scheme Employer is defunct)</i> Apply former employer's discretionary statement of policy where possible and where not possible adopt RBWM's discretionary statement of policy.
15	<b>TP14:</b> Sch 2, para 2(3)	Whether to require any strain on Fund costs to be paid "up front" by employing authority if the employing authority "switches on" the 85 year rule for a member voluntarily retiring prior to age 60, or waives an actuarial reduction on compassionate grounds under <b>TP14:</b> Sch 2, para 2(1).	In all cases the scheme employer will be required to make payment of a strain (capital) cost in full and within 21 days of receipt of an invoice from the scheme manager.

16	<b>B07:</b> 31(4)	Decide whether deferred beneficiary meets permanent ill health and reduced likelihood of gainful employment criteria.	<i>NOTE: Administering authority decision required where Scheme Employer is defunct)</i> Decision to be taken once advice obtained from an IRMP appointed by RBWM as a scheme employer to the Fund.
17	<b>B07:</b> 31(7)	Decide whether a suspended ill health tier 3 member is permanently incapable of undertaking any gainful employment.	<i>NOTE: Administering authority decision required where Scheme Employer is defunct)</i> Decision to be taken once advice obtained from an IRMP appointed by RBWM as a scheme employer to the Fund.
18	<b>B07:</b> 23(2), 32(2), 35(2) & <b>T08:</b> Sch 1 & <b>LGPS97:</b> 155(4)	Decide to whom death grant is paid	<i>NOTE: Administering authority decision required where Scheme Employer is defunct)</i> Delegated to officers for a decision where non-contentious but referred to the Pension Fund Committee where decision could be contentious.
19	<b>LGPS13:</b> Sch 1 & <b>TP14:</b> 17(9)(b)	Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member.	Delegate to officers for a decision where non-contentious or to the Pension Fund Committee where decision could be contentious.  Pension Fund Committee to consider an Affidavit to be signed by cohabiting member.
20	<b>LGPS13:</b> Sch 1 & <b>TP14:</b> 17(9)(a)	Decide to treat child (who has not reached the age of 23) as being in continuous education or vocational training despite a break.	Pensions payable to eligible children will continue to be paid during breaks in education or training of up to one year.
21	<b>B07:</b> 39(1)(a) & <b>T08:</b> 14(3)	Decide whether to trivially commute a member's pension under section 166 of the Finance Act 2004.	Delegated to officers to make the necessary determination on a case-by-case basis.
22	<b>LGPS13:</b> 39(1)(b)	Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004.	Delegated to officers to make the necessary determination on a case-by-case basis.

23	<b>LGPS13:</b> 39(1)(c)	Decide whether to pay a commutation payment under regulations 6, 11 or 12 of the Registered Pension Schemes (Authorised Payments) Regulations 2009 (excludes survivor pensions and pension credit members).	Delegated to officers to make the necessary determination on a case-by-case basis.
24	<b>B07:</b> 42(1)(c)	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership.	Delegated to officers to calculate and apply the best option for the member.
25	<b>T08:</b> Sch 1 & <b>LGPS97:</b> 23(9)	Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1 April 2008).	Delegated to officers to calculate and apply the best option for the member.

**Section 3 Discretionary policies in relation to scheme members who ceased active membership on or after 1 April 1998 and before 1 April 2008 being discretions under:**

The Local Government Pension Scheme Regulations 2013 (S.I. 2013 No. 2356)<sup>18</sup> (prefix **LGPS13**)

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014 No. 525)<sup>19</sup> (prefix **TP14**)

Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008 No. 239)<sup>20</sup> (prefix **A08**)

Local Government Pension Scheme Regulations 1997 (SI 1997 No. 1612)<sup>21</sup> (prefix **LGPS97**)

Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (SI 2008 No. 238)<sup>22</sup> (prefix **T08**)

<sup>18</sup> <http://www.legislation.gov.uk/ukSI/2013/2356/contents/made>

<sup>19</sup> <http://www.legislation.gov.uk/ukSI/2014/525/contents/made>

<sup>20</sup> <http://www.legislation.gov.uk/ukSI/2008/239/contents/made>

<sup>21</sup> <http://www.legislation.gov.uk/ukSI/1997/1612/contents/made>

<sup>22</sup> <http://www.legislation.gov.uk/ukSI/2008/238/contents/made>

No.	Regulation	Administering Authority Discretion	Administering Authority Decision
1	<b>LGPS13:</b> 60 & <b>TP14:</b> Sch 2, para 1(2), 1(1)(f)	Whether to “switch on” the 85 year rule for a member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60.	<i>NOTE: Administering authority decision required where Scheme Employer is defunct)</i> Apply former employer’s discretionary statement of policy where possible and where not possible adopt RBWM’s discretionary statement of policy.
2	<b>LGPS97:</b> 31(5) & <b>TP14:</b> Sch 2, para 2(1)	Waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early.	<i>NOTE: Administering authority decision required where Scheme Employer is defunct)</i> Apply former employer’s discretionary statement of policy where possible and where not possible adopt RBWM’s discretionary statement of policy.
3	<b>LGPS97:</b> 38(1) & 155(4)	Decide to whom death grant is paid	Delegated to officers for a decision where non-contentious but referred to the Pension Fund Committee where decision could be contentious.
4	<b>TP14:</b> 17(9)(a) & <b>LGPS13:</b> Sch 1	Decide to treat child (who has not reached the age of 23) as being in continuous education or vocational training despite a break.	Pensions payable to eligible children will continue to be paid during breaks in education or training of up to one year.
5	<b>LGPS97:</b> 47(1)	Apportionment of children’s pension amongst eligible children	Children’s pensions to be divided equally amongst all eligible children whilst they remain to be eligible.
6	<b>LGPS97:</b> 47(2)	Pay child’s pension to another person for the benefit of the child.	Delegated to officers to make the necessary determination on a case-by-case basis.
7	<b>LGPS97:</b> 49(1) & <b>T08:</b> 14(3)	Decide whether to trivially commute a member’s pension under section 166 of the Finance Act 2004.	Delegated to officers to make the necessary determination on a case-by-case basis.
8	<b>LGPS97:</b> 49(1)	Decide whether to trivially commute a lump sum death grant under section 168 of the Finance Act 2004	Delegated to officers to make the necessary determination on a case-by-case basis.

9	<b>LGPS97: 50 &amp; 157</b>	Decide whether to commute benefits due to exceptional ill health.	Delegated to officers to make the necessary determination on a case-by-case basis.
10	<b>LGPS97: 80(5)</b>	Whether to require any strain on Fund costs to be paid “up front” by employing authority following early payment of deferred benefit on health grounds or from age 50 and prior to age 55 with employer consent.	In all cases the scheme employer will be required to make payment of a strain (capital) cost in full and within 21 days of receipt of an invoice from the scheme manager.
11	<b>TP14: Sch 2 para 2(3)</b>	Whether to require any strain on Fund costs to be paid “up front” by employing authority if it “switches on” the 85 year rule for a member voluntarily retiring on or after age 55 and prior to age 60, or waives an actuarial reduction on compassionate grounds under <b>TP14: Sch 2 para 2(1)</b> .	In all cases the scheme employer will be required to make payment of a strain (capital) cost in full and within 21 days of receipt of an invoice from the scheme manager.
12	<b>LGPS97: 89(3)</b>	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits.	Delegated to officers to make the necessary determination on a case-by-case basis.
13	<b>LGPS97: 95</b>	Whether to pay the whole or part of the amount that is due to the personnel representatives (including anything due to the deceased member at the date of death) to: <ul style="list-style-type: none"> <li>• Personal representatives; or</li> <li>• Anyone appearing to be beneficially entitled to the estate</li> </ul> without need for grant of probate / letters of administration where payment is less than the amount specified in s6 of the Administration of Estates (Small Payments) Act 1965.	Delegated to officers to make the necessary determination on a case-by-case basis.
14	<b>LGPS97: 97(10)</b>	Approve medical advisors used by employers.	Any medical advisor used by an employer must be able to evidence that they are registered with the General Medical Council and hold a



			relevant qualification in occupational medicine as set out in the definition of IRMP in Schedule 1 of <b>LGPS13</b> .
15	<b>TP14:</b> 23 & <b>LGPS13:</b> 76(4)	Decide procedure to be followed by administering authority when exercising its stage two IDRPs functions and decide the manner in which those functions are to be exercised.	The appointed adjudicator at stage 2 of the IDRPs is the Head of Pension Fund for the administering authority who will seek advice and guidance from relevant officers and the Pension Board before making a determination.
16	<b>TP14:</b> 23 & <b>LGPS13:</b> 79(2)	Whether administering authority should appeal against employer decision (or lack of decision).	Cases to be reported to the Pension Fund Committee and Pension Board as part of an administration report but decision delegate to officers.
17	<b>TP14:</b> 22 (1), 23 & <b>LGPS13:</b> 80(1)(b)	Specify information to be supplied by employers to enable administering authority to discharge its functions.	Delegated to officers who provide all standard forms, spreadsheets, templates and guidance to scheme employers to assist them in providing all information required to enable the administering authority to discharge its scheme functions.
18	<b>LGPS97:</b> 106A(5)	Date to which benefits shown on annual deferred benefit statement are calculated.	31 <sup>st</sup> March prior to the date of issue.
19	<b>LGPS97:</b> 118	Retention of CEP where member transfers out.	CEP to be used in preserving the contracted-out rights of the member.
20	<b>LGPS97:</b> 147	Discharge Pension Credit liability	Administering authority will discharge its liability by conferring pension credit rights on the person entitled to the pension credit in accordance with LGPS97 147(2).

#### **Section 4 Discretionary policies in relation to scheme members who ceased active membership before 1 April 1998 being discretions under:**

The Local Government Pension Scheme Regulations 1995 (S.I. 1995/1019)<sup>23</sup> (prefix **LGPS95**)

<sup>23</sup> <https://www.legislation.gov.uk/ukSI/1995/1019/contents/made>

The Local Government Pension Scheme (Transitional Provisions) Regulations 1997 (S.I. 1997/1613)<sup>24</sup> (prefix **TP97**)

The Local Government Pension Scheme Regulations 2013 (S.I. 2013 No. 2356)<sup>25</sup> (prefix **LGPS13**)

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014 No. 525)<sup>26</sup> (prefix **TP14**)

Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008 No. 239)<sup>27</sup> (prefix **A08**)

Local Government Pension Scheme Regulations 1997 (SI 1997 No. 1612)<sup>28</sup> (prefix **LGPS97**)

No.	Regulation	Administering Authority Discretion	Administering Authority Decision
1	<b>LGPS95: E8</b>	Decide to whom death grant is paid.	Delegated to officers for a decision where non-contentious but referred to the Pension Fund Committee where decision could be contentious.
2	<b>LGPS95: F7</b>	Whether to pay spouse's pension for life (rather than ceasing during any period of remarriage or co-habitation).	Pension to be paid for life.
3	<b>TP14: 17(9)(a) &amp; LGPS13: Sch 1</b>	Decide to treat child (who has not yet reached the age of 23) as being in continuous education or vocational training despite a break.	Pensions payable to eligible children will continue to be paid during breaks in education or training of up to one year.
4	<b>LGPS95: G11(1)</b>	Apportionment of children's pension amongst eligible children.	Children's pensions to be divided equally amongst all eligible children whilst they remain to be eligible.
5	<b>LGPS95: G11(2)</b>	Pay child's pension to another person for the benefit of the child.	Delegated to officers to make the necessary determination on a case-by-case basis.
6	<b>TP14: 23 &amp; LGPS13: 76(4)</b>	Decide procedure to be followed by administering authority when exercising its stage two IDRP functions and decide the manner in which	The appointed adjudicator at stage 2 of the IDRP is the Head of Pension Fund for the administering authority who will seek advice and guidance

<sup>24</sup> <https://www.legislation.gov.uk/ukxi/1997/1613/contents/made>

<sup>25</sup> <http://www.legislation.gov.uk/ukxi/2013/2356/contents/made>

<sup>26</sup> <http://www.legislation.gov.uk/ukxi/2014/525/contents/made>

<sup>27</sup> <http://www.legislation.gov.uk/ukxi/2008/239/contents/made>

<sup>28</sup> <http://www.legislation.gov.uk/ukxi/1997/1612/contents/made>

		those functions are to be exercised.	from relevant officers and the Pension Board before making a determination.
7	<b>TP14:</b> 23 & <b>LGPS13:</b> 79(2)	Whether administering authority should appeal against an employer decision (or lack of decision).	Cases to be reported to the Pension Fund Committee and Pension Board as part of an administration report but decision delegate to officers.
8	<b>TP14:</b> 22(1), 23 & <b>LGPS13:</b> 80(1)(b)	Specify information to be supplied by employers to enable administering authority to discharge its functions.	Delegated to officers who provide all standard forms, spreadsheets, templates and guidance to scheme employers to assist them in providing all information required to enable the administering authority to discharge its scheme functions.

