

NOTICE
OF
MEETING

BERKSHIRE PENSION FUND COMMITTEE

will meet on

MONDAY, 5TH DECEMBER, 2022

At 4.00 pm

In the

COUNCIL CHAMBER - TOWN HALL, MAIDENHEAD, AND ON [RBWM YOUTUBE](#)

TO: MEMBERS OF THE BERKSHIRE PENSION FUND COMMITTEE

COUNCILLORS JULIAN SHARPE (CHAIRMAN), DAVID HILTON (VICE-CHAIRMAN),
SHAMSUL SHELIM, SIMON BOND AND WISDOM DA COSTA

ADVISORY MEMBERS: COUNCILLORS ALI, DENNIS, GEE, LAW AND LEAKE.

SUBSTITUTE MEMBERS

COUNCILLORS GERRY CLARK, DAVID COPPINGER, ANDREW JOHNSON,
SIMON WERNER AND EWAN LARCOMBE

Karen Shepherd – Head of Governance - Issued: 25 November 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 or contact the Panel Administrator **Becky Oates** becky.oates@rbwm.gov.uk or 01628 796310

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

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
1.	<u>APOLOGIES</u> To receive any apologies for absence.	-
2.	<u>DECLARATIONS OF INTEREST</u> To receive any declarations of interest.	5 - 6
3.	<u>MINUTES</u> To approve the Part I minutes of the meeting held on 12 October 2022.	7 - 12
4.	<u>RISK REPORTING</u>	13 - 32
5.	<u>RESPONSIBLE INVESTMENT UPDATE</u>	33 - 102
6.	<u>PENSION FUND ANNUAL REPORT</u>	103 - 234
7.	<u>ADMINISTRATION REPORT</u>	235 - 258
8.	<u>LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC</u> To consider passing the following resolution:- "That under Section 100(A)(4) of the Local Government Act 1982, 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 Paragraphs 1-7 of Part I of Schedule 12A of the Act."	-

PART II - PRIVATE MEETING

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
i.	<u>PART II MINUTES</u> To approve the Part II minutes of the meeting held on 12 October 2022. <i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)</i>	259 - 264

i. LPPI PERFORMANCE, RISK & BUSINESS UPDATE

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(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)

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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 FUND COMMITTEE

WEDNESDAY, 12 OCTOBER 2022

PRESENT: Councillors Julian Sharpe (Chairman), David Hilton (Vice-Chairman), Shamsul Shelim and Simon Bond

Also in attendance virtually: Councillors Wisdom Da Costa, Glenn Dennis (Reading Borough Council) and Maria Gee (Wokingham Borough Council)

Officers: Becky Oates, Andrew Vallance, Adele Taylor, Philip Boyton, Kevin Taylor, Damien Pantling and Nikki Craig

APOLOGIES

Apologies for absence were received from Alan Cross, Chair of the Berkshire Pension Board.

Councillor Wisdom Da Costa attended virtually as a non-voting member of the Committee.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

RESOLVED UNANIMOUSLY: That the Part I minutes of the meeting held on 29 September 2022 be a true and correct record.

RISK REPORTING

Damien Pantling, Head of Pension Fund, introduced the report which covered the risk reporting methodology which was adopted in late 2021 and detailed in the risk management policy in March 2022. The risk register was a live document, kept continuously under review, and was brought to the Berkshire Pension Board and Berkshire Pension Fund Committee quarterly. A review had been conducted in the past quarter which resulted in changing the status of several of the risks which were detailed in the report. A new risk around planning for increased employer contributions had been added to the risk register. A detailed review would be undertaken on the risks of inflation and interest rates during the next quarter.

The Vice-Chairman, asked how Risk PEN014, detailed in paragraph 2.2.5 of the report, could be impacted by inflation.

Damien Pantling stated that inflation had a multifaceted approach through all areas on the fund, both on assets and liabilities. A review on this topic would be undertaken during the next quarter but the approaches in the risk report would still stand.

The Vice-Chairman asked what the consequences would be if the worst-case scenario arose.

Damien Pantling confirmed that he would respond to this issue outside of the Committee as it was a detailed issue.

Bob Swarup, Independent Advisor to the Committee, commented that the actual evaluation that had been conducted assumed for inflation of the long run, which was typically 2.5-3%. The issue was that the inflation print for each year's payment happened around October to come through in April of the next year. When the particular print came through, it would show

a much higher figure. The liabilities and payments going out of the Fund would have increased in a way that the actual evaluation did not capture. As a result, a divergence between the prediction and what actually happened occurred. At the next actuarial evaluation, the assumption would be raised as a result of this experience.

The Vice-Chairman asked how a short-term increase in inflation would be managed.

Damien Pantling stated that PEN014 referred to employee pay increases being significantly higher than anticipated for employers within the fund. If these rises occurred, the deficit relating to this employer would increase, but the actuary built in a lot of caution in setting rates over the long run.

Councillor Da Costa commented that it was positive to see the way that risks were being managed but noted certain issues that were particular relevant after Kwasi Kwarteng's mini budget, announced on 23 September 2022. Councillor Da Costa asked if there was a set of circumstances which would warrant steps to manage any risks arising.

Damien Pantling stated that news headlines relating to liquidity issues around liability driven investment (LDI) did not apply to the Pension Fund. However, there was a small exposure to bonds, which were largely outside of the UK thus reducing the exposure of the Pension Fund. In terms of reacting to issues in the economy, the Pension Fund maintained a well-diversified portfolio as part of its investment strategy. This was kept under review by LPPI, who reported back to the Pension Fund on a quarterly basis.

Councillor Da Costa asked if LPPI had reported back with any issues to be aware of in relation to Kwasi Kwarteng's mini budget.

Damien Pantling confirmed that no specific issues had been raised but any information relating to investments would be discussed in Part II.

Councillor Hilton stated that if the Committee progressed as it already was in reviewing risks which were laid out, then any potential issues could be identified and managed.

RESOLVED UNANIMOUSLY: That the Pension Fund Committee notes the report and;

- I) Approves the updated risk register including any changes since the last approval date, putting forward any suggested amendments as may be necessary; and**
- II) Approves publication of the updated risk register on the Pension Fund website**

STATUTORY POLICIES REVIEW

Damien Pantling introduced the report and outlined the policies. The first policy was a revised communication policy, a statutory document last reviewed in September 2018, which had been updated to include several changes on the way the Fund communicated with its stakeholders, the streamlining of member and employer newsletter communications and the focus on e-communications going forward. The updated policy increased into minimis amount required to trigger writing to members about changes to their monthly pension income, effectively aiming to reduce paper communications.

Appendix two detailed the revised Pensions Administration Strategy which was last approved by the Committee in January 2019. This was referred to as a statutory document, but Damien Pantling noted that regulations highly recommended this document be reviewed rather than being compulsory. The purpose of this document was to review the administrative processes and ensure they reflected the requirements of the regulator and had been updated to bring the

aims and objectives of the fund in line with the business plan earlier in 2022. The section on the service level agreement (SLA) had been expanded to ensure the purpose of the SLA had been made crystal clear. The updated Strategy also reflected the changes in the communications policy.

The final appendix was the SLA in place between the Fund and every employer in the Fund, setting out what was required by each employer and the Fund's administration team on behalf of the employers. This document enabled the Fund to enforce the Pensions Administration Strategy and set out the detailed KPIs in line with the Strategy's objectives which allowed for more effective monitoring of those KPIs.

Councillor Da Costa commented that these documents had practical rationale behind them and asked if the Fund had any practical anecdotes on how experience and feedback from various stakeholders and employees helped to improve the process.

Kevin Taylor, Pension Services Manager, stated that the Pensions Administration Strategy informed a lot of things that the Pension Fund did on a day-to-day basis in order to maintain individual reports and correct calculations amongst others. This document set a skeleton for what was required under the statutory regulations, while the SLA provided more detail. Improvements were constantly being made through the technology used to ensure that processes were streamlined and as efficient and cost effective as possible.

Kevin Taylor stated that the quarterly Administration Report included comments from scheme members and employers. Comments from employers were always positive around the guidance and information provided by the Fund.

Councillor Da Costa explained that he would appreciate reflections from the Pension Fund team and officers on how well these policies were being implemented in practice.

The Chairman stated that reports were regularly received by the Committee on how the Pension Fund was being operated and the experiences of employees.

The Vice-Chairman echoed the Chairman's comments and asked if members of the scheme opted out of receiving paper documents and in to receiving e-communications, and praised the work that had gone in to improving communications.

Kevin Taylor explained that the pension dashboard would provide a one-stop shop for everyone to access all their pensions. He highlighted the Pension Board and its role in ensuring that the Committee was fulfilling all statutory requirements under scheme regulations.

The Vice-Chairman asked if costs were benchmarked against other pension fund administration.

Kevin Taylor stated that while this wasn't a current practice, this was being discussed at a national level.

The Chairman thanked Kevin Taylor for the work on the Fund's quarterly administration report.

RESOLVED UNANIMOUSLY: That the Pension Fund Committee notes the report and;

- i) Approves the updated policies and administration SLA set out in the Appendices to this report; and**
- ii) Approves publication of the updated policies and administration SLA on the Pension Fund website.**

RESPONSIBLE INVESTMENT UPDATE

Damien Pantling introduced the report and stated that the appendices to the report were standard items that were brought to the Committee on a quarterly basis since December 2021.

The biggest change this quarter was the alignment with the updated Responsible Investment Policy. The updated policy reflected the priorities of the Fund and acted as an up-to-date position statement on its responsible investment activities. The document helped to focus LPPI's efforts with regards to implementation investment information.

The final document was an update from LPPI on the net zero journey which was almost a year on from the initial commitment.

Damien Pantling noted that since publicly publishing the reports on responsible investment and updating members through newsletters, he had noticed an almost 50% drop off in the number of freedom of information (FOI) requests coming through the fund. The work required to respond to FOI requests had dropped off as a lot of information requested was already publicly available.

A 12-week consultation on the Task Force on Climate-Related Financial Disclosures (TCFD) was ongoing, with a likely outcome being that the LGPS would enforce mandatory disclosures by December 2024. This would be picked up on the Responsible Investment Update item in future meetings if this was the case.

Councillor Bond stated that he had viewed the TCFD document and asked for feedback from Damien Pantling on his views of the proposal. Furthermore, Councillor Bond stated that the net zero document was excellent and commented that the digital innovation in healthcare report didn't seem as relevant.

Damien Pantling commented that the TCFD didn't appear too dissimilar to the proposal for the Department for Work and Pensions (DWP). The proposal made sense, and the first port of call in formulating a response to the consultation would be to hear the opinions of other parties such as LPPI and Barnet Waddingham. A response would be submitted if the Pension Fund had further detail to add.

The Chairman echoed Councillor Bond's comments and stated that overall, a huge amount of information was presented to the Committee on how investments were being managed which was very positive.

Joe Peach, Senior Analyst at LPPI, stated that the work undertaken on the evolution of the report was positive and noted the positive feedback from Committee members. The Robeco report was specific to LPPI but included a number of thought pieces on more general movements within the sector. Joe Peach noted that it was positive to hear that the number of FOI requests had reduced as a result of reports being made publicly available. LPPI made a commitment to be net zero by 2050 in October 2021, and information would be released over the coming weeks on how the organisation would make strides towards this target by 2030.

The Vice-Chairman asked what kind of process LPPI would follow when deciding whether to invest more in certain investment categories, given there appeared to be an opportunity for reasonable returns.

Richard Tomlinson, Chief Investment Officer at LPPI, stated that this would not be an area that LPPI would be looking to add to at this point in time.

Councillor Da Costa stated that he was proud of the responsible investment update and commented that the Fund was moving in the right direction with regards to climate change.