## Section 5 The Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 (S.I. 2011/1791)<sup>29</sup> (prefix MSR)

No.	Regulation	Administering Authority Discretion	Administering Authority Decision
1	<b>MSR:</b> 2	To decide whether it is legally able to offer voluntary scheme pays and if so, to decide the circumstances (if any) upon which it would do so.	To take each case on its merits having due consideration to the Annual Allowance guidance published on the LGPS Regulations website <sup>30</sup>

<sup>29</sup> <https://www.legislation.gov.uk/uksi/2011/1791/contents/made>

<sup>30</sup> <https://www.lgpsregs.org/resources/guidesetc.php>

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Report Title:	<b>Pension Fund Abatement 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 – 7 March 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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## REPORT SUMMARY

This report provides Members with information regarding the reduction or suspension of a Local Government Pension on account of further employment within Local Government after a Scheme member has become entitled to receive their retirement benefits.

The report explains the background to the abatement rules, the current statutory provisions and the current policy of the Administering Authority.

The Pension Fund's abatement policy can be found at Appendix 1 to this report.

## 1. DETAILS OF RECOMMENDATION(S)

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

- i) **Considers, notes and approves the revised abatement policy and;**
- ii) **Approves publication of the final version on the Pension Fund website.**

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

- 2.1 The LGPS Regulations require that each Pension Fund Administering Authority must formulate and keep under review a policy on pension abatement. Pension abatement is the extent, if any, to which a Scheme member's pension in payment is reduced or suspended where the member re-enters a new employment under which they are again eligible for membership of the LGPS.
- 2.2 Under the current LGPS Regulations 2013, effective from 1 April 2014, pension abatement has been removed. However, under former Regulations still in force, abatement can still be applied. Until 31 March 1998 abatement was mandatory but between 1 April 1998 and 31 March 2014 it became discretionary and an Administering Authority is still required to issue a statutory policy as to how it will apply the abatement rules.

2.3 When formulating an abatement policy, the Pension Regulations require that the Administering Authority has regard to:

- the level of potential financial gain at which it wishes abatement to apply;
- the administrative costs which are likely to be incurred as a result of abatement in the different circumstances in which it may occur;
- the extent to which a policy not to apply abatement could lead to a serious loss of confidence in the public service.

2.4 Since 2002, the Administering Authority has adopted a policy not to apply abatement for many reasons:

- The application of abatement is inconsistent as it only applies where an individual is appointed to a public service employment eligible for membership of the LGPS and does not apply if an individual becomes re-employed in an employment eligible for any other public service pension scheme e.g. teachers or NHS employees;
- Abatement places a potential limit on the amount of Local Government work an individual can undertake or that a Scheme employer may wish to offer because of the financial constraints abatement can place on an individual;
- Abatement is incompatible with modern day working practices e.g. the need to work longer, flexible retirement options, pension freedoms etc;
- Abatement places a barrier against the re-appointment of experienced individuals to Local Government roles thereby promoting the appointment of individuals as agency workers, contractors and consultants which is more costly for the Scheme employer;
- Abatement is difficult and costly to administer.

### **3. KEY IMPLICATIONS**

3.1 The Administering Authority must produce, publish and keep under review its abatement policy. Failure to do so could result in the Pensions Regulator issuing fines to the Authority where it is deemed to have failed in areas of scheme governance.

3.2 A change in current policy to instead apply abatement would lead to a significant administrative and financial burden being placed upon the Pension Fund.

3.3 Scheme employers must be consulted with should any change in policy be considered.

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

4.1 The administrative complexity and incompatibility with modern working practices associated with the abatement of pensions far outweigh the financial benefit the Fund would receive from abating pensions.

## 5. LEGAL IMPLICATIONS

- 5.1 There are no abatement provisions in the LGPS Regulations 2013. Therefore, abatement cannot be applied to any scheme member leaving their employment and drawing their pension from a date on or after 1 April 2014.
- 5.2 Abatement provisions in regulations 70 and 71 of the LGPS (Administration) Regulations 2008 continue to have effect in relation to pensions in payment deriving from the pre-1 April 2014 Scheme.
- 5.3 The Administering Authority has a statutory duty to keep under review its policy concerning abatement as it applies to the former Scheme Regulations.

## 6. RISK MANAGEMENT

- 6.1 The below table relates to risk “PEN050” from the risk register considered and approved by Pension Fund Committee on 6 December 2021.

**Table 1: Impact of risk and mitigation (PEN050)**

<b>Risk description</b>	<b>Gross Risk Score</b>	<b>Mitigating Actions</b>	<b>Net Risk Score</b>
Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	<b>20</b>	1) Publication of all documents on external website and all appointed managers expected to comply with ISS and investment manager agreements. 2) Local Pensions Board is an independent scrutiny and assistance function. 3) Compliance with the legislative requirements are reviewed annually through the audit process.	<b>10</b>

## 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 Not applicable unless a change to the abatement policy is put forward that requires consultation with all Scheme employers.

## 9. TIMETABLE FOR IMPLEMENTATION

9.1 From 7 March 2022

## 10. APPENDICES

10.1 This report is supported by 1 Appendix:

- Appendix 1 – Pension Fund Abatement 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
<i>Mandatory: Statutory Officers (or deputy)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
Nikki Craig	Head of HR, Corporate Projects and IT		

## REPORT HISTORY

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

Report Author: Damien Pantling, Head of Pension Fund
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## LOCAL GOVERNMENT PENSION SCHEME

### ADMINISTERING AUTHORITY STATEMENT OF POLICY CONCERNING ABATEMENT



For the purposes of the Local Government Pension Scheme Regulations, abatement means the extent, if any, to which the amount of a retirement pension payable to a member of the Royal County of Berkshire Pension Fund, as maintained by the Royal Borough of Windsor & Maidenhead as the Administering Authority to the Fund, should be reduced or extinguished where the member has re-entered employment eligible for membership of the Local Government Pension Scheme.

Under the Local Government Pension Scheme Regulations 2013, abatement cannot be applied to any scheme member leaving their employment and drawing their pension. However, abatement provisions as set out in regulations 70 and 71 of the Local Government Pension Scheme (Administration) Regulations 2008 remain extant and the Administering Authority has a statutory duty to keep under review its policy concerning abatement as it applies to those former Scheme Regulations.

#### **Resolved**

**The Berkshire Pension Fund Committee has resolved to maintain its previous policy NOT to apply the abatement rules as set out under the Local Government Pension Scheme (Administration) Regulations 2008 (or any former Regulations) meaning that any member of the Royal County of Berkshire Pension Fund will NOT have any part of their pension currently in payment, or brought into payment whilst this policy exists, abated whilst in any employment eligible for membership of the Local Government Pension Scheme.**

In formulating this policy, the Administering Authority has had regard to:

- The level of potential financial gain\* at which it wishes abatement to apply;
- The administrative costs which are likely to be incurred as a result of abatement in the different circumstances in which it may occur;
- The extent to which a policy not to apply abatement could lead to a serious loss of confidence in the public service.

*\*(This is a reference to the financial gain which it appears to the Administering Authority may be obtained by a member as a result of their entitlement both to a pension and to pay under any new Local Government employment).*

Should the Administering Authority consider amending its policy in future it will consult with all Scheme employers prior to making any such amendment and will publish any revised policy statement before the expiry of the period of one month beginning with the date they determine to do so.

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Report Title:	<b>Governance Compliance Statement</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 – 7 March 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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## REPORT SUMMARY

This report provides Members with information regarding the requirement as set out in Regulation 55 of the LGPS Regulations 2013 (as amended) to publish, review and maintain a Governance Compliance Statement, a copy of which can be found at Appendix 1 to this report.

Following updates to scheme governance, Committee members are provided with an updated governance structure chart which shall be a live document to be updated by officers incorporating any future governance or membership changes.

### 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That the Pension Fund Committee note the report;

- i) **Considers, notes and approves the revised governance compliance statement;**
- ii) **Approves publication of the final version on the Pension Fund website;**
- iii) **Delegates authority to officers to update the Governance Compliance Statement with committee training records once the revised training plan is approved;**
- iv) **Notes the revised Governance Structure Chart.**

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

2.1 Regulation 55 of the LGPS Regulations 2013 (as amended) places a statutory responsibility on Pension Fund Administering Authorities to formulate and keep under review a Governance Compliance Statement.

2.2 The Governance Compliance Statement must detail whether the Administering Authority delegates its functions, or part of its functions under the LGPS 2013 Regulations (as amended) to a committee, a sub-committee or an officer of the authority and if it does so:

2.2.1 the terms, structure and operational procedures of the delegation,

- 2.2.2 the frequency of any committee or sub-committee meetings,
  - 2.2.3 whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights,
  - 2.2.4 the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying, and
  - 2.2.5 details of the terms, structure and operational procedures relating to the local pension board established under Regulation 106 (local pension boards: establishment).
- 2.3 Hymans Robertson published several “Good Governance” recommendations in its Phase 3 report to the SAB (February 2021). Whilst these recommendations are not (yet) backed by legislation, it is good practice to implement these recommendations where appropriate, ahead of any formal guidance. The two relevant recommendations with regard to training are as follows (Section D):
- 2.3.1 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
  - 2.3.2 The Administering Authority should develop a training plan to ensure these training requirements are met and maintain training records of key individuals against the training plan. These records should be published in the Governance Compliance Statement.
- 2.4 An updated training plan, framework and policy for Members of the Pension Fund Committee and Pension Fund Advisory Panel will be presented for approval at the next Committee meeting in June 2022. This will include Committee member training records from the date the framework was last approved on 14 December 2020. Once approved, training records shall be appended to the Governance Compliance Statement

### **3 KEY IMPLICATIONS**

- 3.3 The Administering Authority must produce, publish and keep under review its Governance Compliance Statement. Failure to do so could result in the Pensions Regulator issuing fines to the Authority where it is deemed to have failed in areas of scheme governance.

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

- 4.3 None

## 5 LEGAL IMPLICATIONS

- 5.3 The Administering Authority has a statutory duty to keep under review its Governance Compliance Statement in accordance with the LGPS Regulations 2013 (as amended).

## 6 RISK MANAGEMENT

- 6.3 The below table relates to risk “PEN050” from the risk register considered and approved by Pension Fund Committee on 6 December 2021.

**Table 1: Impact of risk and mitigation (PEN050)**

<b>Risk description</b>	<b>Gross Risk Score</b>	<b>Mitigating Actions</b>	<b>Net Risk Score</b>
Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	<b>20</b>	1) Publication of all documents on external website and all appointed managers expected to comply with ISS and investment manager agreements. 2) Local Pensions Board is an independent scrutiny and assistance function. 3) Compliance with the legislative requirements are reviewed annually through the audit process.	<b>10</b>

## 7 POTENTIAL IMPACTS

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

## 8 CONSULTATION

- 8.3 N/A

## 9 TIMETABLE FOR IMPLEMENTATION

- 9.3 From 7 March 2022

## 10 APPENDICES

- 10.3 This report is supported by 1 Appendix:

- Appendix 1 – Governance Compliance Statement

- Appendix 2 – Governance Structure Chart

## 11 BACKGROUND DOCUMENTS

11.3 This report is supported by 0 background documents:

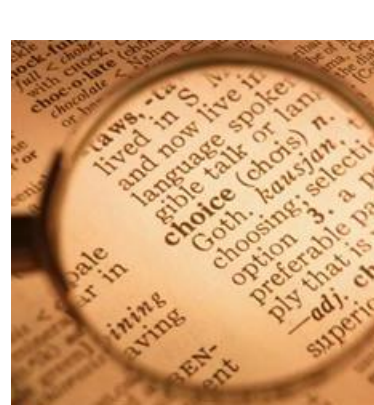
## 12 CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputy)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		

## REPORT HISTORY

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

Report Author: Damien Pantling, Head of Pension Fund
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**GOVERNANCE**

**COMPLIANCE**

**STATEMENT**

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## INTRODUCTION

This document details the compliance of the Royal Borough of Windsor and Maidenhead, as the administering authority of the Royal County of Berkshire Pension Fund, with the guidance issued for governance of the Local Government Pension Scheme by the Secretary of State for Levelling Up, Housing and Communities. It has been prepared as required by Regulation 55 of the Local Government Pension Scheme Regulations 2013.

The Regulations require the administering authority to prepare this written statement setting out whether or not it delegates its functions or part of its functions to a committee, a sub-committee or an officer of the authority.

Where the administering authority does delegate all or part of its functions the statement must include the terms, structure and operational procedures of the delegation, the frequency of any committee or sub-committee meetings and whether such a committee or sub-committee includes representatives of Scheme employers and members, and if so, whether those representatives have voting rights.

In addition, the administering authority must state the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not comply, the reasons for not complying.

The administering authority must also set out details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended) as inserted by the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.

This governance compliance statement must be published by the administering authority, kept under review and amended following any material change to any matters included within, once any consultation has been concluded.

## STRUCTURE

The Royal Borough of Windsor & Maidenhead (RBWM) has been designated as the administering authority to the Royal County of Berkshire Pension Fund in accordance with Part 1 of Schedule 3 of the Local Government Pension Scheme Regulations 2013.

For the purposes of managing the Pension Fund, RBWM delegates its powers under the Constitution of the Council where it sets out the functions of the Royal County of Berkshire Pension Fund Committee (hereinafter referred to as 'the Committee'), the Royal County of Berkshire Pension Fund Advisory Panel (hereinafter referred to as 'the Advisory Panel') and the Berkshire Pension Board (hereinafter referred to as 'the Pension Board'). As such several principles have been set out to ensure compliance with the scheme regulations.

i) The management of the administration of benefits and strategic allocation of fund assets.

**Compliant** – The Constitution of the Council defines the responsibilities of 'the Committee' to manage the Pension Fund.

ii) Representatives of Scheme employers should sit on 'the Advisory Panel' to underpin the work of 'the Committee'.

**Compliant** – Membership of 'the Advisory Panel' includes one Elected Member from each of the other five Berkshire Unitary Authorities.

iii) The structure of 'the Committee' and 'the Advisory Panel' should ensure effective communication across both levels.

**Compliant** – 'The Advisory Panel' meets concurrently with 'the Committee' with both receiving the same information.

iv) At least one seat on 'the Committee' should be allocated for a member of 'the Advisory Panel'.

**Compliant** – All five seats on 'the Committee' are allocated to the five RBWM members of 'the Advisory Panel'.

v) The structure of 'the Pension Board' must consist of an equal number of Scheme member and Scheme employer representatives all of whom have voting rights.

**Compliant** – Membership of 'the Pension Board' consists of three Scheme member representatives and three Scheme employer representatives.

## REPRESENTATION

All key stakeholders should be afforded the opportunity to be represented by 'the Committee', 'the Advisory Panel' and 'the Pension Board'. To ensure compliance a number of principles have been identified.

The key stakeholders are:

i) Scheme employers.

**Compliant** – The six Berkshire Unitary Authorities are represented through membership of 'the Committee' and 'Advisory Panel' which meet concurrently. In addition, three Scheme employer representatives make up membership of 'the Pension Board'

ii) Scheme members (including deferred and retired members).

**Compliant** – 'The Advisory Panel' has representatives from the major trade unions and in addition 3 Scheme member representatives sit on 'the Pension Board'

iii) Independent Professional Observers.

**Compliant** – From March 2022, two Independent Advisers attend each meeting of 'the Committee' and 'the Advisory Panel' (formerly three independent advisors). Independent Advisers are also required to attend meetings of 'the Pension Board' as may be requested.

iv) Expert advisers (on an ad-hoc basis)

**Compliant** – Expert advisers are invited to meetings of 'the Committee' and 'the Advisory Panel' as required. In addition, expert advisers are required to attend meetings of 'the Pension Board' as may be requested.

v) Where lay members sit on either 'the Committee', 'the Advisory Panel' or 'the Pension Board' they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision-making process with or without voting rights.

**Compliant** – Members of ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’ are treated equally in respect of access to papers, meetings and training. All members are given full opportunity to contribute to the decision-making process although only members of ‘the Committee’ have voting rights.

## SELECTION AND ROLE OF LAY MEMBERS

Members of ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’ need to be fully aware of the status, role and function that they are required to perform.

**Compliant** – Bodies nominating individuals for membership of ‘the Committee’, ‘the Advisory Panel’ or ‘the Pension Board’ are periodically reminded that it is their responsibility to ensure that all members are aware of their responsibilities. The Chair of ‘the Committee’ will remind members of both ‘the Committee’ and ‘the Advisory Panel’ of their responsibilities as required. The Chair of ‘the Pension Board’ will remind members of ‘the Pension Board’ of their responsibilities as required. Each set of papers for every Committee/Board meeting contains a reminder to members of their duty in respect to potential conflicts of interest. Members are expected to declare conflicts of interest and abide by RBWM’s rules on conflicts of interest.

## VOTING

The policy of the administering authority on voting rights must be clear and transparent and include justification for not extending voting rights to each body or group represented on ‘the Advisory Panel’ or ‘the Pension Board’.

**Compliant** – The Constitution of RBWM sets out the terms of reference and voting rights of ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’.

## TRAINING / FACILITY TIME / EXPENSES

i) In relation to the way in which statutory and related decisions are taken by RBWM, a clear policy on training, facility time and reimbursement of expenses in respect of members involved in that decision making process must be made.

**Compliant** – All members of ‘the Committee’ and ‘the Advisory Panel’ are entitled to attend or request training. Members of ‘the Pension Board’ are required to have a working knowledge of the LGPS regulations and other associated legislation as it relates to the governance and administration of the Scheme and so must commit to undertaking the relevant training in order to achieve this requirement. All members of ‘the Committee’, ‘the Advisory Panel’ and ‘the Board’ are entitled to request the use of facilities belonging to RBWM in respect of their respective duties and reasonable expenses incurred will be reimbursed upon request. Furthermore, a training framework/plan is approved by ‘the Committee’ and training records are held by the Fund.

ii) Any policy must apply equally to all members of the Committee/Advisory Panel/Board.

**Compliant** – No distinction is made between members of ‘the Committee’, ‘the Advisory Panel’ or ‘the Board’.

## MEETINGS (frequency/Quorum)

i) RBWM will hold meetings of ‘the Committee’ at least quarterly.

**Compliant** – Meetings are held quarterly. To be quorate two members are required to attend.

ii) RBWM will hold meetings with ‘the Advisory Panel’ at least twice a year synchronised with the dates for meetings of ‘the Committee’.

**Compliant** – Both ‘the Committee’ and ‘the Advisory Panel’ meet concurrently

iii) RBWM will hold meetings of ‘the Pension Board’ ahead of each meeting of ‘the Committee’ and ‘the Advisory Panel’.

**Compliant** – ‘The Pension Board’ meets quarterly at a satisfactorily and mutually agreed date ahead of each meeting of ‘the Committee’ and ‘the Advisory Panel’. To be quorate at least 50% of the Scheme Member representatives and Scheme Employer Representatives must attend with at least one member being present from each group.

iv) Where lay members are included in the formal governance arrangements, RBWM will provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

**Compliant** – ‘The Pension Board’ has three lay member (scheme member) representatives. An annual general meeting for scheme members is held in November/December along with a scheme employer meeting being held in March/April. In addition, pension surgeries and employer training events are held throughout the year.

## ACCESS

Subject to any rules in RBWM’s Constitution, all members of ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’ will have equal access to committee papers, documents and advice that falls to be considered at meetings of ‘the Committee’, ‘the Advisory Panel’ and ‘the Board’.

**Compliant** – All members of ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’ have equal access to Committee/Advisory Panel/Board papers, documents and advice that falls to be considered at ‘Committee’, ‘Advisory Panel’ and ‘Board’ meetings.

## SCOPE

RBWM will take steps to bring wider Scheme issues within the scope of their governance arrangements.

**Compliant** – Wider Scheme issues are considered by ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’ on a regular basis.

## PUBLICITY

RBWM will publish details of their governance arrangements in such a way that interested stakeholders can express their interest in wanting to be part of those arrangements.

**Compliant** – The Governance Policy Statement and governance structure is published on the Royal County of Berkshire Pension Fund website ([www.berkshirepensions.org.uk](http://www.berkshirepensions.org.uk)) and is available on request from the Pension Fund.

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## NATIONAL LEVEL

HM TREASURY →

SECRETARY OF STATE FOR THE DEPARTMENT FOR LEVELLING UP, HOUSING AND COMMUNITIES (DLUHC)  
(The 'Responsible Authority' as defined in The Public Service Pensions Act 2013) →

SCHEME ADVISORY BOARD

## LOCAL LEVEL

### Administering Authority ('Scheme Manager')

Royal Borough of Windsor & Maidenhead  
*Responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under the Local Government Pension Scheme Regulations.*

### Berkshire Pension Fund Committee 5 RBWM Elected Members



- Cllr. Julian Sharpe (Chair)
- Cllr. David Hilton (Vice-Chair)
- Cllr. Simon Bond
- Cllr. Wisdom Da Costa
- Cllr. Shamsul Shelim

The 5 Committee Members have voting rights.

### Berkshire Pension Fund Advisory Panel

*To consider and make recommendations to the Berkshire Pension Fund Committee on all Pension Fund matters.*

- Cllr. Safdar Ali (Slough BC)
- Cllr. Jason Brock (Reading BC)
- Cllr. John Kaiser (Wokingham BC)
- Cllr. Alan Law (West Berkshire Council)
- Cllr. Ian Leake (Bracknell Forest Council)

The Advisory Panel has no voting rights.