The Vice-Chairman echoed Councillor Da Costa's comments and stated that the report was a valuable document which talked to the issues in the right way.

The Chairman stated that the increase of information in the public domain was very important and had a positive impact by reducing the number of FOI requests.

RESOLVED UNANIMOUSLY: That the Pension Fund Committee notes the report and;

- i) Acknowledges the Fund's RI dashboard, RI report, active engagement report and achievement of associated outcomes;**
- ii) Acknowledges LPPI's recent client update on Net-Zero;**
- iii) Approves and adopts the Fund's revised RI policy for implementation, and;**
- iv) Approves the publication of the appendices contained within this report on the Pension Fund website.**

ADMINISTRATION REPORT

Kevin Taylor introduced the report and stated that the report was informed by the Pensions Admin Strategy and the SLA in place with employers. The Pension Fund was in the early stages of reviewing the Administration Report, bearing in mind CIPFA guidance and peer review of other funds. A revised report would be brought to the Committee in due course.

A key ongoing issue was the McCloud case, with changes to scheme regulations being expected imminently. Certain teachers who worked full time in part time roles were wrongly excluded from the LGPS, which could add complexity to the McCloud issue. The £95,000 cap was back on the agenda, with the expectation that the government would insist on reviewing all cases to determine whether they should go ahead or not. In instances where these cases could proceed, scheme employers would need to get all strain costs associated with early retirements ahead of asking the government to review. In a successful review, the member would continue to receive full benefits as opposed to the reduced benefits they received under the current legislation. This was a good change in policy from a scheme member viewpoint.

The Chairman thanked Kevin Taylor for his report and stated that it was reassuring that there wasn't anything to worry about, with the exception of the McCloud case.

The Vice-Chairman stated that McCloud was a potential liability, and asked for clarification on the £95,000 cap topic. The Vice-Chairman asked if the government would reimburse the pension scheme.

Kevin Taylor clarified that when a scheme member retired early, the regulations dictated that their benefits cannot be reduced to reflect their early payment. If somebody voluntarily retired, they would have a reduction to those benefits as they would be payable over a long period of time. As these benefits could not be reduced, there was a strain cost that the employer had to pay to the Pension Fund to meet the early release of those benefits at an unreduced rate. Those strain costs were originally going to be included in the £95,000 cap, with those costs alone possibly running over the cap. The new proposal was that the strain costs would be included as part of any representation made by an employer to the government to allow those benefits to be paid early at an unreduced rate. The government would examine this to see whether any alternative options could be sought. If the government agreed to the early release of benefits, the employer would need to make that strain cost to the Pension Fund, but the scheme member would not have those reductions applied as they were in the current legislation.

The Vice-Chairman stated that he noted that two more admitted bodies had been added since the last report and asked about the process for admitting these bodies.

Kevin Taylor stated that an admission body would only come from an existing scheme employer outsourcing a service under The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). Pensions were not covered by TUPE but were covered by the Best Value Direction order instead. This resulted in a responsibility on the outsourcing employer to ensure equivalent pension rights going forward. Admitted bodies were monitored in the same way as any other scheme employer.

The Chairman asked if there were any particular areas of note in the Administration Report in the future.

Kevin Taylor stated that McCloud was the biggest issue to be aware of. Pension dashboards was another project requiring a large amount of work but would bring about a number of benefits.

Councillor Wisdom Da Costa asked if the impact of the McCloud case would be a workload issue or a material financial impact on the Fund. Councillor Wisdom Da Costa also asked if any strain on workload was evidenced with regards to changes in the number of members.

Kevin Taylor stated that the McCloud case would cause an administrative burden. The actuary had already included an element within all calculations for the McCloud costs to allow for the potential risks and additional liabilities arising as a result. With regards to churn of membership numbers, the Pension Fund was a relatively small team working with a relatively large membership. Automation of the process was key in reducing workload on employees.

RESOLVED UNANIMOUSLY: That the Pension Fund Committee notes the report and;

- i) Notes all areas of governance and administration as reported;**
- ii) Notes all key performance indicators; and**
- iii) Approves publication of the quarterly Administration report on the Pension Fund website.**

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

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

The meeting, which began at 5.00 pm, finished at 7.10 pm

CHAIRMAN.....

DATE.....

Report Title:	Risk Reporting
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 and Advisory Panel – 5 December 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

REPORT SUMMARY

On 6 December 2021, the Pension Fund Committee adopted an updated risk management process based on the 2018 CIPFA framework “Managing risk in the Local Government Pension Scheme”. This updated process is detailed in the Fund’s revised risk management policy last approved by the Pension Fund Committee on 4 July 2022.

A risk register is now brought to the Pension Fund Committee quarterly for consideration of all known risks and their respective controls/mitigations, this report deals with the regular reporting of the revised risk register to the Pension Fund Committee.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

- i) Approves the updated risk register including any changes since the last approval date, putting forward any suggested amendments as may be necessary; and,**
- ii) Approves publication of the updated risk register on the Pension Fund website;**

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. As a live document, this risk register (attached at Appendix 1) is kept under review and shall be presented to the Committee (appended to this report) quarterly, however, key changes from the last Committee meeting to this one

(additions, removals, significant changes to mitigations and/or risk scores) shall be brought to the Committee's attention and are summarised as follows (noting that minor re-wording has not been included in the summary below):

- 2.2.1. PEN001 – Moved from risk increasing to trending sideways as longer-term asset valuations are becoming more attractive following recent sell-off.
- 2.2.2. PEN002 – Moved from risk increasing to trending sideways as global economic volatility is reducing as central banks are expected to be nearing the top of their tightening cycles.
- 2.2.3. PEN003 – Moved from trending sideways to risk reducing as China are reported to be dropping “zero-COVID” policies.
- 2.2.4. PEN004 – Moved from risk increasing to trending sideways as volatility is observed to be reducing with new government.
- 2.2.5. PEN005 – No change to risk scoring or trends but updated wording to reflect revised RI policy approved in October 2022.
- 2.2.6. PREVIOUSLY PEN008 – Removed risk from register, instead referencing custodian failure in the general third-party failure risks PEN007
- 2.2.7. PEN011 – Moved from trending sideways to risk increasing as mortality rates are reducing based on triennial valuation data.
- 2.2.8. PEN013 – Moved from risk increasing to trending sideways as employers are expected to struggle to pay significant pay awards due to general affordability constraints.
- 2.2.9. PEN016 – Moved from trending sideways to risk reducing based on contribution increases being less than previously communicated and planned for. Also added “tolerate” measure based on contribution increases being lower than forecast.
- 2.2.10. PEN017 – Moved risk reducing to risk increasing as cash-flow constraints are becoming a more prominent issue across the LGPS and investment markets in general as seen by the recent GILT crisis. Generally this is less of a direct risk for us because of our lack of derivative exposure but we may experience the wider asset price impacts of a global liquidity crunch.
- 2.2.11. PEN021 – Moved from trending sideways to risk reducing as there is no present indication of a change in LGPS structure from DB to DC.
- 2.2.12. PEN028 – Reduced risk impact scoring for Employers, as this is an administrative burden for the Fund but from an average employer perspective the financial impact is not likely to be material. The administrative impact will still be large but impact should be judged

overall considering all factors. Changing this scoring reduces the residual risk score from red to amber.

2.2.13. PEN053 – Moved from trending sideways to risk reducing now that all key procurements are complete for the Fund.

2.3. The RCBPF's updated risk management policy was last approved by the Pension Fund Committee on 4 July 2022, and this risk register along with its contents are consistent with the updated risk management policy.

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: There are no EQIA impacts as a result of taking this decision. A completed EQIA has been attached at Appendix 2 to this report

7.3. Climate change/sustainability: N/A

7.4. Data Protection/GDPR. GDPR compliance is included as a specific risk on the register in regard to processing and handling personal data, this is dealt with in the appendix along with the relevant mitigations.

8. CONSULTATION

8.1. No specific consultation since the date of last review, however Committee members and Pension Board members undertook a detailed annual review session in January 2022 followed by a risk appetite statement review and training session on 21 April 2022 during the development of the Risk Management Policy approved on 4 July 2022, which the appended risk register is consistent with.

9. TIMETABLE FOR IMPLEMENTATION

9.1. Ongoing.

10. APPENDICES

10.1. This report is supported by 2 Appendices:

- Appendix 1 – Risk Register
- Appendix 2 - EQIA

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	08/11/2022	
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	21/11/2022	24/11/2022
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	08/11/2022	25/11/2022
Elaine Browne	Head of Law (Deputy Monitoring Officer)	21/11/2022	
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	21/11/2022	
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	21/11/2022	

13. 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



17/11/2022

Author: Damien Pantling, Head of Pension Fund
Adele Taylor - Director of Resources (S.151 Officer)

Status: FINAL

GREEN = Score of 3 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	IMPACT					Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	
				Fund	Employers	Reputation	TOTAL	Owner					Reviewed	
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	TREAT 1) The LPPI/RCMPF 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 with action taken as necessary. 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., as advised by LPPI 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 (actuarial) benchmark to be re-developed based on 2022 valuation figures, for monitoring from March 2023, expected to be above the actuarial discount rate	2	24	Damien Pantling	07/11/2022
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	TREAT 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. 4) Examining portfolio at an individual investment level to fully understand exposure to effected regions and reacting as appropriate.	2	18	Damien Pantling	07/11/2022
Asset & Investment Risk	PEN003	↘	The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	3	3	2	8	3	24	TREAT 1) Routinely receiving market updates from independent advisors and acting upon the recommendations as appropriate TOLERATE 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	8	Damien Pantling	07/11/2022
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 such as labour and supply chain shortages.	4	4	1	9	3	27	TREAT 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 is currently under review again	2	18	Damien Pantling	07/11/2022
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. TCFD regulations impact on LGPS schemes currently expected to come into force during 2023/24.	3	2	4	9	3	27	TREAT 1) Published 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, the RI policy was comprehensively reviewed and published in October 2022 ensuring it is fit for purpose. 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	07/11/2022
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	TREAT 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	07/11/2022
Asset & Investment Risk	PEN007	↔	Financial failure of third party supplier results in service impairment and financial loss.	5	4	1	10	2	20	TREAT 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 take place. 3) Actuarial services and investment management are provided by two different providers. 4) Review of internal control reports on an annual basis. 5) Credit rating kept under review through procurement processes.	1	10	Damien Pantling	07/11/2022
Asset & Investment Risk	PEN008	↔	Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	20	TREAT 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	07/11/2022
Asset & Investment Risk	PEN009	↔	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	TREAT 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 wholistic 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	07/11/2022