### Berkshire Pension Fund Board

*Responsible for assisting the Administering Authority in securing compliance with the LGPS Regulations, other legislation relating to governance and administration and the requirements imposed by the Pensions Regulator.*

Scheme Employer Representatives:

- Nikki Craig (RBWM)
- Arthur Parker (Bracknell Forest Council)
- Vacant

Scheme Member Representatives:

- Alan Cross (Deferred Member) (Chair)
- Jeff Ford (Active Member)
- Tony Pettitt (Retired Member)

### Investment Manager:

#### Local Pensions Partnership (Investments) Ltd

*Appointed by the Administering Authority as the Investment Manager of all Pension Fund assets ('investments') through an Advisory and Management Agreement effective from 1 June 2018 (in line with the Government's objective to 'pool' Local Authority Pension Funds in England and Wales).*

### Senior Pension Fund Officers

- Adele Taylor, Director of Resources & s.151
- Andrew Vallance, Head of Finance & Dep. s.151
- Damien Pantling, Head of Pension Fund
- Kevin Taylor, Pension Services Manager
- Philip Boyton Pension Administration Manager

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Report Title:	<b>Business Planning</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 – 7 March 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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## REPORT SUMMARY

The Pension Fund's 2022/23 Business Plan (which includes the 2022/23 budget) and 2022/23 Committee Workplan can be found at Appendix 1 and 2 to this report.

### 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That the Pension Fund Committee note the report;

- i) Considers, notes and approves the 2022/23 Business Plan (including 2022/23 controllable budget);
- ii) Considers, notes and approves the 2022/23 Committee Workplan and;
- iii) Delegates authority to the Head of Pension Fund (budget holder) to approve expenditure up to the approved budget – with the further requirement to seek committee approval for expenditure in excess of the budget.

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

- 2.1 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.
- 2.2 Key initiatives and targets are outlined for 2022/23 along with results against the key initiatives and targets for 2021/22 agreed by the Pension Fund Committee in March 2021.
- 2.3 In addition to the standard business plan (1 year) and medium term plan (next 4 years), officers propose providing the committee with a cash-flow projection and budget for 2022/23. The purpose is to outline any liquidity concerns so they can be actioned appropriately, and it is in line with best practice to agree in advance a controllable budget delegated to the budget holder.

- 2.4 A key recommendation set out in this report is that the 2022/23 controllable budget is approved, and any anticipated overspend against said budget shall be brought back to committee for explanation and approval.
- 2.5 The committee are asked to note that officers are only providing a one-year budget and cash-flow forecast whilst awaiting the results of the triennial valuation. Once concluded, a medium-term cash-flow outlook shall be provided, with an up to date employer contribution forecasts as well as actuarially reviewed pensions payable forecast.
- 2.6 Line-by-line budget detail is not provided in this report as it is intended to provide a strategic overview, plus providing a detailed breakdown in the public domain incurs risk of negative influence to the upcoming procurement processes.

### **3. KEY IMPLICATIONS**

- 3.1 The Business Plan and Medium Term Strategy defines desired key initiatives and targets by objective and officers will report achievement against these objectives at each annual review of the business plan.

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

- 4.1 Increased transparency on controllable budgets and increased officer accountability to the Pension Fund Committee is in line with good governance and best practice. This process mitigates the risk of unapproved overspend and encourages proper budget management and stewardship

### **5. LEGAL IMPLICATIONS**

- 5.1

### **6. RISK MANAGEMENT**

- 6.1 The risk of poor, little or no budget management is mitigated through advanced approval of a controllable budget that is delegated as appropriate to the budget holder

### **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 From 7 March 2022

## 10. APPENDICES

10.1 This report is supported by 1 Appendix:

- Appendix 1 – 2022/23 Business Plan
- Appendix 2 – 2022/23 Committee Workplan

## 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
<i>Mandatory:</i>		<i>Statutory Officers (or deputy)</i>	
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		

## REPORT HISTORY

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

Report Author: Damien Pantling, Head of Pension Fund

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## **BUSINESS PLAN 2022-23**

**And**

## **MEDIUM-TERM STRATEGY 2023/2026**



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## 1.0 INTRODUCTION

This document is intended to outline how the Royal County of Berkshire Pension Fund will deal with its key responsibilities during 2022/23 and the over the medium-term from 2023 to 2026. 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.

	<p>Manage all other direct Fund costs associated with the 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 KEY ASSUMPTIONS AND RISKS

The following are the key business assumptions used in the compilation of the 2022/23 budget and net cash-flow projections:

- The figures presented in the tables at section 6 may not necessarily reconcile to accounting reports or statements and should therefore not be used for this purpose. Items such as contributions and investment income are forecasted below on a cash-basis to illustrate the net cash in/out position in year for the purpose of flagging possible liquidity constraints. Adjustments such as employer pre-payments and accounting adjustment to investment income have been removed for illustration purposes.
- 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.
- Sufficient staff resources are available and committed to deliver business as usual and agreed projects, with key posts filled if they become vacant.
- Staff turnover is as expected otherwise the Pension Team will struggle to meet its obligations to stakeholders.
- The existing resource structure as expected to continue through 22/23, with prudent assumptions built in for inflation and appraisal costs.
- Professional fees for agency and temporary staff are minimal to reflect updated permanent staff structure
- Increased deficit recovery payments
- 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.
- Conference and seminar attendance and subsistence resources are available but not excessive.
- 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.
- Increased professional fees are expected from our Actuary as a result of the 2022/23 triennial valuation, partially offset by more favourable fees following the recent actuarial re-procurement exercise.
- Adjusted fees where relevant to reflect known operational changes (removal of currency overlay, relevant administration software fee changes etc.).
- Investment income yield is set per the 1% target in the ISS.
- Inflation assumptions, contribution increases, investment management costs and other expenses are set based on known information as at the time of completing this plan.

## 6.0 CASH-FLOW FORECAST AND CONTROLLABLE BUDGET

6.1 Controllable Budget 2022/23	2019-20	2020-21	2021-22	2022-23
	Actuals	Actuals	Forecast	Budget
	£	£	£	£
Employee Related Expenses	1,238,019	1,376,292	1,388,244	1,460,313
Supplies & Services	494,704	565,372	572,588	584,057
Premises Related Expenses	120,675	105,787	114,319	116,603
Management Expenses*	2,921,123	2,599,079	2,487,640	2,644,710
<b>TOTAL:</b>	<b>4,774,521</b>	<b>4,646,530</b>	<b>4,562,792</b>	<b>4,805,683</b>

\*Excludes investment management expenses taken directly from the fund (not invoiced), such as performance fees, ongoing charges and management fees. These are largely uncontrollable by officers day-to-day and instead influenced by investment strategy decisions

6.2 Cash-flow forecast 22/23	Year to 31/03/21 (actual) £'000s	Year to 31/03/22 (forecast) £'000s	Year to 31/03/23 (forecast) £'000s
Contributions - employees	30,337	30,778	31,394
Contributions - employers normal	79,455	80,491	82,504
Contributions - employers deficit	27,588	30,877	33,750
Transfers In	6,959	9,177	9,200
Employers' additional contribution for early retirements	1,630	2,580	2,600
Investment Income via Custodian	29,261	32,309	26,000
Pensions Paid (Gross)	-94,947	-98,145	-101,187
Retirement Lump Sums	-16,893	-20,000	-20,000
Transfers Out	-15,606	-15,943	-16,000
Investment Management Costs	-11,659	-14,046	-14,000
Employee & Other Costs	-1,940	-2,075	-2,360
<b>Net Cash Flow</b>	<b>36,125</b>	<b>38,078</b>	<b>34,260</b>

## 7.0 KEY INITIATIVES AND BUSINESS TARGETS 2022/23

Business Objective	Key Initiatives and targets
<p>To deliver an effective pensions service that meets the expectations of members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.</p>	<p>Ensure that Pension Administration Software is kept up to date.</p> <p>To continue to work with Scheme employers to increase the percentage of member records administered via i-Connect from 90% at March 2022 to 100% at 31 March 2023.</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> <p>All annual benefits statements to be issued on time.</p> <p>95% of critical service standards achieved (stretch 100%).</p> <p>90% of non-critical service standards to be achieved (stretch of 95%).</p>

<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>	<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>Maintain quality forecasts and medium term plans to ensure that no fire-sale of assets is required to meet benefit payments.</p>
<p>To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks and minimising any negative internal and external audit comments and feedback.</p>	<p>Produce Annual Financial Statements so they can be published by 1 December 2022.</p> <p>Complete contributions reconciliation.</p> <p>Achieve an unmodified (clean) audit opinion.</p> <p>Complete Year End procedures in advance of 31 August 2022 to enable prompt issue of annual benefit statements.</p> <p>Annual Benefit Statements (Active and Deferred members) to be issued by 31 August 2022.</p> <p>Apply Pensions Increase and HMT Revaluation Orders.</p> <p>Issue P60's and payslips by 31 May 2022 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 and regularly updated.</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 2023.</p> <p>Positive feedback from internal and external auditors that controls are better than in previous years.</p> <p>To maintain robust business continuity, disaster recovery and emergency plans for all areas.</p> <p>Reduce risk profile of the Pension Fund.</p>
<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.</p>	<p>Monitor staff requirements to ensure a high-quality service is provided to stakeholders.</p> <p>All staff appraisals to be undertaken within required deadlines and areas for improvement</p>

	identified with relevant objectives being set and monitored by managers.
To transform, develop and improve the Pensions Team through creating an evidence based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.	<p>Ensure that staff receive appropriate training internally and from external providers.</p> <p>Deliver 90% of tasks within the pension teams' operational plan (stretch of 95%) – set out in the administration strategy.</p> <p>Deliver all agreed programmes and projects to time and budget.</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>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> <p>Positive feedback from Lead Members on performance and engagement.</p>
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	Only outstanding recommendations involve custodian procurement and review of LPPI's AMA. To be undertaken in 22/23
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 in 2022 for achieving the business aim of full resilience by 31 March 2023.
To maintain Integrated Risk Management into the management of the Fund	<p>Work with our key stakeholders in identifying at risk scheme employers.</p> <p>Review risk appetite statement with LPPI and ensure training is provided on funding level and contribution risk outputs.</p> <p>Develop best in class risk-framework and ensure it is kept up to date and regularly reviewed.</p>
To work with the Fund's Investment Manager, (LPPI) to ensure the Investment Strategy is fit for purpose.	Investment aims are met and in line with the Investment Strategy Statement and Strategic Asset Allocation requirements.

## 9.0 REVIEW OF 2020/21 KEY INITIATIVES AND TARGETS

*In 2020/21 we said that we would:*

Business Objective	Key Initiatives and targets	Outcome
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.	Achieved
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.	Not-achieved, pushed back to late 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.	<p>All annual benefits statements to be issued on time.</p> <p>95% of critical service standards achieved (stretch 100%).</p> <p>90% of non-critical service standards to be achieved (stretch of 95%).</p> <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>Achieved</p> <p>Achieved</p> <p>Achieved</p> <p>Achieved</p> <p>Partly achieved Scheme employers with 10 or more scheme members to be on-boarded by 31 March 2022 with 100% by 31 March 2023</p> <p>Not achieved, review set for September 2022.</p> <p>Not achieved, review set for September 2022 in revised workplan</p> <p>Achieved</p> <p>Achieved</p> <p>Achieved</p>

	Continue to provide training and literature for Scheme employers to assist them in administering the Scheme on behalf of their employees.	Achieved
	Continue to provide presentations and literature for Scheme members to provide greater understanding of their Scheme.	Achieved
	Maintain the Pension Fund website to the highest standards ensuring that all information is current and accurate.	Achieved
	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.	Achieved
	Continue to improve data quality in line with tPR recommendations in respect of Common and Scheme Specific data.	
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, and to achieve a clean audit.	Achieved, unqualified/unmodified opinion (external) N/A (internal)
	To maintain robust business continuity, disaster recovery and emergency plans for all areas.	Achieved
	Reduce risk profile of the Pension Fund.	Achieved
	Produce Annual Financial Statements so they can be published by 1 December 2021.	Achieved – approved by committee 6 December 2021
	Complete contributions reconciliation.	Achieved
	Complete Year End procedures in advance of 31 August 2020 to enable prompt issue of annual benefit statements.	Achieved
	Annual Benefit Statements (Active and Deferred members) to be issued by 31 August 2021.	Achieved
	Apply Pensions Increase and HMT Revaluation Orders.	Achieved
	Issue P60's and payslips by 31 May 2020 in line with statutory legislation.	Achieved
	Service the Berkshire Pension Board to ensure they receive the information they require to discharge their obligations.	Achieved
	Ensure that all Pension Fund policies are current.	In Progress
	Ensure continuing compliance with the Pensions Regulator's Code of Practice number 14.	Achieved

	<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 2023.</p>	<p>Achieved</p> <p>Ongoing</p>
To maintain Integrated Risk Management into the management of the Fund	Work with our key stakeholders in identifying at risk scheme employers.	Ongoing
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.	<p>All staff appraisals to be undertaken within required deadlines and areas for improvement identified with relevant objectives being set and monitored by managers.</p> <p>Monitor staff requirements to ensure a high-quality service is provided to stakeholders.</p>	<p>Achieved</p> <p>Achieved</p>
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.	<p>Deliver 90% of tasks within the pension teams' operational plan (stretch of 95%).</p> <p>Deliver all agreed programmes and projects to time and budget.</p> <p>Ensure that staff receive appropriate training internally and from external providers.</p>	<p>Achieved</p> <p>In-progress</p> <p>In-progress</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>Positive feedback from Lead Members on performance and engagement.</p> <p>Ensure Pension Fund Committee, Pension Fund Advisory Panel and Pension Board members receive appropriate training.</p> <p>Ensure that Pension Fund Committee, Pension Fund Advisory Panel and Pension Board members understand the Fund's strategy.</p>	<p>Achieved</p> <p>Achieved</p> <p>In-progress</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 Panel.</p> <p>Ensure that no fire-sale of assets is required to meet benefit payments.</p>	<p>Achieved</p> <p>Achieved</p>
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.	Ongoing



## 10.0 MEDIUM TERM PLAN 2023/26

The following table details the medium-term plan for the Pension Fund for the period 2023 to 2023.

Objective	Rationale	Timescale
Investment Pooling.	Required by the Department for Levelling Up, Housing and Communities (DLUHC).	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 2023 and maintained over medium term period.
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	Ongoing
Continuous review of investment strategy	Ensure that investment strategy is "fit for purpose", considering funding level, risk appetite and target discount rate	Ongoing

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Pension Fund Committee Workplan

MEETINGS: Q1 (March), Q2 (June/July), Q3 (Sept), Q4 (Dec)

Statutory policies for review approval (Regulation)
Abatement policy - Regulations 70 & 71 (LGPSAR 2008** )
Actuarial Valuation Report - Regulation 62 (LGPSR2013*)
Administering Authority Discretions Policy - Various LGPS Regulations
Communication Strategy - Regulation 61 (LGPSR 2013*)
Debt Spreading and Deferred Debt Agreements - Regulation 64 (LGPSR2013*)
Employer Contribution Review Policy - Regulation 64 (LGPSR2013*)
Funding Strategy Statement - Regulation 58 (LGPSR 2013*)
Governance Compliance Statement - Regulation 55 (LGPSR 2013*)
Investment Strategy Statement - Regulation 7 (LGPS(M&IF)R2016***)
LPPI Shareholder Voting Policy - (LGPS(M&IF)R2016***)
Pension Administration Strategy - Regulation 59 (LGPSR2013*)
Pension Fund Annual Report and Accounts - Regulation 57 (LGPSR 2013*)
Responsible Investment Policy - (LGPS(M&IF)R2016***)

Non-Statutory Policies/Procedures for review and approval
Audit Report(s)
2022/23 Business Plan, budget and annual workplan
Reporting Breaches of the Law - Section 70 (Pensions Act 2004)
Risk Management Policy
SLA Between RBWM and RCBPF
Training framework update and training log
Appointment of Independent Advisor(s)
Appointment of Custodian
Employer covenant risk assessment (in line with triennial)
Review and refresh of AMA with LPPI

Standing Items for Pension Fund Committee
Administration report
LPPI quarterly monitoring, investment Performance and business update report
Responsible Investment Report
Risk Register

Last approved

11/03/2019
16/12/2019
12/11/2018
17/09/2018
14/06/2021
14/06/2021
14/06/2021
14/01/2019
11/03/2019
22/03/2021
14/01/2019
23/09/2019
22/03/2021

N/A
23/03/2021
16/12/2019
12/11/2018
16/12/2019
14/12/2020
N/A
N/A
01/12/2019
N/A

2022/23			
Q1	Q2	Q3	Q4

Y			
			Y
Y			
		Y	
	Y		
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Y			
		Y	
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	Y		

Y	Y	Y	Y
Y	Y	Y	Y
Y	Y	Y	Y
Y	Y	Y	Y

*\*LGPSR2013 - Local Government Pension Scheme Regulations 2013 (SI 2013 No. 2356)*

*\*\*LGPSAR 2008 - Local Government Pension Scheme (Administration) Regulations 2008 (extant) (SI 2008 No. 239)*

*\*\*\*LGPS(M&IF)R2016 - Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016 No. 946)*

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Report Title:	<b>Investment Strategy Statement</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 – 7 March 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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## **REPORT SUMMARY**

This report brings to Members attention a key policy statement for review and approval that sets the framework for investment decision making in line with the Fund's fiduciary duty to its scheme members and employers.

The Pension Fund's revised Investment Strategy Statement (ISS), which includes the revised Strategic Asset Allocation (SAA) can be found at Appendix 1 to this report.

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

**RECOMMENDATION:** That the Pension Fund Committee note the report;

- i) **Considers, notes and approves the revised Investment Strategy Statement and;**
- ii) **Approves the final version for publication on the Pension Fund's website.**

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

- 2.1 In accordance with Regulation 53 of the Local Government Pension Scheme Regulations 2013 ("the Regulations") and as listed in Part 1 of Schedule 3 of the Regulations, RBWM is an Administering Authority (Scheme Manager) required to maintain a Pension Fund for the Scheme.
- 2.2 An Administering Authority is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate Administering Authority under the Regulations.
- 2.3 The Pension Fund Committee as set out in RBWM's Constitution acts as the Scheme Manager and is therefore responsible for ensuring that the Administering Authority fulfils its statutory responsibilities in accordance with the Regulations and the Public Service Pension Act 2013
- 2.4 In accordance with Section 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the authority must

review and if necessary, revise its investment strategy from time to time, and at least every 3 years.

- 2.5 The purpose of this paper is to set out the revised Investment Strategy Statement (ISS), last approved on 11 March 2019, with revisions in line with best practice and to ensure the Fund's investment strategy remains fit for purpose.

### **3. KEY IMPLICATIONS**

- 3.1 The Investment Strategy Statement addresses the 6 key points required under section 7 (2) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016; sets the Strategic Asset Allocation (SAA) as per section 7 (3); includes a statement that is compliant with section 7(4) (i.e. that no more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority); is presented for approval within 3 years of the last revision (11 March 2019) as per section 7 (6); and clearly states as per section 7 (8) that the authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.
- 3.2 As per the above (3.1), the Fund is fully compliant with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. However, the revised Investment Strategy Statement includes an optional section for Investment Principals. This sets out the Fund's investment beliefs, investment philosophy and 5 headline investment principals which should be adhered to by the Fund in making any future investment decisions. This section aims to act as a supplementary framework for investment decision making that the Committee can refer to when making capital allocation and investment decisions in future.
- 3.3 The Strategic Asset allocation (SAA) has been revised several times since March 2019 to reflect the funds target rate of return whilst maintaining low volatility and adhering both to the ISS and the fund's risk appetite metrics. The most recent SAA modification has occurred in tandem with the approval of this ISS, which aims to maximise future risk-adjusted returns within the fund's risk appetite metrics and therefore set an appropriate discount rate to be used by the fund at the 31 March 2022 triennial valuation. For the avoidance of doubt, the Fund's actuarial discount rate reflects the future expected returns to the fund. Detailed advice has been provided by LPPI (the Fund's Investment Manager), Barnett Waddingham (the Fund's Actuary) and the Fund's Investment Advisors in making this decision.
- 3.4 This ISS reflects the most recent levelling up white paper, targeting up to 5% of the Fund's investments in projects which support local areas. For the avoidance of doubt, this is intended to be ancillary to the Fund's fiduciary duty and other investment principals/objectives and therefore should not conflict with these. The committee are also asked to note that this 5% local investment target is distinct from section 7(4) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which states that no more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority).

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

- 4.1 Implementation of the revised ISS is at no material additional cost to the fund

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

- 5.1 As per section 3.1, the Authority is fully compliant with the relevant legislation.

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

- 6.1 Key investment risks are referred to in the ISS, the Fund also reviews, approves and publishes a risk-register on a quarterly basis which addresses all known risks to the fund, including those key investment risks.

#### **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 As per Section 7 (5) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016; "the authority must consult such persons as it considers appropriate as to the proposed contents of its investment strategy". The Fund's Investment Manager, the Fund's Actuary, the Fund's Investment Advisors, relevant fund officers, the Pension Fund Committee and the Pension Board have all been consulted in preparation of this final ISS.

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

- 9.1 31 March 2022 – the date of the Triennial Valuation

#### **10. APPENDICES**

- 10.1 This report is supported by 1 Appendix:
- Appendix 1 – Investment Strategy Statement

## 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
<i>Mandatory: Statutory Officers (or deputy)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		

## REPORT HISTORY

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

Report Author: Damien Pantling, Head of Pension Fund



# Royal County of Berkshire Pension Fund

## Investment Strategy Statement – March 2022

### 1. Introduction

- 1.1.** This is the Investment Strategy Statement (“ISS”) adopted by the Royal County of Berkshire Pension Fund (“the Fund”), which is administered by the Royal Borough of Windsor and Maidenhead (“the Administering Authority”).

Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Fund is required to publish this ISS at least every 3 years, it was last approved in March 2019. The Regulations require administering authorities to outline how they meet each of 6 objectives aimed at improving the investment and governance of the Fund.

- 1.2.** This Statement addresses each of the objectives included in the 2016 Regulations:

- a) A requirement to invest fund money in a wide range of instruments;
- b) The authority’s assessment of the suitability of particular investments and types of investment;
- c) The authority’s approach to risk, including the ways in which risks are to be measured and managed.
- d) The authority’s approach to pooling investments, including the use of collective investment vehicles;
- e) The authority’s policy on how social, environmental, or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- f) The authority’s policy on the exercise of rights (including voting rights) attaching to investments.

*Each of the above are dealt with in turn in [Section 3](#) of the ISS*

- 1.3.** The Pension Fund Committee (the “Committee”) oversees the management of the Fund’s assets. Although not trustees, the Members of the Committee owe a fiduciary duty similar to that of trustees to the council-tax payers and guarantors of other scheme employers, who would ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.