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Scores all ranked 1 to 5

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Risk Group	Risk Ref.	Trending	Risk Description	IMPACT				TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	
				Fund	Employers	Reputation	Owner						Reviewed	
Liability Risk	PEN010		Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	22	TREAT 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	07/11/2022
Liability Risk	PEN011		Mortality rates decreasing, or increasing at a lower rate than those assumed in the 2009 longevity contract, leading to an increased contractual liability at present value.	3	4	4	11	2	22	TOLERATE 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	07/11/2022
Liability Risk	PEN012		Long-term price inflation is significantly more than anticipated in the actuarial assumptions.	5	5	1	11	3	33	TREAT 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, both in dividend income and capital appreciation 3) The actuary has taken 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	07/11/2022
Liability Risk	PEN013		Employee pay increases are significantly more than anticipated for employers within the Fund.	3	4	2	9	2	18	TOLERATE 1) Fund employers should monitor own experience and communicate with the Fund as appropriate 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) Employer decisions to increase pay more than anticipated would result in increased contributions for that employer at the next triennial valuation to offset the liability impact.	2	18	Damien Pantling	07/11/2022
19 Liability Risk	PEN014		Impact of economic and political decisions on the Pension Fund's employer workforce and government funding level affecting the Councils 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	TREAT 1) Actuary 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) Actuary 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	07/11/2022
Liability Risk	PEN015		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	TOLERATE 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	07/11/2022
Liability Risk	PEN016		Impact of increases to employer contributions following the actuarial valuation.	4	5	3	12	3	36	TREAT 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. TOLERATE 1) For 2022 valuation, improved funding levels has broadly led to reduced deficit recovery contributions, these are largely offset by increased primary contributions but increase overall is less than previously communicated	2	24	Damien Pantling	07/11/2022
Liability Risk	PEN017		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	TREAT 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	07/11/2022
Liability Risk	PEN018		Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy.	5	3	3	11	2	22	TREAT 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 2023. 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	07/11/2022
Liability Risk	PEN019		Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms, this also includes bulk transfers out.	4	4	2	10	2	20	TREAT 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	07/11/2022
Liability Risk	PEN020		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	TREAT 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	07/11/2022
Liability Risk	PEN021		Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	1	10	TOLERATE 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	07/11/2022



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				Fund	Employers	Reputation	TOTAL								
EMPLOYER RISK															
Employer Risk	PEN022		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	<p>TREAT</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>4) Where appropriate seek to agree support from the relevant Local Authority.</p> <p>5) Proper use of employer flexibilities introduced in the 2020 amended regulations (deferred debt and debt spreading agreements) to ensure that employer debts are managed appropriately in a way that benefits both the fund and the employer</p>	2	24	Damien Pantling	07/11/2022	
Employer Risk	PEN023		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	<p>TREAT</p> <p>1) Transferee admission bodies (term no longer used) were required to have bonds or guarantees in place at time of signing the admission agreement.</p> <p>2) Regular monitoring of employers and follow up of expiring bonds.</p> <p>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.</p> <p>4) Proper use of employer flexibilities introduced in the 2020 amended regulations (deferred debt and debt spreading agreements) to ensure that employer debts are managed appropriately in a way that benefits both the fund and the employer</p>	1	11	Damien Pantling	07/11/2022	
Employer Risk	PEN024		Risk of unexpected employer contributions (primary and secondary) as a result of poor budget management i.e. failure to plan and budget for the increased contribution costs. General risk of poor accountability and planning within employers. Payment delay or failures may increase liabilities primarily for that employer but may affect others in the event of failure	2	5	4	11	3	33	<p>TREAT</p> <p>1) Employer contributions communicated at every triennial valuation setting levels for the following 3 years in the Rates & Adjustment certificate</p> <p>2) For largest employers, regular communication on likely contribution increases for budget planning purposes outside of triennial valuation process</p> <p>3) Early communication with any employer experiencing payment delays or similar issues</p> <p>4) Risk of increased liabilities resulting from poor budget management of the fund's expenses mitigated through robust business plan, budget setting and budget management</p> <p>TOLERATE</p> <p>1) Common understanding that liabilities are ringfenced on an employer basis. With the largest (unitary council) employers unlikely to fail, liability increases associated with payment delays are likely to be contained within the struggling employer and not affect other employers</p>	2	22	Damien Pantling	07/11/2022	
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	<p>TREAT</p> <p>1) Succession planning process to be considered.</p> <p>2) Ongoing training of Pension Fund Committee members, training plan in place.</p> <p>3) Pension Fund Committee new member induction programme.</p> <p>4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.</p> <p>5) Training to be supported by external parties including but not limited to the actuary, auditor, investment advisor and independent advisors.</p> <p>6) External professional advice is sought where required</p>	2	10	Damien Pantling	07/11/2022	
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	<p>TREAT</p> <p>1) Person specifications are used in recruitment processes to appoint officers with relevant skills and experience.</p> <p>2) Training plans are in place for all officers as part of the performance appraisal arrangements.</p> <p>3) Officers maintain their CPD by attending training events and conferences.</p>	1	10	Damien Pantling	07/11/2022	
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	<p>TREAT</p> <p>1) Practice notes in place.</p> <p>2) Development of team members and succession planning improvements to be implemented.</p> <p>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.</p> <p>4) Training plans in place for all officers.</p>	2	20	Damien Pantling	07/11/2022	
Resource & Skill Risk	PEN028		McCloud remedy will generate considerable additional workloads for the team resulting in potential resource concerns.	3	3	2	8	4	32	<p>TREAT</p> <p>1) Statutory guidance to be issued by government setting out how remedy is to be managed.</p> <p>2) All Pension Committee, Advisory Panel and Board Members receive regular updates and actions will be taken by officers once guidance is issued.</p> <p>3) If necessary, consider the recruitment of temporary staff.</p>	3	24	Damien Pantling	07/11/2022	
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	<p>TREAT</p> <p>1) Administering Authority actively monitors prospective changes in membership.</p> <p>2) Maintain knowledge of employer future plans through regular communication.</p> <p>3) Contribution rates and deficit recovery periods set to reflect the strength of the employer covenant.</p> <p>4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate.</p> <p>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.</p> <p>6) Monitoring of gilt yields for assessment of pensions deficit on a minimum risk basis.</p>	2	20	Kevin Taylor	07/11/2022	
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	<p>TREAT</p> <p>1) Training provided as and when Regulations are updated.</p> <p>2) Competent software provider maintains up to date systems.</p> <p>3) Competent external consultants.</p> <p>4) Comprehensive policy in place on reporting suspected breaches of the law, informing internal stakeholders on process to minimise legal challenge in unlikely event of breach or suspected breach</p>	1	13	Kevin Taylor	07/11/2022	



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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	TREAT 1) Review of administration roles and responsibilities to be undertaken in 2023 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	07/11/2022
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	TREAT 1) System hosted and backed up in two separate locations. 2) Re-issue previous months BACS file in extreme circumstances.	1	15	Kevin Taylor	07/11/2022
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	TREAT 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	07/11/2022
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	TREAT 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	07/11/2022
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	TREAT 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 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	07/11/2022
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	TREAT 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	07/11/2022
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	TREAT 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	07/11/2022
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	TREAT 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	07/11/2022
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	TREAT 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	07/11/2022
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	TREAT 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	07/11/2022
Administrative & Communicative Risk	PEN041	↘	Lack of guidance and process notes leads to inefficiency and errors.	3	3	1	7	2	14	TREAT 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	1	7	Kevin Taylor	07/11/2022
Administrative & Communicative Risk	PEN042	↘	Failure to identify GMP liability leads to ongoing costs for the pension fund.	5	2	1	8	2	16	TREAT 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	07/11/2022
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	TREAT 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	07/11/2022



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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	IMPACT					Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	Reviewed
				Fund	Employers	Reputation	TOTAL							
REPUTATIONAL RISK														
Reputational Risk	PEN044	↔	Financial loss of cash investments from fraudulent activity.	3	3	5	11	2	22	TREAT 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	07/11/2022
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	TREAT 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	07/11/2022
Reputational Risk	PEN046	↔	Inaccurate information in public domain leads to reputation damage and loss of confidence.	1	1	3	5	3	15	TREAT 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	07/11/2022
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	TREAT 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	07/11/2022
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	TOLERATE 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	07/11/2022
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	TREAT 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	07/11/2022
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	TREAT 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	07/11/2022
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	TREAT 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	07/11/2022
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	TREAT 1) More reliance on LPPI to keep Officers and Committee updated, LPPI processing opt-up forms on behalf of the Fund as required. 2) Maintaining up to date information about the fund on relevant platforms. 3) Existing and new Officer appointments subject to requirements for professional qualifications and CPD. 4) MIFID2 regulations to be monitored by fund officers and LPPI.	1	7	Damien Pantling	07/11/2022
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	TOLERATE 1) Pooled funds are not subject to OJEU rules, and most of our funds are in LPPI's pooled vehicles. TREAT 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	07/11/2022

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Risk Reporting (05/12/2022)

Essential information

Items to be assessed: (please mark 'x')

Strategy		Policy		Plan		Project	x	Service/Procedure	x
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Responsible officer	Damien Pantling	Service area	Pension Fund	Directorate	Finance
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Stage 1: EqIA Screening (mandatory)	Date created: 21/11/2022	Stage 2 : Full assessment (if applicable)	N/A
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Approved by Head of Service / Overseeing group/body / Project Sponsor:

"I am satisfied that an equality impact has been undertaken adequately."

Signed by (print):

Dated:

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Risk Reporting (05/12/2022)

Guidance notes

What is an EqlA and why do we need to do it?

The Equality Act 2010 places a 'General Duty' on all public bodies to have 'due regard' to:

- Eliminating discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advancing equality of opportunity between those with 'protected characteristics' and those without them.
- Fostering good relations between those with 'protected characteristics' and those without them.

EqlAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups. All completed EqlA Screenings are required to be publicly available on the council's website once they have been signed off by the relevant Head of Service or Strategic/Policy/Operational Group or Project Sponsor.

What are the "protected characteristics" under the law?

The following are protected characteristics under the Equality Act 2010: age; disability (including physical, learning and mental health conditions); gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

What's the process for conducting an EqlA?

The process for conducting an EqlA is set out at the end of this document. In brief, a Screening Assessment should be conducted for every new or reviewed strategy, policy, plan, project, service or procedure and the outcome of the Screening Assessment will indicate whether a Full Assessment should be undertaken.

Openness and transparency

RBWM has a 'Specific Duty' to publish information about people affected by our policies and practices. Your completed assessment should be sent to the Strategy & Performance Team for publication to the RBWM website once it has been signed off by the relevant manager, and/or Strategic, Policy, or Operational Group. If your proposals are being made to Cabinet or any other Committee, please append a copy of your completed Screening or Full Assessment to your report.

Enforcement

Judicial review of an authority can be taken by any person, including the Equality and Human Rights Commission (EHRC) or a group of people, with an interest, in respect of alleged failure to comply with the general equality duty. Only the EHRC can enforce the specific duties. A failure to comply with the specific duties may however be used as evidence of a failure to comply with the general duty.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
EQUALITY IMPACT ASSESSMENT
EqIA : Risk Reporting (05/12/2022)

Stage 1 : Screening (Mandatory)

1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?

On 6 December 2021, the Pension Fund Committee adopted an updated risk management process based on the 2018 CIPFA framework “Managing risk in the Local Government Pension Scheme”. This updated process is detailed in the Fund’s revised risk management policy last approved by the Pension Fund Committee on 4 July 2022.

A risk register is now brought to the Pension Fund Committee quarterly for consideration of all known risks and their respective controls/mitigations, this report deals with the regular reporting of the revised risk register to the Pension Fund Committee.

1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as “Not Relevant”.