- 1.4.** The relevant terms of reference for the Committee within the Council’s Constitution are as follows:

To exercise the general powers and duties of an Administering Authority in the maintenance of the Royal County of Berkshire Pension Fund as may be required in accordance with the Superannuation

Fund Act 1972, The Public Service Pensions Act 2013 and Local Government Pension Scheme Regulations existing under those Acts including, but not restricted to the following;

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

The Director of Resources (S.151 officer) , the Head of Finance (Deputy S.151 officer), the Head of Pension Fund, the appointed independent advisors and actuaries support the Committee. The day-to-day management of the Fund's assets is delegated to LPPI ("the Investment Manager").

- 1.5.** This ISS will be reviewed at least once every three years as per the statutory guidance, or more frequently as required - in particular following valuations, future asset/liability studies, performance reviews, or legislation changes (i.e. TCFD) which may indicate a need to change investment policy, or significant changes to the Funding Strategy Statement ("FSS").
- 1.6.** RBWM confirms (as per section 7 (4)) that the Royal County of Berkshire Pension Fund has no investments in entities that are connected with the authority but if in future it does these will be limited to no more than 5% of the Fund's assets.
- 1.7.** RBWM confirms (as per Section 7 (8)) that Royal County of Berkshire Pension Fund will invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund. [Section 4](#) of the ISS sets the strategic allocation target and maximum percentage of total Fund value for fund Cash holdings.

## 2. Investment Principles

**2.1.** Governing all investment decisions are the Committee's core investment principles, beliefs and philosophy. They have been established based on the views of the members, capitalising on the expert advice of the Investment Manager, and are listed below:

### **2.1.1. Investment Governance**

- a) The Fund has access to the necessary skills, expertise, and resources to manage the whole Fund, as well as managing the Fund's cash needs internally.
- b) The Investment Manager, independent advisors and officers are a source of expertise and research to inform and assist the Committee's decisions.
- c) The ultimate aim of the Fund's investment activities is to pay pension liabilities when they become due. The Committee will therefore work with the Investment Manager to ensure that the liquidity profile of the Fund is appropriate to ensure the long-term ability of the Fund to meet these obligations.
- d) The Fund is continuously improving its governance structure through bespoke training to make well informed strategic allocation decision but acknowledges that it is not possible to achieve optimum market timing.
- e) All meetings and investment decisions relating to the setting of Investment Strategy and Strategic Asset Allocation will be minuted.

### **2.1.2. Long Term Approach**

- a) The strength of the employers' covenant allows the Fund to take a long-term approach to its investment strategy, approve that the Investment Manager employ less liquid assets and assess performance of the Investment Manager and its agents over a medium to long-term time frame.
- b) The most important aspect of risk is not the volatility of returns, but the risk of absolute loss over the medium and long term. An important focus for the Fund is to ensure stability of employer contributions over the long-run, absolute-loss would in turn impact the adequacy of employer contributions to meet the Fund's liabilities.
- c) Illiquidity and volatility are shorter term risks which offer potential sources of additional compensation to the long-term investor.
- d) Over the long term, equities are generally expected to outperform other liquid assets, particularly government bonds and cash.

### **2.1.3. Environmental, Social and Governance ("ESG") factors**

- a) Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved.
- b) All things being equal, well governed companies that manage their business in a responsible manner are generally less vulnerable to downside risk and may therefore produce higher returns over the long term.

- c) In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they significantly invest in.
- d) The Fund's Responsible Investment Policy reflects the urgency of the threat that ESG risks present to the fund and includes the expectation that the Investment Manager will pursue a policy of active, effective engagement with companies in which ownership stakes are held.
- e) The Committee recognises the Administering Authorities net-zero commitment along with that of many of the other scheme employers. The Committee also recognises that a growing number of scheme members want to see significant weight given to these issues. Due consideration to these issues shall be made throughout the investment process.

#### **2.1.4. Asset allocation**

- a) Allocations to asset classes other than equities, cash and government bonds (e.g., corporate bonds, private markets, property, infrastructure and diversifying strategies) offer the Fund other forms of risk premia (e.g., additional solvency risk/illiquidity risk).
- b) Diversification across asset classes and asset types that have low correlation with each other will tend to reduce the volatility of the overall Fund return.
- c) In general, allocations to bonds and alternatives are made to achieve additional diversification. As the funding level improves, the Committee may look to certain lower risk strategies to mitigate liability risks and thus reduce the volatility of the Fund's actuarial funding level.

#### **2.1.5. Management Strategies**

- a) Active management will typically incur higher investment management fees but can provide additional return. Fees should be carefully considered and aligned to the interests of the Fund.
- b) Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.
- c) Employing a range of management styles can reduce the volatility of overall Fund returns.

**2.2.** The fund has a total return target of 6.5% annually (paragraph 3.2.4), volatility target of no more than 10% per annum (paragraph 3.2.5) while aiming to deliver a minimum investment income yield of 1% to maintain a positive Fund cash-flow position.

**2.3.** The Fund aims to, where possible, ensure that the portfolio is resilient to risks such as inflation and interest rate movements.

**2.4.** The Fund aims to keep asset value drawdowns to a minimum, recognising the positive non-investment cashflows through employer deficit recovery payments, plus the target minimum investment income yield. Thus, the fund is forecast to remain cash-flow positive until at least the date of the next review of the ISS.

### 3. ISS Objectives

#### 3.1. Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments

**3.1.1.** Funding and investment risk is discussed in more detail later in this ISS. However, at this stage it is important to state that the Committee is aware of the risks it runs within the Fund and the consequences of these risks.

**3.1.2.** To control risk, the Committee recognises that the Fund should have an investment strategy that has:

- a) Exposure to a diverse range of sources of return, such as market return, manager skill and using fewer liquid holdings.
- b) Diversity in the asset classes used.
- c) Diversity in the approaches to the management of the underlying assets.
- d) Adaptability to be able to maintain liquidity for the Fund.

**3.1.3.** This approach to diversification has seen the fund dividing its assets into seven distinct categories; public equities, fixed income, credit, infrastructure, private equity, real estate and cash. These may be broadly grouped by 4 categories: equities, bonds, real assets and cash. The size of the assets invested in each category will vary, the strategic asset allocation can be found in [Section 4](#) of the ISS. It is important to note that each category is itself diversified. As a result, the Fund's assets are invested in a wide range of instruments.

**3.1.4.** The main risk the Committee are concerned with is to ensure the long-term ability of the fund to meet pension and other benefit obligations as they fall due. As a result, the Committee place a high degree of importance on ensuring the expected return on the assets is sufficient to do so and does not have to rely on a level of risk which the Committee considers excessive.

**3.1.5.** The Fund currently has a positive cash flow position, however, the gap between contributions received and benefits paid is widening and consequently the fund will turn cash-flow negative in the near future. The Fund may at times have a negative cash flow position, when the contributions paid will be less than the benefits paid out, and fund liquidity must be closely monitored at all times. This is done through close communication with the Investment Manager regarding the cash flow position and needs. In addition, a portion of the Fund's assets are invested so as to generate a yield, and this is monitored with the Investment Manager on a regular basis.

**3.1.6.** At all times the Committee seeks to ensure that their investment decisions, including those involving diversification, are in the best long-term interest of Fund beneficiaries and seeks appropriate advice from the Investment Manager and independent investment advisors as appropriate.

**3.1.7.** To mitigate these risks the Committee regularly (at least on a quarterly basis) reviews both the performance and expected returns from the Fund's investments to measure whether it has met and is likely to meet in future its return objective. The Committee will keep this ISS under review to ensure that it reflects the approaches being taken by the Investment Manager.

**3.1.8.** The Fund aims to allocate up to 5% of its Assets for investment in local projects which support local areas, subject to all suitability criteria in Objective 7.2(b) being met and the Fund having no conflict in undertaking its fiduciary duty to scheme members and employers.

### **3.2. Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment**

**3.2.1.** Suitability is a critical test for whether a particular investment should be made. When assessing the suitability of investments, the Investment Manager (as delegated by the Committee) considers the following from its due diligence:

- a) Prospective return
- b) Risk
- c) Concentration
- d) Risk management qualities the asset has when the portfolio as a whole is considered
- e) Geographic and currency exposures
- f) Possible correlation and interactions with other assets in the portfolio
- g) Whether the management of the asset meets the Fund's ESG criteria.

**3.2.2.** Each of the Fund's investments has an individual performance benchmark which their reported performance is measured against.

**3.2.3.** The Committee monitors the suitability of the Fund's assets on a quarterly basis. To that end they monitor the investment returns and the volatility of the individual investments together with the Fund level returns and risk. This latter point being to ensure the risks caused by interactions between investments within the portfolio is properly understood. Where comparative statistics are available for presentation by the Investment Manager or other external body, the Committee will also compare the Fund's asset performance with those of similar funds. The Committee relies on external advice in relation to the collation of the statistics for review.

**3.2.4.** The Fund targets a long-term absolute return of 6.5% per-annum, a rate advised by the actuary at the last triennial valuation (equivalent to CPI + 3.75% at 31 March 2019). This is termed the 'Actuarial Benchmark', or the required rate of annual return to achieve a 100% funding level at the end of the deficit recovery period without additional deficit recovery (secondary) contributions from employers. This rate is subject to change and shall be revised at the next triennial valuation.

**3.2.5.** The Fund targets volatility below 10% per annum over the medium term.

**3.2.6.** Investments are assessed by the Investment Manager to determine suitability considering all factors but not limited to; consideration of the long-term absolute return target, portfolio volatility and the seven suitability indicators as listed in paragraph 3.2.1.

### **3.3. Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed**

**3.3.1.** The fund has adopted the CIPFA (2018) framework for managing risks in the LGPS, to assist it in risk identification, assessment, and mitigation. In line with best practice, the Fund maintains a risk register with all known material risks, each with several mitigation measure and several carefully calculated risk scores. The main risks to the Fund, however, are highlighted within the Funding Strategy Statement (FSS).

**3.3.2.** The Committee recognises that there are several risks involved in the investment of the assets of the Fund amongst which are the following:

#### **Investment Manager risk:**

- a) Is measured by the expected deviation of the prospective risk and return as set out in the manager(s) investment objectives, relative to the investment policy; and
- b) Is managed by monitoring the actual deviation of returns relative to the objective and factors inherent in the manager(s) investment process.

#### **Geopolitical and currency risks:**

- a) Are measured by the value of assets (the concentration risk), in any one market leading to the risk of an adverse influence on investment values arising from political intervention; and
- b) Are managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification (in the first instance by LPPI) within the existing policy. Plus monitoring significant geopolitical developments and considering their possible impact on the Fund's investments

#### **Solvency and mismatching risk:**

- a) Are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies; and
- b) Are managed by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

#### **Liquidity risk:**

- a) Is measured by the level of cash flow required over a specified period; and
- b) Managed by assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment cash policy.

#### **Custodial risk:**

- a) Is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

**3.3.3.** The risks to the Fund concerned with the investment of Fund assets are controlled in the following ways:

- a) The adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the Investment Manager from deviating significantly from the intended approach while permitting the flexibility to enhance returns.
- b) The appointment of more than one manager by the Investment Manager with different mandates and approaches provides for the diversification of manager risk.

**3.3.4.** The Advisory Management Agreement (AMA) agreement constrain the Investment Manager's actions in areas of particular risk and sets out the respective responsibilities of both the Investment Manager and the Fund.

**3.3.5.** The Committee are aware investment risk is only one aspect of the risks facing the Fund.

**3.3.6.** The Committee are of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is low and will continue to be low. When putting in place the investment strategy the Committee carefully considered both the individual asset risk characteristics and those of the combined portfolio to ensure the risks were appropriate. Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and the correlation between them. These can be based on historic asset class information for some of the listed asset classes the Fund uses. However, for other private market and less liquid assets it is much more difficult. The Committee is also mindful that correlations change over time and at times of stress can be significantly different from when they are in more benign market conditions.