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ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Risk Reporting (05/12/2022)

Protected characteristics	Relevance	Level	Positive/negative	Evidence
Age			N/A	Key data: The estimated median age of the local population is 42.6yrs [Source: ONS mid-year estimates 2020]. An estimated 20.2% of the local population are aged 0-15, and estimated 61% of the local population are aged 16-64yrs and an estimated 18.9% of the local population are aged 65+yrs. [Source: ONS mid-year estimates 2020 , taken from Berkshire Observatory]
Disability			N/A	
Gender re-assignment			N/A	
Marriage/civil partnership			N/A	
Pregnancy and maternity			N/A	
Race			N/A	Key data: The 2011 Census indicates that 86.1% of the local population is White and 13.9% of the local population is BAME. The borough has a higher Asian/Asian British population (9.6%) than the South East (5.2%) and England (7.8%). The forthcoming 2021 Census data is expected to show a rise in the BAME population. [Source: 2011 Census, taken from Berkshire Observatory]
Religion and belief			N/A	Key data: The 2011 Census indicates that 62.3% of the local population is Christian, 21.7% no religion, 3.9% Muslim, 2% Sikh, 1.8% Hindu, 0.5% Buddhist, 0.4% other religion, and 0.3% Jewish. [Source: 2011 Census, taken from Berkshire Observatory]
Sex			N/A	Key data: In 2020 an estimated 49.6% of the local population is male and 50.4% female. [Source: ONS mid-year estimates 2020 , taken from Berkshire Observatory]
Sexual orientation			N/A	

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Risk Reporting (05/12/2022)

Outcome, action and public reporting

Screening Assessment Outcome	Yes / No / Not at this stage	Further Action Required / Action to be taken	Responsible Officer and / or Lead Strategic Group	Timescale for Resolution of negative impact / Delivery of positive impact
Was a significant level of negative impact identified?	No	No	Damien Pantling	N/A
Does the strategy, policy, plan etc require amendment to have a positive impact?	No	No	Damien Pantling	N/A

If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Risk Reporting (05/12/2022)

Stage 2 : Full assessment

2.1 : Scope and define

2.1.1 Who are the main beneficiaries of the proposed strategy / policy / plan / project / service / procedure? List the groups who the work is targeting/aimed at.

N/A – No full assessment required

2.1.2 Who has been involved in the creation of the proposed strategy / policy / plan / project / service / procedure? List those groups who the work is targeting/aimed at.

N/A – No full assessment required

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Risk Reporting (05/12/2022)

2.2 : Information gathering/evidence

2.2.1 What secondary data have you used in this assessment? *Common sources of secondary data include: censuses, organisational records.*

N/A – No full assessment required

2.2.2 What primary data have you used to inform this assessment? *Common sources of primary data include: consultation through interviews, focus groups, questionnaires.*

N/A – No full assessment required

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Risk Reporting (05/12/2022)

Eliminate discrimination, harassment, victimisation

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

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ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Risk Reporting (05/12/2022)

Advance equality of opportunity

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

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ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Risk Reporting (05/12/2022)

Foster good relations

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					
<p>2.4 Has your delivery plan been updated to incorporate the activities identified in this assessment to mitigate any identified negative impacts? If so please summarise any updates.</p> <p><i>These could be service, equality, project or other delivery plans. If you did not have sufficient data to complete a thorough impact assessment, then an action should be incorporated to collect this information in the future.</i></p>					
N/A – No full assessment required					

Report Title:	Responsible Investment
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 and Advisory Panel – 5 December 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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REPORT SUMMARY

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.

Following the release of an Environmental, Social and Governance (ESG) public statement in late 2020, the Fund approved a Responsible Investment (RI) policy on 22 March 2021 supported by several values, principles, and priorities. Since then, the Fund has been continuously improving its approach to RI and have been working towards an updated RI policy that was approved by the Committee on 12 October 2022.

This report aims to update the reader quarterly on the Fund’s responsible investment activities and outcomes through presenting an RI report and dashboard as aligned with the Fun’s RI policy – noting that climate change is one of the underlying priorities in the Fund’s revised RI policy and therefore carries material weight in this update. This report also seeks to provide the reader with a suite of key engagement activities undertaken on behalf of the Fund and the outcomes of these engagements.

In addition, this report covers the response to DLUHC’s consultation on the Taskforce on Climate-related Financial Disclosures (TCFD) as well as brief update on LPPI’s net-zero commitment.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

- i) Acknowledges the Fund’s RI dashboard, RI report, active engagement report and achievement of associated outcomes;**
- ii) Approves the publication of the appendices contained within this report on the Pension Fund website.**
- iii) TCFD consultation response to DLUHC**

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

- 2.1 Since 1 June 2018, all Fund investments have been pooled and are actively managed by the Fund's Investment Manager LPPI. Responsible investing is an underpinning principal of LPPI's investment approach and is documented by a suite of detailed RI policies and reports available on their website.
- 2.2 From December 2021, the Fund has reported publicly on its implementation and outcomes concerning responsible investment. The report and dashboard as at Q3 2022 (or Q2 2022/23) are included at Appendix 1 and Appendix 2 to this report.
- 2.3 Notably, the report and dashboard 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. The key takeaways from this analysis are as follows:
 - 2.3.1 Investments in brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) make up just 1.69% of the portfolio.
 - 2.3.2 Investments in green sectors (renewable energy generation, clean technology, and decarbonising activities) make up over 4.69% of the portfolio.
- 2.4 As illustrated above, the green exposure significantly outweighs the brown exposure within the identified portfolio, underpinning the principle of "net" zero. 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.
- 2.5 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 (via LPPI) 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 Q3 2022 (or Q2 2022/23) at Appendix 3 to this report.
- 2.6 Whilst a separate RI policy is not compulsory for LGPS funds under the regulations, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, (regulation 7) requires that the authority's Investment Strategy Statement (ISS) must include the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments. The fund's ISS (last approved by the Pension Fund Committee on 7 March 2022) defines that a separate RI policy shall be in place with detailed guidance on the points within the regulations, and that implementation of said RI policy would be undertaken by LPPI.
- 2.7 A decision was taken by the Pension Fund Committee on 6 December 2022 to set up a RI working group (the Task & Finish Group) of Officers, Committee members, Board members, Advisory Panel members, LPPI and independent

advisors. Terms of Reference were agreed and the group first met in April 2022. The Task & Finish group undertook various other meetings and discussions to develop a comprehensive revised RI policy that is modern, consistent with the current external environment, and that it reflects the values, principles and priorities of the Pension Fund Committee. The revised RI policy also serves as a position statement on the Fund's approach to RI.

- 2.8 The revised RI policy was approved by the Pension Fund Committee on 12 October 2022. LPPI have also given a professional opinion that the policy shall be implemented in practice and tailored reporting has been reflected in the relevant RI report and dashboard (appendix 1 and 2). The revised RI policy encapsulates several changes such as the focus on continuous improvement as well as specific priorities of the Fund within the Environment, Social and Governance categories. The policy is underpinned by the fund's fiduciary responsibility to pay scheme members benefits as they fall due as an absolute priority with RI initiatives not expected to contradict the Fund's core duties.
- 2.9 DLUHC published a 12-week consultation from 1 September to 24 November 2022 in order to seeks views on proposals to require Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). A consultation response to the 12 specific consultation questions was sent to DLUHC following consultation with the Pension Fund Committee members in mid-November, a copy of this response is attached at appendix 4.
- 2.10 LPPI have advised that they have received formal confirmation from the IIGCC (Institutional Investors Group on Climate Change) that their first set of net zero targets have been accepted, which means they are in line with the Net Zero Asset Managers commitment previously made and advised in prior versions of this report. This represents an important milestone in the journey to net zero for the Fund, and is reflective of the significant amount of work undertaken by LPPI's Net Zero Project Team to get to this point.
- 2.11 In regard to net-zero, LPPI shall be publishing a dedicated net-zero document in the coming weeks which shall be available for presentation at the March 2023 Committee meeting. This report will provide further background and information in relation to the approach being taken by LPPI including targets that have been set in relation to net zero.

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 report and dashboard acts as a public document to be updated quarterly and aims to address the majority of public requests for information.

- 3.2 The RI policy has undergone extensive review by the 'Task & Finish' group and has been confirmed by LPPI to be implementable in practice with no material changes to the Fund's investment activities or objectives.

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 Net-zero strategy development and LPPI's recent decision to exclude extractive fossil fuel companies from its global equities fund has involved divesting from a relatively small opportunity set. However, these investments consumed disproportionate stewardship resources and the associated costs of maintaining these. Exclusion of these assets enables attention to move to a broader range of sectors impacted by transition risk and are required to decarbonise, providing the fund with future opportunities and an improved framework to manage risk.
- 4.2 At present, the Fund's investment performance and expected returns are not mutually exclusive to the achievement of its revised responsible investment policy outcomes. Therefore, the Fund's fiduciary duty and ultimate goal to pay pensions is not adversely affected by implementation of its revised RI policy but this shall be kept under review.
- 4.3 Well-governed companies are best equipped to manage business risks and opportunities, and this contributes to achieving optimum risk-adjusted returns over the long term.

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 and legislated by DLUHC (Department for Levelling up, Housing and Communities). These requirements will likely involve penalties and levies by tPR for non-compliance. TCFD requirements shall be implemented in due course and the Fund shall monitor these developments carefully.
- 5.2 The Fund is compliant with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (regulation 7) which requires that the authority's investment strategy statement (ISS) must include the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments. The fund's ISS (last approved by the Pension Fund Committee on 7 March 2022 defines that a separate RI policy shall be in place with detailed guidance on the points within the regulations, and that implementation of said RI policy would be undertaken by LPPI. The revised RI policy is this compliant with the regulations.

6. RISK MANAGEMENT

- 6.1 The Pension Fund Committee review and approve a risk register on a quarterly basis, prepared in line with CIPFA's guidance on "managing risks in the LGPS –

2018". The latest risk register (including relevant actions and mitigations) has been prepared alongside the amendments within this report, with any relevant changes considered and documented as appropriate in the quarterly risk management report.

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. A completed EQIA has been attached at Appendix 5 to this report.
- 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 The Fund's Investment Advisor LPPI was consulted in preparing this report.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 Responsible investment outcomes are not subject to any specific timeline and are instead ongoing.

10. APPENDICES

- 10.1 This report is supported by 5 appendices:
- Appendix 1: Responsible Investment Report Q3 2022
 - Appendix 2: Responsible Investment Dashboard Q3 2022
 - Appendix 3: Active Engagement Report Q3 2022
 - Appendix 4: DLUHC TCFD consultation response – November 2022
 - Appendix 5: EQIA

11. BACKGROUND DOCUMENTS

- 11.1 This report is supported by one background document available in the "policies and reports" section of the Pension Fund [website](#)
- Responsible Investment Policy (October 2022)

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	08/11/2022	
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	21/11/2022	24/11/2022
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	08/11/2022	25/11/2022
Elaine Browne	Head of Law (Deputy Monitoring Officer)	21/11/2022	
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	21/11/2022	
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	21/11/2022	

13. 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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This report has been prepared by LPPI for Royal County of Berkshire Pension Fund (RCBPF) as a professional client.

1. Introduction

This report on Responsible Investment (RI) is a companion to the LPPI RI Dashboard (Appendix 1) and the Quarterly Active Ownership Report (Appendix 2).

It covers stewardship in the period 1st July - 30th September 2022 plus insights on current and emerging issues for client pension funds.

^R This symbol indicates a term explained in the reference section at the end of this report.

Key takeaways for the period:

- In Q3 2022 LPPI voted on 94% of company proposals, supporting 82% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 1.69% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 4.69% of the portfolio.
- The PRI results for the 2021 reporting cycle have now been published and you can find LPPI's full report [here](#). The PRI followed a new assessment framework for this submission so LPPI will take time to review the full set of feedback and results and will share an update in the next quarterly report.
- LPPI signed up as an 'endorser' to the PRI Advance initiative, which aims to support institutional investors to collaborate and take action on human rights and social issues. The initial focus sectors are Metals & Mining and Renewables.
- LPPI have received formal confirmation from the IIGCC^R (Institutional Investors Group on Climate Change) that our first set of Net Zero targets have been accepted.

2. RI Dashboard – Portfolio Characteristics

This section of the report shares key takeaways from the RI Dashboard at Appendix 1.

Asset class metrics (*Dashboard pages 1 & 2*) offer insights on the composition of the portfolio and its general characteristics. See the summary for Q3 2022 outlined below.

Listed equities (Dashboard p1)

Sector Breakdown

Categorised by GICS^R the largest sectoral exposures for the GEF are Information Tech. (27%), Consumer Staples (15%), and Financials (14%).

Comparing the GEF with its benchmark (MSCI ACWI)^R gives insight into how sector exposures for the fund differ from a global market index. The length of each horizontal bar indicates by how much exposures differ in total (+ or –) compared with the benchmark, which is the outcome of active managers making stock selection decisions rather than passively buying an index.

Top 10 Positions

The top 10 companies (10 largest positions) make up 24% of the total LPPI GEF.

In Q3 2022 Microsoft remains the largest holding in the GEF. Visa and Nestlé remain in the top three, although they have now swapped positions with Nestlé above Visa. Alphabet and Diageo have both moved up 1 position. Accenture moved down 1 position, whilst Pepsico remained the same. Colgate, SPDR Gold Shares and Autozone were replaced by Intuit, Apple and Starbucks, which makes up the last positions in the top 10.

Portfolio ESG Score

The GEF's Portfolio ESG score has decreased from 5.8 to 5.7 between Q2 and Q3. In the same period the equivalent score for the benchmark had not changed at 5.5.

Transition Pathway Initiative (TPI)

Monitoring against TPI^R Management Quality ratings confirms the GEF continues its relatively low exposure to highly carbon intensive activities with minimal changes in ratings since Q2. By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment has increased from 10% to 11%, between Q2 and Q3.

The number of GEF companies in scope of TPI scoring has increased by 5 since Q2 2022, changing from 25 to 30. This increase represents an expansion to the TPI universe, bringing more companies in the portfolio into scope. There are six new companies in scope, all with ratings ranging between TPI 1 and TPI 4. Our existing monitoring approach of carrying out enhanced due diligence on those rated below TPI 3 will also apply to new companies in scope following the universe expansion. One company has dropped out of scope as it is no longer in the portfolio.

Of the 30 companies in TPI scope:

- 94% (by value) are rated TPI 3 and above – demonstrably integrating climate change into their operational planning (TPI 3) and into their strategic planning (TPI 4). This is down from 96% in Q2 2022, which is a general reflection of the additional companies bringing down the ratio.
- 7 companies are scored below TPI 3 and are under monitoring.

Governance Insights

These metrics provide insights on governance issues for the GEF using data from ISS DataDesk (Institutional Shareholder Services) our provider of shareholder voting services.

Women on the board: A measure of gender diversity confirming the average proportion of female board members for companies in the GEF (where data is available).

In Q3 2022, an average of 29% of board members were female in the GEF. There was a coverage of 83% data availability, which was a result of several companies not being in scope of the ISS database.

Board independence: The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence as a route to an appropriate breadth of ideas, skills and experiences being drawn upon.

In Q3 2022, on average 69% of board members were independent in the GEF. There was a coverage of 83% data availability, which was a result of several companies not being in scope of the ISS database.

Say-on-pay: The average level of investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

In Q3 2022, an average of 88% were in support for say on pay, which indicates a high proportion of investors were supportive of the pay policies of investee companies. There was a coverage of 72% data availability, which was a result of several companies not being in scope of the ISS database.

Other asset classes (Dashboard p2)

Private Equity

The largest sector exposure continued to be in Health Care, although reducing down from 39% in Q2 2022 to 38% in Q3. The portfolio continued to have a strong United States presence, remaining unchanged at 38% in Q3 2022.

The Real-World Outcomes section of the dashboard features examples of socially positive investments and this quarter the focus is on Private Equity. Pages 6-7 share information on a selection of investments within the RCBPF portfolio which are based in the UK and abroad.

Infrastructure

The geographical exposures to UK based infrastructure remained unchanged from Q2 2022 at 52%. The largest sectoral exposure remained in Traditional Energy, Renewable Energy, Waste, which makes up 35% of the portfolio.

Real Estate

Sector and geographical exposures both increased to those reported in Q2 2022. The portfolio continued to be largely deployed in the UK, with 76% assets here. The largest sectoral

exposure continued to be Industrial assets, increasing from 33% in Q2 2022 to 37% of the portfolio in Q3.

Green & Brown Exposures

Calculation of the Fund's exposure to Green and Brown activities focusses specifically on equity assets (Listed Equity, Private Equity, and Infrastructure) plus corporate bonds within Fixed Income. Figures give an indication, rather than a precise measure, as an assistance to reviewing the overall position.

Green activities are those directly contributing to real world decarbonisation, principally through renewable energy generation, but include other activities supporting lower emissions including district heating, and waste management. Brown activities are those directly involved with extracting, transporting, storing, and otherwise supplying fossil fuels, or using them to generate energy.

The dashboard presents information on the trend in Green and Brown exposures (commencing in Q2 2021). Quarterly changes in Green and Brown exposure reflect multiple factors at play including funds reaching maturity, assets being revalued, and investments being made and sold. The total value of the Royal County of Berkshire Pension Fund (RCBPF) portfolio (as the denominator) also affects Brown and Green % shares quarterly.

Compared with Q2 2022, Brown exposure has had a minor increase from 1.63% to 1.69%. The biggest contributor to the increased exposure is from the Infrastructure asset class. This is a reflection of a mark-to-market increase, demonstrating the sector's strong performance of Brown positions held in Infrastructure. This has increased Infrastructure's Brown exposure from 0.92% in Q2 to 0.94% of the portfolio in Q3.

Compared with Q2 2022, Green activities have increased from 4.44% to 4.69% of the portfolio. The biggest contributor to the increased exposure is from the Infrastructure asset class. This is a reflection of a good mark-to-market increase, demonstrating the sector's strong performance of Green positions held in Infrastructure. This has increased Infrastructure's Green exposure from 4.22% in Q2 to 4.46% of the portfolio in Q3.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 61% of total Green exposure, and 95% of Green exposure is via Infrastructure assets.

3. Core Stewardship

This section of the report gives an overview of stewardship activities in the last quarter. Client pension funds delegate day to day implementation of the Partnership's Responsible Investment approach to Local Pensions Partnership Investments Ltd (LPPI). Ongoing stewardship activities by LPPI include portfolio and manager monitoring and the exercise of ownership responsibilities via shareholder voting, and engagement.

[Shareholder Voting - LPPI Global Equity Fund \(GEF\) \(Dashboard page 3\)](#)

Shareholder voting is overseen centrally by LPPI rather than by individual asset managers. LPPI receives analysis and recommendations from an external provider of proxy voting and governance research. We follow Sustainability Voting Guidelines focussed on material ESG considerations and liaise with providers and asset managers as needed to reach final voting decisions.

Full details of all shareholder voting by LPPI are publicly available from the LPP website within quarterly [shareholder voting reports](#).

The period 1st July – 30th September 2022 encompassed 53 meetings and 485 resolutions voted. LPPI voted at 94% meetings where GEF shares entitled participation. The shortfall reflects the application of Do Not Vote to two Russian positions that were not fully liquidated before trading restrictions were introduced, and one company in a shareblocking market where LPPI applies Do Not Vote to maintain liquidity.

Company Proposals

LPPI supported 82% of company proposals in the period.

Voting against management concentrated on:

- non-salary compensation: 41% (addressing inadequate disclosure of underlying performance criteria, use of discretion, and the quantum of proposed rewards).
- the election of directors: 33% (addressing individual director issues, overall board independence, and over-boarding).

Case Study – Director Related

LPPI voted against 21 director-related resolutions across 15 companies. This was approximately 10% of all director-related votes.

LPPI voted against 14 resolutions across nine companies due to a lack of Board independence. Results (where disclosed): 3.9% - 16.7% Against.

LPPI voted against one director due to the lack of diversity on the Board. Result: 4.5% Against.

Case Study – Non-Salary Compensation

LPPI voted against 26 compensation resolutions across 15 companies. This was approximately 41% of compensation-related votes. Of the 26 votes LPPI opposed, one received a majority of votes against.

At Black Knight (USA: Application Software), LPPI voted against the advisory vote on golden parachutes (pay outs to executives who depart following a merger). Approximately half the payment was attributed to a potential discretionary bonus, with no rationale shared for its magnitude. Result: 82.3% Against.

At Berkeley Group Holdings (UK: Homebuilding), LPPI voted against the remuneration policy. The Remuneration Committee did not provide a compelling rationale for the introduction of

new elements, including a long-term option plan, which raised concerns around the magnitude of total remuneration. Result: 39.7% Against.

At Nike (USA: Footwear), LPPI voted against the say on pay. This was driven by factors including: the majority of the long-term incentive plan comprised awards lacking performance conditions, and the awarding of annual bonus payments to plan members that did not meet threshold performance targets. Result: 35.1% Against.

Shareholder Proposals

LPPI supported two of six (33.3%) shareholder resolutions over the quarter.

Four out of the six shareholder resolutions came from an activist fund targeting Compagnie Financiere Richemont (Switzerland: Apparel, Accessories, and Luxury Goods). LPPI supported two of the proponent's resolutions which sought to improve board independence and enhance minority shareholder rights. Results: 16.6% and 17.7% For.

Case Study – Manager Engagement

During September 2022 LPPI Credit Investments LP funded an investment in a new multi-asset credit strategy. The External Managers team did a lot of upfront due diligence when selecting the investment manager to ensure that material ESG factors were appropriately integrated into the investment process in a systematic way. This included spending time going through individual case studies across the underlying sub-strategies. This is a core component of our investment due diligence and if a manager doesn't meet the standards that we require we won't progress. This was the case with another manager over the last year where we stopped work after reviewing individual case studies as we felt the ESG analysis was superficial in places. During the recent multi-asset credit strategy underwrite we also spent time understanding the investment managers top-down responsible investment philosophy and looked to ensure that it was aligned with our own, including our net zero target. The investment was setup as an LPPI dedicated single investor fund which has the benefit of allowing us to work with the manager to create bespoke investment restrictions, including the exclusion of certain energy related sectors, and design enhanced transparency, including carbon reporting.

4. Robeco Summary

Engagement (Public Markets): Robeco (Dashboard page 4)

This section of the dashboard outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution). This quarter Robeco engaged with 27 companies in the GEF, accumulating to 17.5% of the total GEF portfolio.

Engagement (Public Markets): Robeco (Dashboard page 5)

Engagement progress by theme, also shown on page 2 in the Robeco Active Ownership report, summarises their engagement activity for our portfolio over the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %). Two new themes launched in Q3 2022, *Natural Resource Management* and *Diversity and Inclusion*, are now included in Robeco's engagement theme chart, showing the initial progress of the engagements carried out. These have been introduced following Robeco's 2021 annual engagement theme consultation, where we included both topics in our submission of suggested engagement themes. Further information on these themes can be found in the next section. The progress chart in our dashboard has also been updated to include pre-existing themes *SDG Engagement* and *Global Controversies Engagement*, previously only captured within the Robeco Active Ownership reports. Summaries of these themes can be found in this year's Q1 and Q2 2022 RI reports.

The data outlined in our dashboard is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Robeco Active Ownership Report: Content Overview

The below information is a summary of Robeco Active Ownership report, from page 3 onwards, which covers case study insights from across their work that they have chosen to give an update on this quarter. All information represents Robeco's findings for their entire assets under engagement. Although it is still relevant to LPPI, it is not specific to the companies that are under engagement for LPPI. These insights can refer to companies inside and outside our portfolio, depending on our specific exposure to the given theme being highlighted.

Diversity and Inclusion

The relevance of Diversity and Inclusion (D&I) for investors can be understood through the double materiality lens. Firstly, from a financial standpoint, human capital management strategies, including the promotion of diversity and inclusion, are significantly important in determining a company's underlying quality and intrinsic value. Investors should therefore integrate such factors into their investment approach. Subsequently, the benefits stemming from an inclusive and diverse workforce flow through to the macro environment and have a direct impact on society and the economy as a whole.