**3.3.7.** To help manage risk, the Committee (formerly the Investment Working Group) agreed a risk appetite statement on 11 March 2019 and engages the Investment Manager to monitor and manage the risk focusing on four key parameters; funding level, contributions, liquidity and asset allocation. In addition, when carrying out their investment strategy review the Committee also had different investment advisers' assess the level of risk involved.

**3.3.8.** The investment strategy is considered to have a low degree of volatility.

**3.3.9.** When reviewing the investment strategy on a quarterly basis the Committee considers advice from their Independent Advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable. In addition to this the risk register is updated on a quarterly basis.

**3.3.10.** At each review of the Investment Strategy Statement the assumptions on risk and return and their impact on asset allocation will be reviewed.



### **3.4. Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles**

- 3.4.1.** The Government requires LGPS funds to pool their investments as a solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost. The Funds approach to pooling arrangements meet the criteria set out in the Local Government Pension Scheme: investment reform criteria and guidance.
- 3.4.2.** The Fund became an investment client of LPPI as part of the Government's pooling agenda on 1 June 2018, outsourcing all active day-to-day asset management activities along with pooling funds into LPPI's investment buckets as appropriate. LPPI was launched in December 2015 by two pension funds; Lancashire and LPFA with the RCBPF later joining in 2018. LPPI now has circa £20bn under direct management, with 8 funds launched as at February 2022.
- 3.4.3.** The Fund has transitioned c.87% of assets to the LPPI pooled investment vehicles as of 7 March 2022. Going forward the Fund will look to transition further assets as and when there are suitable investment opportunities available that meet the needs of the Fund and where there are no excessive cost, legal or other restraints such as those caused by the legacy investments in illiquid private market investments. As such, the remaining c13% is currently held outside of the remit of LPPI pooled funds but are also externally managed by LPPI as the Investment Manager under the AMA. The Committee is aware that certain assets held within the Fund have limited liquidity and disposing/transferring them would come at a significant cost. The position is periodically reviewed by the Investment Manager
- 3.4.4.** LPPI's Investment Committee is responsible for scrutinising the actions of its investment team, reporting and transparency, consultation on the strategy and business plan, matters reserved to shareholders, responsible investment and emerging issues. The LPPI Investment Committee meets on a quarterly basis and comprises of 5 members. LPPI hosts a client conference and AGM on an annual basis, to which all members and clients are invited. This allows members/clients such as the Fund the opportunity to hold the Board to account. External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the Department for Levelling Up, Housing and Communities (DLUHC).

**3.5. Objective 7.2(e): How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments**

**3.5.1.** The Fund released an ESG statement in December 2020 followed by publishing a revised Responsible Investment policy in March 2021 which clearly sets out its purpose to detail the approach that RCBPF aims to follow in integrating Environmental, Social and Governance (ESG) issues into its investments. The Responsible Investment Policy is broadly aligned to that of LPPI's so there are no conflicts between the Fund and its Investment Manager.

**3.5.2.** A working group (often referred to as the 'task and finish group') for responsible investment (RI) was approved by the Committee in December 2021; The working group is to be established for members, officers and advisors to have a forum to ensure that RI policy remains up to date, fit for purpose and reflects any relevant external developments. A revised RI policy is expected to be brought to the Committee for approval in December 2022.

**3.5.3.** The guiding Responsible Investment values contained within the Fund's current RI policy are as follows;

- a) Consultive
- b) Being Proactive
- c) Engagement
- d) Collaborative
- e) Flexible

**3.5.4.** The key Responsible Investment principles contained within the Fund's current RI policy are as follows;

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

**3.5.5.** The two core and guiding priorities of the Fund's current Responsible Investment policy are as follows;

- a) Climate Change
- b) Corporate Governance

**3.5.6.** Several factors are to be considered in terms of implementation of the Fund's Responsible Investment policy, these are listed as follows, but the Committee advise that the RI policy is read in full to understand how each area of activity is applied as appropriate;

- a) Voting globally
- b) Engagement through partnership
- c) Shareholder litigation
- d) Active investing
- e) Divestment

**3.5.7.** Taskforce for Climate Related Financial Disclosures (TCFD) guidance is expected imminently from DLUHC regarding statutory disclosures by the fund, its officers and its committee members. The fund's ISS and RI policies shall be revised as appropriate once due guidance is received.

### **3.6. Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments**

- 3.6.1.** The Committee has delegated the Fund's voting rights to the Investment Manager, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the Investment Manager to vote in the best interests of the Fund. In addition, the Fund expects its Investment Manager to work collaboratively with others, particularly other LGPS Investment Managers, if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.
- 3.6.2.** As the role of voting and engagement is outsourced to LPPI, the Fund has included the Investment Manager's shareholder voting policy on the Fund's website, which was last approved in March 2021 and shall be kept under review.
- 3.6.3.** The Fund through its participation with LPPI and through other means will work closely with other LGPS Funds to enhance the level of engagement both with external managers and the underlying companies in which invests.
- 3.6.4.** In addition, the Fund:
- a) Is a member of the Pension and Lifetime Savings Association (PLSA) and the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners; and
  - b) Joins wider lobbying activities where appropriate opportunities arise.
- 3.6.5.** Ongoing voting and engagement is covered within the Funds Responsible Investment Policy
- 3.6.6.** The Committee expects LPPI and any other directly appointed asset managers to comply with the Stewardship Code (2020) and this is monitored on a regular basis.

## 4. Strategic Asset Allocation

**4.1.** To be updated when LPPI report is available (28 Feb 2022)

**4.2.** Section 7 (3) (3) The authority's investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

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Report Title:	<b>Responsible Investment Update</b>
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee 7 March 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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## REPORT SUMMARY

The Pension Fund Committee agreed and released an Environmental, Social and Governance (ESG) public statement in late 2020 clarifying its commitment to long-term responsible investment of pension savings. Following this, the fund approved an updated Responsible Investment (RI) policy on 22 March 2021 supported by several values, principles, and priorities.

Whilst responsible investing and ESG have always been guiding principles in the Fund's investment strategy, the decision to pool funds with LPPI from 1 June 2018 enabled more active monitoring and consolidation of its responsible investment outcomes.

Climate Change is one of the underlying priorities in the Fund's RI policy and this report sets out to formally update members on LPPI's most recent amendments to their RI policy (namely on fossil fuel divestment), to report on the Fund's responsible investment outcomes and to report on the Fund's recent engagement activities.

## 1. DETAILS OF RECOMMENDATION(S)

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

- i) **Acknowledges LPPI's updated Responsible Investment policy (climate change Annex) and;**
- ii) **Acknowledges the Fund's RI dashboard, RI report, active engagement report and achievement of associated outcomes.**

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

- 2.1 Since 1 June 2018, all our investments have been pooled and are actively managed by LPPI. Responsible investing is an underpinning principal of LPPI's investment approach and is documented by a suite of detailed RI policies available on their website.

- 2.2 LPPI's active decision to declare a net-zero commitment was reported on at the 6 December 2021 meeting, however, this report outlines the LPPI official policy update on this matter (Climate change Annex to LPPI's Responsible Investment Policy dated January 2022).
- 2.3 Appendix 1 to this report details three key changes to LPPI's Responsible Investment policy (climate change Annex), these are summarised as follows:
- 2.3.1 Record LPPI's commitment to the goal of Net Zero portfolio emission by 2050 in partnership with our clients. This follows LPPI becoming a signatory to the IIGCC Net Zero Asset Manager Commitment on 1st November 2021.
- 2.3.2 Confirm the exclusion of extractive fossil fuel companies from the LPPI Global Equities Fund ("GEF") from 31st December 2021.
- 2.3.3 Reflect that Climate Change management is a priority theme within LPPI's new Shareholder Voting Guidelines (published August 2021) and considered in reaching voting decisions.
- 2.4 In regard to divestment (and exclusion) of extractive fossil fuels from the global equities fund. The fund's Responsible Investment policy prioritises engagement over divestment. However, in this particular case, these stocks were no longer a natural fit for the fund's enduring quality bias and, considering the size of their weighting, consumed disproportionate stewardship resources.
- 2.5 Considering the wider Net Zero journey, divestment of holdings will not necessarily follow for other assets classes.
- 2.6 From December 2021, the Fund has reported publicly on its implementation and outcomes concerning responsible investment. The report and dashboard as at Q4 2021 (or Q3 2021/22) are included at Appendix 2 and Appendix 3 to this report.
- 2.7 In addition to the report provided last quarter (Q3), the Q4 report now shows full "green/brown" portfolio exposures to all of the Fund's equity assets (listed equity, private equity, and infrastructure) plus corporate bonds within fixed income. This information was provided in Part-2 at Q3 due to a degree of uncertainty regarding the "on balance-sheet" assets but can now be reported publicly. The key takeaways from this analysis are as follows:
- 2.7.4 Investments in brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 1.30% of the portfolio.
- 2.7.5 Investments in green sectors (renewable energy generation, clean technology, and decarbonising activities) are 3.12% of the portfolio.
- 2.8 As illustrated above, the green exposure significantly outweighs the brown exposure within the identified portfolio. Further work is being undertaken by LPPI to report on the green/brown exposure of the whole Fund and this shall be reported in due course.



- 2.9 As detailed in the Fund's Responsible Investment policy, "the RCBPF considers engagement to be a route for exerting a positive influence over investee companies and encouraging responsible corporate behaviour." The Fund has appointed an engagement partner to ensure active engagement with companies across its credit and equity portfolios, seeking to improve a company's behaviour on ESG (Environmental, Social and Governance) related issues. The Fund's active engagement outcomes are reported as at Q4 2021 in Appendix 4.

### 3. KEY IMPLICATIONS

- 3.1 The Fund are receiving a growing number of Freedom of Information (FOI) requests regarding how the Fund's investment assets are being managed and invested responsibly. Moreover, the recent focus has been on environmental factors concerning carbon emissions and fossil-fuel exposure. The Fund's RI dashboard acts as a public document to be updated quarterly and aims to address the majority of public requests for information.

### 4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 At present, there are no cited financial or investment advantages or disadvantages of aligning investments to net-zero or considering other RI/ESG outcomes. The Fund remains fully compliant in its fiduciary duty to the payment of scheme benefits as they fall due. The Fund's investment performance and expected returns are not mutually exclusive to the achievement of its responsible investment policy outcomes.

### 5. LEGAL IMPLICATIONS

- 5.1 Reporting against RI metrics and making a net-zero commitment are not legal requirements. TCFD reporting requirements, when published, will be a legal requirement by DLUHC (Department for Levelling up, Housing and Communities) and will likely involve penalties and levies by TPR for non-compliance. TCFD requirements shall be implemented in due course.

### 6. RISK MANAGEMENT

- 6.1 The below table relates to risk "PEN005" from the risk register considered and approved by Pension Fund Committee on 6 December 2021.