Robeco formulated five engagement objectives to facilitate their dialogue on D&I: developing a D&I policy, define D&I implementation strategies, disclose workforce diversity data, address overall pay equality, and promote an inclusive culture. The lack of data is the main challenge identified by investors when assessing companies' efforts on diversity and inclusion. Robeco identified and selected those industries that are lagging in disclosure of diversity data and identified the first set of companies for engagement.

Promoting D&I is a challenging topic at its core due to differences in company cultures and regional practices. One significant hurdle that Robeco expect to face is how to equally address all aspects of diversity and move the conversation beyond simply looking at gender. There are

still many countries where identifying as LGBTQ+ remains illegal, and cultural norms prohibit companies from promoting an inclusive culture. Promoting practices that address the benefits of the integration of various minority groups will be challenging.

Natural Resource Management

The world is facing a dire shortage of freshwater, a situation that is set to only get worse due to urbanization, population growth, climate change and socio-economic development. To act upon these risks, Robeco has expanded its environmental engagement program to include the responsible management of natural resources and the mitigation of adverse impacts on the environment. The engagement theme aims to address the impacts of corporate operations related to their intensive water use and generation of waste.

The discharge of wastewater remains a problematic issue. Robeco will focus on companies where the management of water/waste generation and disposal management is a financially material issue, or where corporate operations have a significant negative environmental impact due to water or waste issues. In July 2022, Robeco started engaging with the first group of six companies. They were chosen using a bottom-up and fundamental approach by Robeco's research and investment analysts.

Robeco has developed a water and waste management framework tool to assess how well a company has incorporated the management of such risks into their practices, depicted in Figure 1 in the full Quarterly Active Ownership Report 2022 Q3. The insights from this assessment inform their engagement priorities and facilitates the tracking of progress against the engagement objectives. Robeco expect their methodology to identify suitable companies will continue to evolve and be refined as the relevant data continues to improve and become more broadly available, including that used to measure the Principal Adverse Impact Indicators (PAI^R) defined in the EU Sustainable Finance Disclosure Regulation (SFDR^R).

Climate Transition of Financial Institutions

It has become increasingly clear that the banking sector has a critical role to play in the low-carbon transition. Banks can facilitate investments in low-carbon solutions and encourage emission reductions through climate-aware financing and engagement with their clients. While many banks are dealing with operational challenges such as emission data collection and new governance structures, the expectations around disclosures and targets are becoming ever more stringent.

The Climate Transition of Financial Institutions theme has now reached its mid-point in the three-year engagement program. Robeco are collaborating with the Institutional Investor Group on Climate Change (IIGCC^R) which, in partnership with Transition Pathway Initiative (TPI^R), is developing a framework to assess how prepared banks are for the low-carbon transition. There are several indicators grouped into six areas, providing a comprehensive picture of a bank's net zero transition plan: 1. Net zero commitments, 2. Short and medium-term targets, 3. Decarbonization strategies, 4. Climate governance, 5. Climate policy engagement and 6. Audit and accounts.

The results so far show the average alignment with credible net zero trajectories amongst banks is relatively low. This is in part due to the lack of disclosure of carbon emission data throughout their loan books, but also because of insufficient target-setting at the time of the assessment. These are both areas of improvement for banks climate strategies and will become more accessible as greater transparency on how they engage with clients is expected in the coming years. In the upcoming second half of the engagement theme, Robeco will use the outcomes of this assessment framework to emphasize the changes that they expect banks to make.

Responsible Executive Remuneration

The Shareholder Rights Directive (SRD II), introduced by the EU in 2019, has given shareholders the right to a vote on remuneration on a structural basis, mirroring the 'say-on-pay' votes seen in the US. In 2020, Robeco initiated the Responsible Executive Remuneration theme and have focussed on four areas (below), while observing the impact of SRD II on companies' remuneration practices.

- To better align pay with performance (including performance on sustainability).
- To promote equity holding requirements (rather than option structures or cash pay-outs) to have a more straightforward alignment with shareholders.
- To use ratios and benchmarks in order to avoid excessive pay discrepancies between and within organizations.
- To have strong and independent oversight from the supervisory board and feedback mechanisms towards its shareholders.

Robeco note there remains much work to ensure the alignment of pay and long-term shareholder interests. For example, Robeco continues to see companies that have poorly designed stock plans which fail to incentivize executives to focus on delivering long-term sustainable performance. They consider it best practice for a majority of an executive's long-term incentive award to be in the form of equity vesting based on performance against quantifiable targets. They also focus on ensuring that adequate ownership guidelines are in place for executives, which helps ensure that executives build and maintain a meaningful level of stock ownership throughout their tenure to align shareowner incentives.

Robeco also find that some companies use sustainability-related performance as a remuneration cushion but fail to provide disclosure. When linking ESG metrics to pay, Robeco seek to ensure that sustainability metrics are measurable, relevant to the strategy, and sufficiently ambitious.

5. Collaborations and Partnerships

LPPI participates in a range of investor groups and partnerships which provide opportunities for shared learning and a platform for collective action. The following are headlines for Q3 2022.

PRI/Business & Human Rights Resource Centre

LPPI was one of 39 investors, representing £4.5tn AUM, which supported a letter calling for the UK government to introduce mandatory human rights due diligence in line with the UN Guiding Principles on Business and Human Rights for UK linked companies.

PRI Advance

PRI Advance aims to support institutional investors to collaborate and take action on human rights and social issues. Investors will use their collective influence with companies and other decision makers to drive positive outcomes for workers, communities and society. The initial focus sectors are Metals & Mining and Renewables. LPPI signed up as an 'endorser' to the initiative, recognising other investors were better placed to lead engagements in sectors LPPI has little exposure to in the Global Equities Fund (Advance's target companies represented <0.5% of the Fund at the time of assessment), while still signalling our public support for the objectives.

ISS policy benchmark survey

LPPI responded to ISS's Benchmark Policy survey, in which clients help shape future voting research and recommendations. A range of ESG topics are covered each year. Notable this year was the attention paid to climate risk management, in which LPPI supported higher expectations when assessing investee companies' climate-related performance.

WDI letters

LPPI is a member of the Workforce Disclosure Initiative (WDI) investor coalition which supports the collection of new workforce data through annual surveys to give richer insights into the management of workforce risks. Over Q3, we identified four priority companies in the Global Equities Fund and engaged via a letter campaign, requesting they participate in this year's survey. The disclosure period ends in Q4; we are currently monitoring progress.

CA100+ Membership Survey

LPPI responded to the CA100+^R signatory consultation on the second phase of the project, covering 2023-2030. Feedback was sought regarding how best the initiative can continue to effectively support investor engagements with focus companies and drive greater company ambition and action on climate change in this critical decade. Key focus areas included scope, governance, company benchmarking, and recalibrating signatory participation.

Plastics Treaty

LPPI endorsed the vision statement or 'founding document' for the creation of a Business Coalition for a Global Plastics Treaty, which you can find on their website [here](#). The coalition brings together businesses and financial institutions committed to supporting the development of an ambitious, effective and legally binding UN treaty to end plastic pollution. This follows on from our initial support of a UN Treaty on Plastic Pollution in advance of the fifth session of

the UN Environment Assembly when we joined the Business Call for a Global Plastics Treaty. The UNEA meets to set priorities for global environmental policies and develop international environmental law.

OPSC Workplan Update

LPPI has signed up to the OPSC 2022/23 workstreams on Climate, focusing on Net Zero and TCFD^R, and Private Assets, which will explore best practice stewardship approaches within private asset classes. Kick-off meetings will be held in Q4 2022.

6. Other News and Insights

PRI Results

The PRI results for the 2021 reporting cycle (which was the pilot year for a new reporting framework) have now been published, and you can find LPPI's full report [here](#). Publication of the results was delayed until September 2022 and they follow a new assessment framework which has made comparison with previous results difficult. LPPI will take time to review the full set of feedback and results and will share an update in the next quarterly report.

In response to issues experienced in the pilot year (2021), PRI signatories were not required to report in 2022 (effectively a "gap year") to allow an appropriate period for the PRI's full review. As such, the next reporting period will be for the 2023 reporting year. PRI have not yet confirmed final details of the reporting process or the deadline and arrangements for signatories making submissions. We will provide an update when these details are known.

Net Zero Update

LPPI have received formal confirmation from the IIGCC (Institutional Investors Group on Climate Change) that our first set of Net Zero targets have been accepted, which means they are in line with Net Zero Asset Manager commitment we made this time last year. We are proud to have reached this milestone in our net zero journey and of all the hard work put in by the responsible investment team and across LPPI. Further information in relation to the targets that we have set can be found on the Net-Zero Asset Manager Initiative website [here](#).

Stewardship Code update

LPPI successfully submitted its Annual Report on Stewardship and Responsible Investment (2021/22) to the Financial Reporting Council, ahead of the October 2022 deadline. The final document is a strong submission addressing the requirements of the UK Stewardship Code (2020) and illustrates the huge amount of work carried out by the responsible investment team and wider business in 2021/22.

The report will be published on the LPPI website in Q4 2022 and the FRC will assess LPPI's report and confirm (in early 2023) whether it meets the standard required for retaining signatory status.

LGPS TCFD Consultation update

In September 2022, the Department for Levelling Up, Housing and Communities issued a consultation specifically for LGPS administering authorities on their assessment, management and reporting on climate related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD^R). The deadline for a response is 24th November. LPPI will be preparing a response which will be shared with clients to support the development of a response should they wish to make one, and will be made public on LPPI's website thereafter.

TPI Global Climate Transition Centre

LPPI has been a supporter of the Transition Pathway Initiative (TPI) since its launch in 2017 as a global, asset-owner led initiative, which assesses corporate preparedness for the transition to a low carbon economy.

The TPI:

- Evaluates and tracks the quality of a company's management of greenhouse gas emissions and the risks and opportunities related to the low-carbon transition;
- Evaluates how a company's planned or expected future carbon performance compares to international targets and national pledges made as part of the Paris Agreement;
- Publishes the results of this analysis online through a publicly available tool.

LPPI's quarterly RI Dashboard includes a metric which shows how companies in the GEF are positioned against the TPI Management Quality staircase which scores them from 0 to 4*. On 28 September 2022, TPI took a significant step forward, with the official launch of a Global Climate Transition Centre. The Centre was established in June 2022 within the Grantham Research Institute on Climate Change and the Environment, which is based at the London School of Economics and Political Science (LSE). The launch marks a new chapter for TPI. The scale of TPI corporate analysis will be expanded considerably to encompass a significantly larger population of global companies and give investors access to a broader range of data, metrics, tools, and insights as a support for their monitoring, decision-making and engagement. Details of the new Centre are available [here](#).

For Reference

GICS - Global Industry Classification System

The most widely used approach to categorising activities into industry sectors. The main standard in use for public markets with growing use for other asset classes. For more information on GICS and the activities that fall into each sector, please see:

https://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook_2018_v3_letter_digitalspreads.pdf

Climate Action 100+

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Paris Agreement

The Agreement is a legally binding international treaty to tackle climate change and its negative impacts. The Agreement includes commitments from all countries to reduce their emissions and work together to adapt to the impacts of climate change. It entered into force on 4 November 2016.

The Agreement sets long-term goals to guide all nations to:

- substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees,
- review countries' commitments every five years,
- provide financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts.

<https://www.un.org/en/climatechange/paris-agreement>

MSCI ACWI - MSCI All Country World Index

A stock index designed to track broad global equity-market performance. The LPPI Global Equity Fund's benchmark.

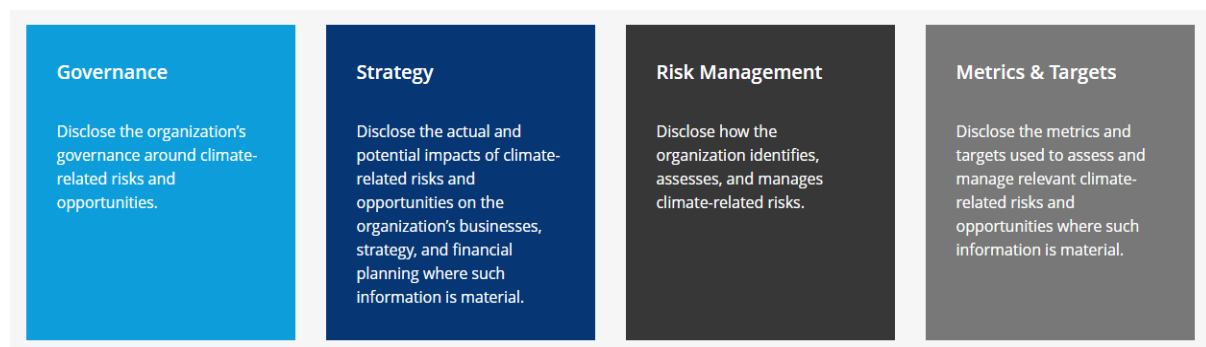
MSCI - Morgan Stanley Capital International

A global index provider.

TCFD - Taskforce on Climate Related Financial Disclosure

The Financial Stability Board created the Task Force on Climate-related Financial Disclosure (TCFD) to improve and increase reporting of climate-related financial information by companies and investors.

Recommendations include annual disclosure under 4 pillars:



TPI - Transition Pathway Initiative <https://www.transitionpathwayinitiative.org/>

The TPI assesses the highest emitting companies globally on their preparedness for a transition to a low carbon economy. 368 companies are rated TPI 0-4* for Management Quality based on 19 separate datapoints. TPI Management Quality scores provide an objective external measure of corporate transition readiness.

NZAMI – Net Zero Asset Managers Initiative <https://www.netzeroassetmanagers.org/>

The Net Zero Asset Managers Initiative launched in December 2020 and aims to galvanise the asset management industry to commit to a goal of net zero emissions.

GLIL - <https://www.glil.co.uk/>

GLIL is an innovative collaboration between aligned and like-minded investors who are seeking investment into core infrastructure opportunities predominately in the United Kingdom.

PAI - Principal Adverse Impact Indicators

Impacts are defined by the EU as “negative, material, or likely to be material effects on sustainability factors that are caused, compounded by, or directly linked to investment decisions and advice performed by the legal entity.”

SFDR - Sustainable Finance Disclosure Regulation

This is a set of EU rules which aim to make the sustainability profile of funds more comparable and better understood by end-investors. The regulation focuses on pre-defined metrics for assessing the environmental, social and governance (ESG) outcomes of the investment process.

IIGCC

Institutional Investor Group on Climate Change. LPPI is a member.

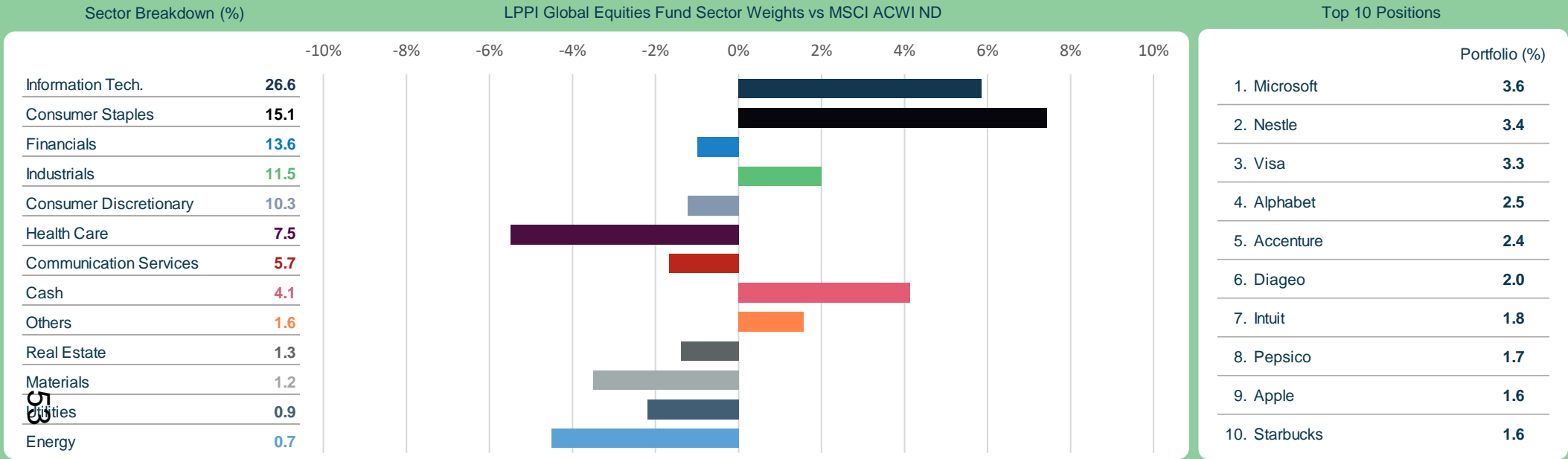
PRI - Principles for Responsible Investment <https://www.unpri.org/>

A United Nations-supported international network of financial institutions working together to implement its six aspirational principles, often referenced as "the Principles".

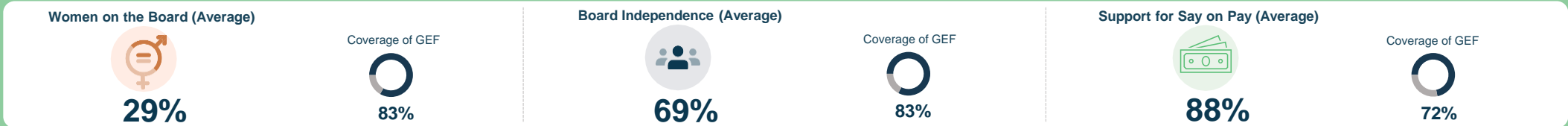
Responsible Investment Dashboard Q3 2022

1. Portfolio Insights

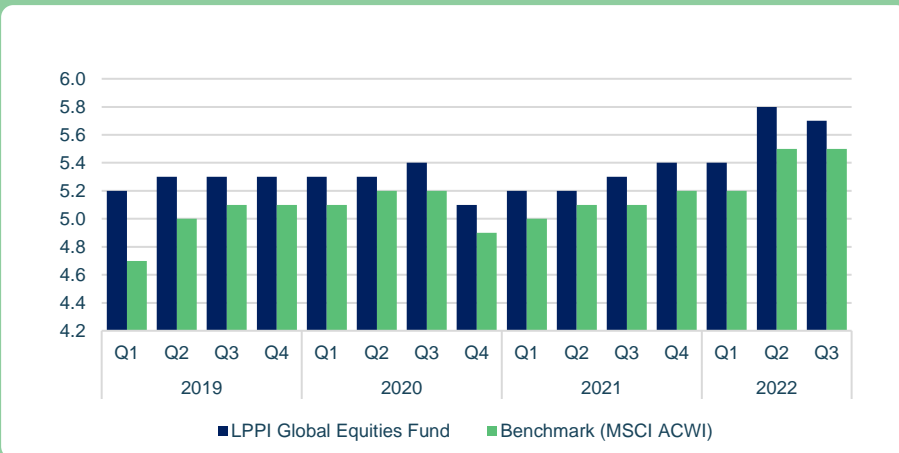
Listed Equities (LPPI Global Equities Fund)



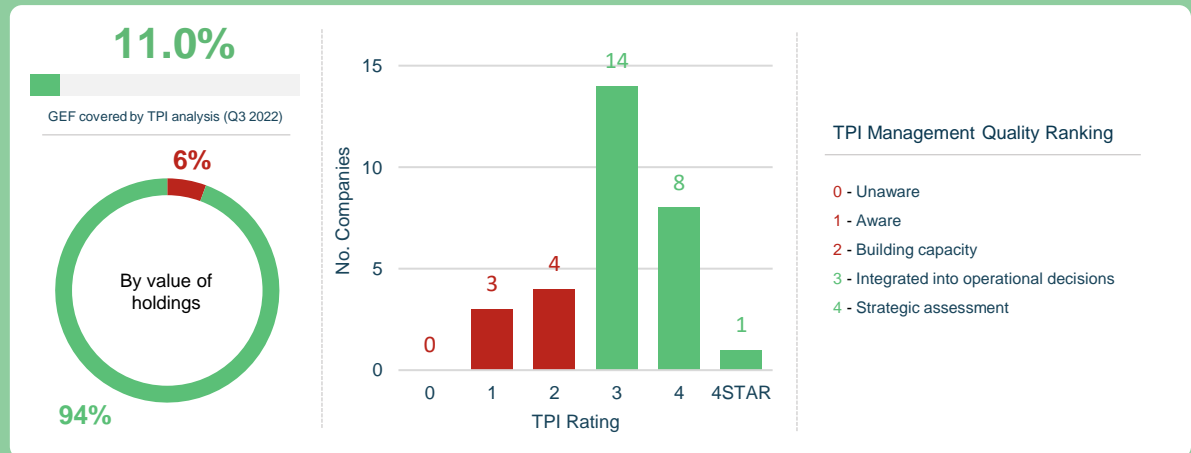
Governance Insights (ISS DataDesk)



Portfolio ESG Score (MSCI ESG Metrics)



Transition Pathway Initiative – Management Quality Headlines



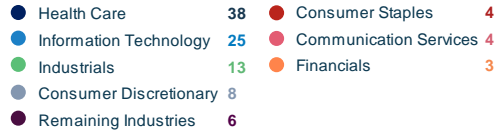
Responsible Investment Dashboard Q3 2022

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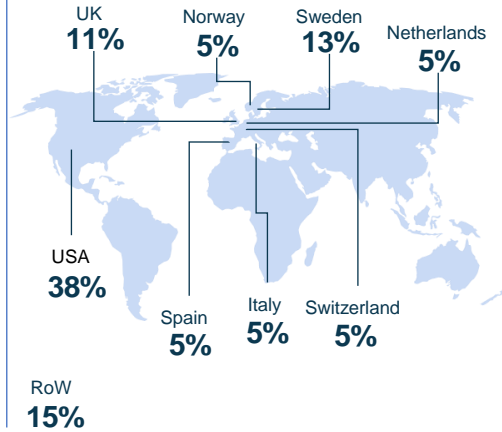
Other asset classes

Private Equity

Industry Breakdown (%)

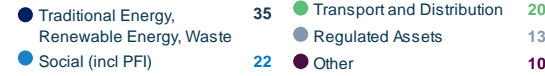
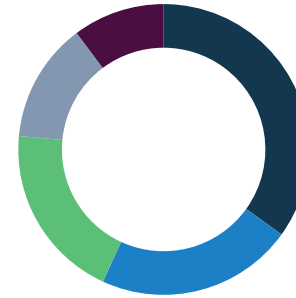


Region Breakdown (%)

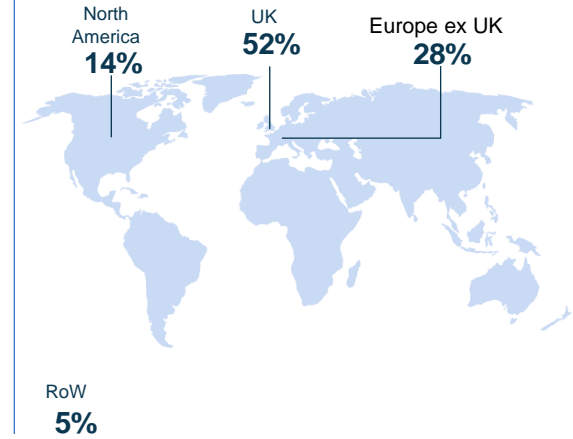


Infrastructure (LPPI Global Infrastructure Fund)

Industry Breakdown (%)



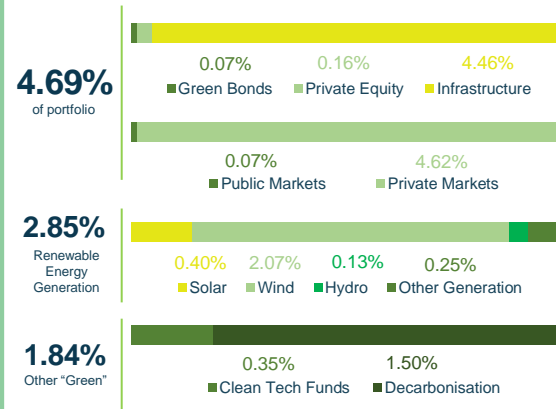
Region Breakdown (%)



Green & Brown Exposure

Green

Investments in businesses directly contributing to the global transition to a lower carbon economy, expressed as a % of the total value of the pension Fund.