**Table 1: Impact of risk and mitigation (PEN005)**

Risk Description	Gross Risk Score	Mitigating Actions	Net Risk Score
Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage if not compliant. The	27	1) Review ISS in relation to published best practice (e.g., Stewardship Code) . 2) Ensure fund managers are encouraged to engage and to follow the requirements of the published ISS. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and Pensions and Lifetime	18

administering authority declared an environmental and climate emergency in June 2019, effect on Pension Fund is currently unknown. TCFD regulations impact on LGPS schemes currently unknown but expected to come into force during 2022/23.		<p>Savings Association (PLSA), which raises awareness of ESG issues and facilitates engagement with fund managers and company directors.</p> <p>4) An ESG statement and RI Policy was drafted for the Pension Fund as part of the ISS and approved in March 2021.</p> <p>5) Officers regularly attend training events on ESG and TCFD regulations to ensure stay up to date with latest guidance.</p> <p>6) LPPI manage the fund's investments and have their own strict ESG policies in place which align with those of the fund.</p>	
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## 7. POTENTIAL IMPACTS

- 7.1 Equalities. Equality Impact Assessments are published on the [council's website](#). There are no EQIA impacts as a result of taking this decision.
- 7.2 Climate change/sustainability. This report is centred around the topic of climate change and sustainability and such impacts are documented in detail through the report and its appendices.
- 7.3 Data Protection/GDPR. There are no additional data protection/GDPR considerations as a result of taking this decision

## 8. CONSULTATION

- 8.1 Not applicable

## 9. TIMETABLE FOR IMPLEMENTATION

- 9.1 LPPI have already begun to implement their plans for net-zero by 2050 from the date of becoming an IIGCC signatory. Responsible investment outcomes are not subject to any specific timeline and are instead ongoing.

## 10. APPENDICES

- 10.1 This report is supported by 4 appendices:
- Appendix 1: LPPI Responsible Investment Policy, Climate Change Annex Jan 2022.
  - Appendix 2: Responsible Investment Report Q4 2021
  - Appendix 3: Responsible Investment Dashboard Q4 2021
  - Appendix 4: Active Engagement Report Q4 2021

## 11. BACKGROUND DOCUMENTS

- 11.1 This report is supported by 2 background documents available at [Pension Fund Policies | Berkshire Pension Fund \(berkshirepensions.org.uk\)](#)

- Responsible Investment Policy (March 2021)
- Environmental, Social and Governance (ESG) Statement (December 2020)

## 12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>		<i>Statutory Officers (or deputy)</i>	
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		

## REPORT HISTORY

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

Report Author: Damien Pantling, Head of Pension Fund

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# Local Pensions Partnership Investments Ltd

## Responsible Investment Policy Annex on Climate Change

### 1. Introduction

This annex to our Responsible Investment Policy explains our climate change beliefs and describes our approach to understanding and managing the risks and opportunities climate change presents for the portfolios we manage on behalf of clients.

### 2. Our Climate Change Beliefs

Climate change poses a long-term and material financial risk to client portfolios. It has the potential to impact value across all the asset classes we invest in globally, but the route scale and timing of this impact is both complex and uncertain.

Climate change is a systemic risk which arises from the physical effects of sustained changes in weather patterns due to global warming and from human interventions to mitigate and manage these changes by adapting to new circumstances through regulation, technological innovation, or other cultural shifts.

Climate change will impact companies globally. It has the potential to destroy value where business risks are not being recognised and integrated into effective strategic planning but also presents opportunities for value creation where products and services can be developed which solve problems and meet societal needs.

The scope, dimensions, materiality and long-term significance of climate change as an investment issue merit specific attention as part of our Responsible Investment approach and the processes we develop to implement this in practice. Aiming to align our stewardship with the objectives of the Paris Agreement, we have set the goal of achieving net zero portfolio emissions by 2050 in partnership with our client pension funds. In November 2021 we signed the Institutional Investors Group on Climate Change (IIGCC) Net Zero Asset Manager Commitment which forms part of the IIGCC Net Zero (1.5°C) Investment Framework.

### 3. Our Climate Change Beliefs Translated into Practice

Our ultimate objective is to be able to identify, quantify, measure, act, monitor and report to clients on our management of climate change risk on their behalf. This is a significant undertaking with numerous challenges, and we recognise that we remain at an early stage of an ongoing task to evolve our capabilities, access insightful data, set appropriate measures and monitor and report on our progress. The implementation of our net zero commitment will expand the range of measures we need to take (for which planning is underway) but the steps already in place and the areas we have identified for further development are briefly set out below.

## *Investment Selection & Portfolio Monitoring*

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.

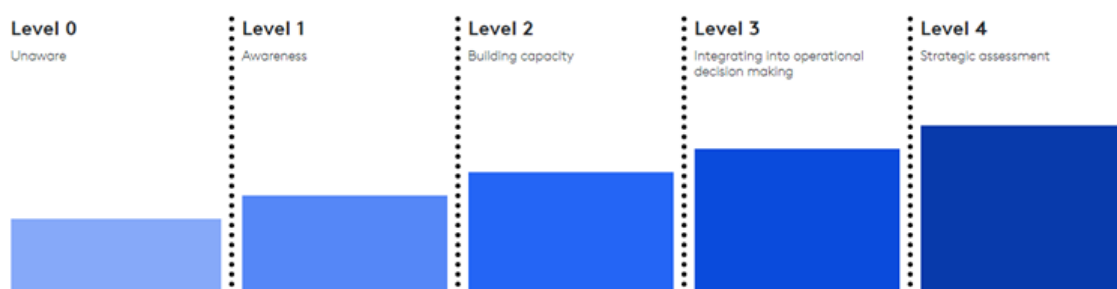
Our starting point is to ensure managers share our beliefs and have the capabilities to meet our requirements. In appointing third party managers we routinely assess their approach to responsible investment and the integration of environmental, social and corporate governance (ESG) factors. Our 'Manager ESG Rating approach' incorporates a detailed Due Diligence Questionnaire which includes specific questions on assessing, monitoring and reporting on climate change. Questionnaire responses inform our detailed selection and appointment process.

Identifying the risks client portfolios face from climate change requires quantitative measurement along with qualitative interpretation. Measurement and monitoring require information. We are continually seeking data and tools to help us to assess the position of individual companies and support our evaluation of the aggregate position at headline level. Use of tools such as Transition Pathway Initiative (TPI) aids our assessment of companies and informs our ongoing dialogue with managers around their own evaluation of the climate change risks their portfolios encompass. Our main focus to date has been on listed equities where information is most readily available, but learning gained here is informing the more challenging (and ongoing) task of assessing the position of wider asset classes.

Our objective is to understand the preparedness of investee companies for the transition to a low carbon economy, support companies which are managing the risks and opportunities on behalf of shareholders and challenge those which are not. Our scrutiny and challenge are based on a consistent measure. We use data from CDP and the TPI to ensure our review of the position of our listed equities investments is referenced against external measures of corporate progress in the planning and management of climate-related business risks. The TPI toolkit is publicly available, refreshed annually and accessible to all managers without the

### Transition Pathway Initiative (TPI) – Management Quality Stairway

Companies are assessed to one of 5 levels based on their position in relation to the recognition and management of transition risks. Standard questions are posed and are answered using publicly available data.



need to subscribe to a proprietary data system. We are a long-term supporter and Strategic Asset Owner Partner to the TPI.

We are also utilising data on greenhouse gas emissions to understand the position of different sectors and companies and determine the alignment of our Global Equities Fund with a below 2°C<sup>1</sup> pathway in order to reference our position relative to the goals of the Paris Agreement. We will be developing this methodology further and expanding it to more asset classes as the market for scenario analysis develops. This will generate a more complete picture of the alignment with, as well as resilience of, our portfolio to a below 2°C world.

We recognise that whilst all companies may ultimately be impacted by climate change, some sectors face greater risks due to their emissions intensity or involvement in traditional energy production based on fossil fuels which will need to be significantly curtailed to meet global emissions reduction targets. At a sectoral level, we have identified thermal coal extraction as a particular focus of risk. Coal is the most carbon intensive fossil fuel and the traditional energy source most likely to face declining demand in the face of rising renewable output at a reducing cost. As a consequence, we took the decision (in 2019) to cease investing in thermal coal extraction across our portfolio by progressively divesting existing holdings and placing an exclusion on further investments in this sector<sup>2</sup>. This approach is in line with protecting the long-term financial interests of all clients but presents challenges within private markets if pooled funds lack the facility to exclude sectors, reducing product choice. Our objective is to avoid new (future) exposure to thermal coal via exclusion whilst monitoring and managing existing exposures out of the portfolio over time where this is achievable without significant financial detriment.

Our net zero commitment (November 2021) has tightened our focus on the obligations of asset ownership and the importance of deploying stewardship resources for greatest influence. This has prompted a decision to exclude extractive fossil fuel companies from our Global Equities Fund by the end of 2021.<sup>3</sup> This step is an acknowledgement that the sector is not a natural match for the Fund's enduring quality bias and consumes stewardship resources disproportionate to the small exposure we might select to own long-term and the limited scope for shareholder influence this offers. Removing what has historically been a relatively small opportunity set for our Global Equities Fund will allow attention to move to a broader range of sectors impacted by transition risk and required to decarbonise. We will be considering our position on extractive fossil fuel companies within other asset classes as part of our net zero strategy development. Our approach will consider implementation routes for fulfilling our commitment to stewardship supportive of real-world decarbonisation which contributes to the acceleration of a market-wide transition aligned with the goals of the Paris Agreement.

Going forwards, we will continue to use the TPI as a measurement tool to assess carbon intensive companies and as a signal for engagement priorities with delegate managers.

<sup>1</sup> Under the Paris Agreement (December 2015) countries agreed to work to limit global temperature rise to well below 2°C. The IIGCC Net Zero Investment Framework (Aug 2020) supports investors to plan for net zero emissions by 2050, an ambition aligned with limiting global warming to 1.5°C above pre-industrial levels.

<sup>2</sup> Companies within GICS 10102050 (Coal & Consumable Fuels)

<sup>3</sup> Companies within extractive fossil fuel industries are defined as those within:

- GICS 10101010 (Oil & Gas Drilling)
- GICS 10102010 (Integrated Oil and Gas)
- GICS 10102020 (Oil and Gas Exploration and Production)

### *Active Ownership (Voting and Engagement)*

Our commitment to encouraging good corporate governance through our ownership activities includes a specific focus on climate related issues for investee companies.

Our shareholder voting approach explicitly identifies all upcoming resolutions on environmental themes. In appropriate circumstances we will support resolutions which encourage companies to recognise, evaluate, adapt to and report on climate related business risks and opportunities, or which urge them to evolve their current approach where further development is warranted. This is in line with our Shareholder Voting Policy which recognises the responsibility of asset owners to monitor and engage with investee companies in order to protect value.

Our Shareholder Voting Guidelines provide further clarity on our decision making with regards to our Shareholder Voting Policy. As part of this, we identify effective management of climate change as a priority engagement theme and provide further details on the steps we take if we believe minimum standards, such as TPI scores or alignment of targets and trajectories to the Paris Agreement, are not being met.

As part of our engagement approach, LPPI is networked with a range of organisations working on climate related agendas. These include the Principles for Responsible Investment, the Institutional Investor Group on Climate Change, the Transition Pathway Initiative and Climate Action 100+. Our interactions with these groups inform our thinking and provide opportunities to support collective initiatives which encourage companies to address climate change related business risks and report transparently on their efforts.

We support the recommendations of the FSB's Taskforce on Climate Related Financial Disclosure which identified that inadequate corporate reporting creates significant information gaps which prevent investors from evaluating the quality of climate change governance by investee companies. We encourage investee companies to develop their reporting in line with the disclosures outlined by the TCFD.

We also recognise that TCFD recommendations on enhanced reporting extend to investors and Asset Managers. As part of the evolution of our approach to climate change we reported for the first time against the TCFD disclosure requirements in 2019 on a voluntary basis. We will continue to strengthen our alignment with the TCFD and related regulations and work towards providing enhanced reporting on our activities going forward.

To ensure the continuing effectiveness of our approach to addressing climate change as part of our commitment to Responsible Investment our Stewardship Committee will review this annex to our Responsible Investment Policy on an annual basis and will update it to reflect changes in approach and further progress.



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