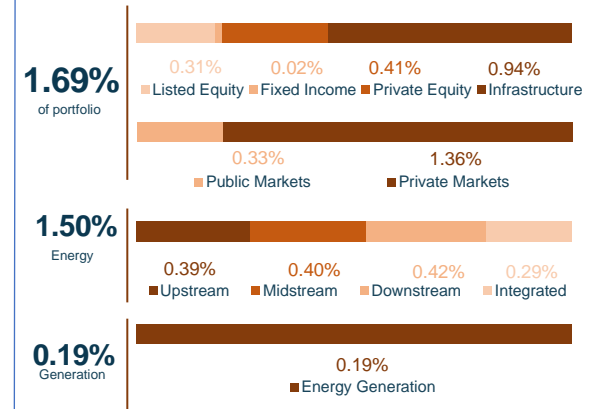
4.69% of portfolio

2.85% Renewable Energy Generation

1.84% Other "Green"

Brown

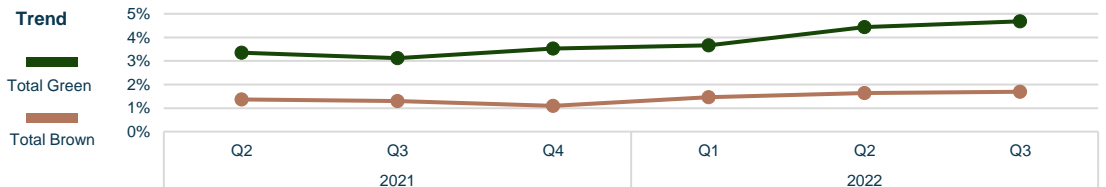
Investments in traditional energy (based on fossil fuels) expressed as a % of the total value of the Pension Fund.



1.69% of portfolio

1.50% Energy

0.19% Generation

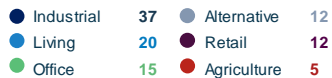
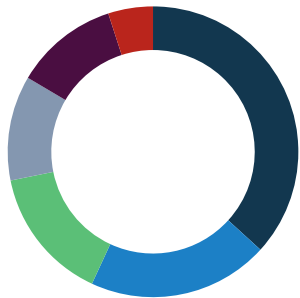


The above Green and Brown metrics apply to parts of the portfolio which have exposure to a specific set of activities as per our definition of Green and Brown, and which are quantifiable at the time of publication (please see appendix). LPPI's Responsible Investment team continually endeavour to provide clients with the greatest picture of exposure possible.

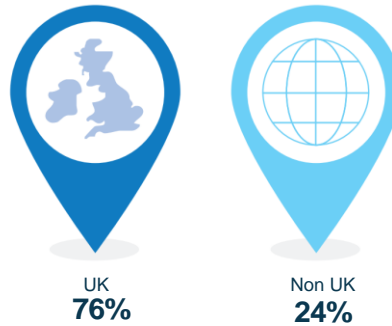
54

Real Estate (LPPI Real Estate Fund)

Sector Breakdown (%)



Geographical Exposure (NAV %)



2. Stewardship Headlines

Shareholder Voting

Shareholder Voting Statistics (LPPI Global Equity Fund)

Headlines



50

Meetings Voted



485

Proposals Voted



Supported
82%

479

Company Proposals



Supported
33%

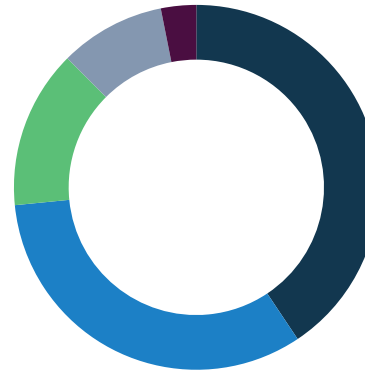
6

Shareholders Proposals



56%

Meetings with a vote against Management

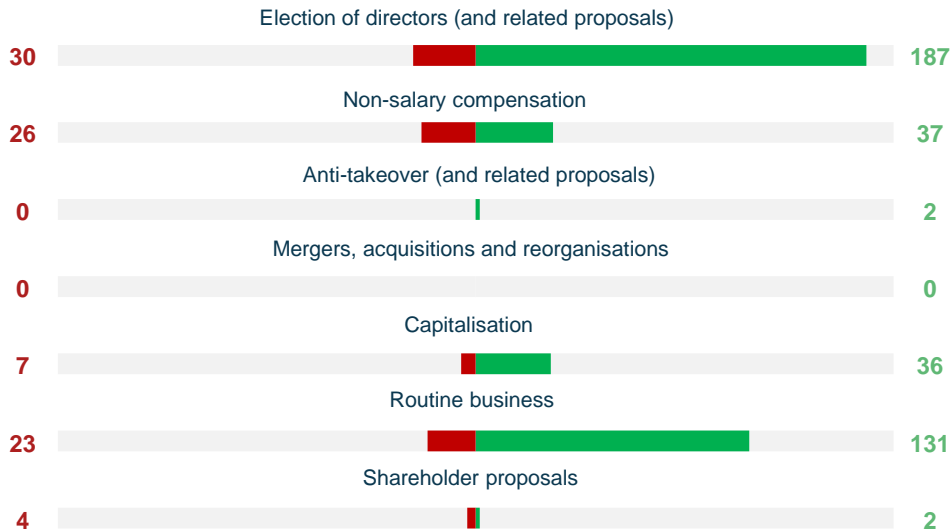


Votes Against Management (By theme)

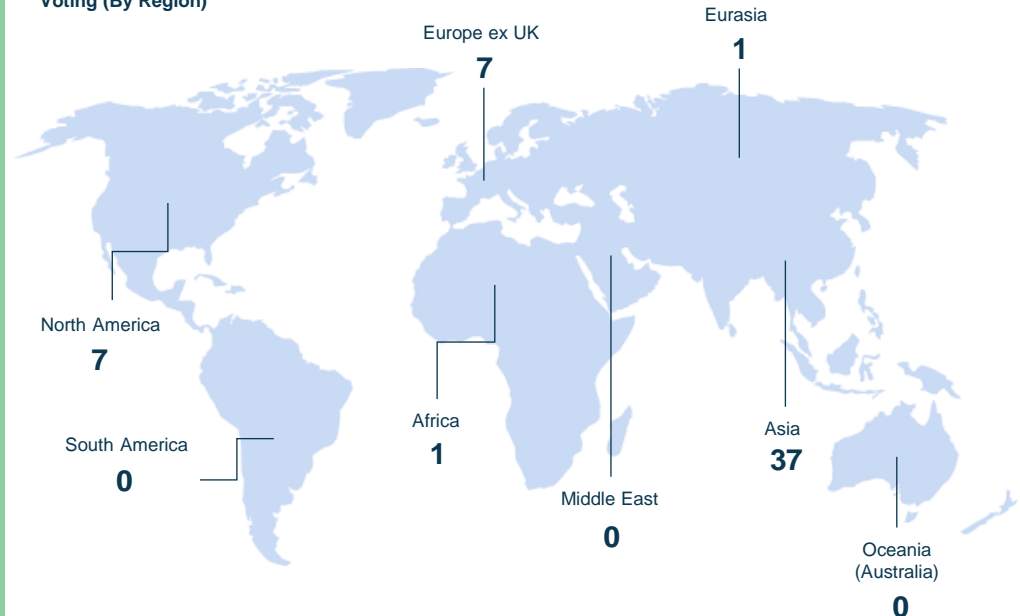
● Non-salary compensation	26
● Election of Directors (and related)	21
● Routine business	9
● Capitalisation	6
● Shareholder Resolutions	2
● Anti-takeover (and related proposals)	0
● Mergers, acquisitions and reorganisations	0

55

Voting (By Theme)



Voting (By Region)*



*Total votable meetings

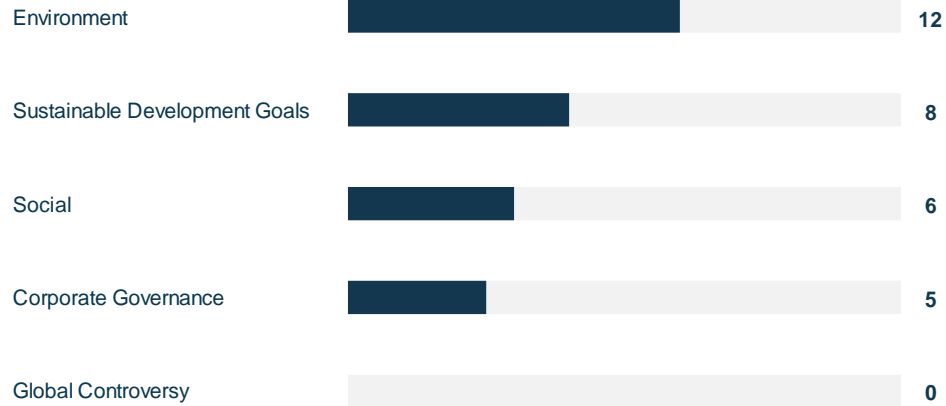
Responsible Investment Dashboard Q3 2022

2. Stewardship Headlines

Engagement (Public Markets): Robeco

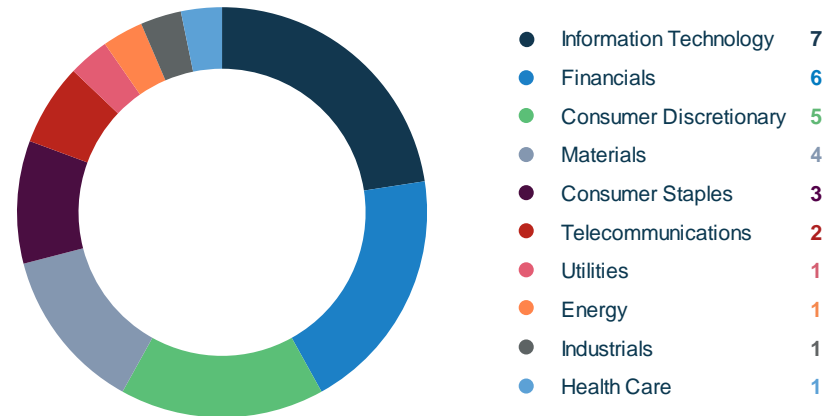
The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Activity (By Topic)

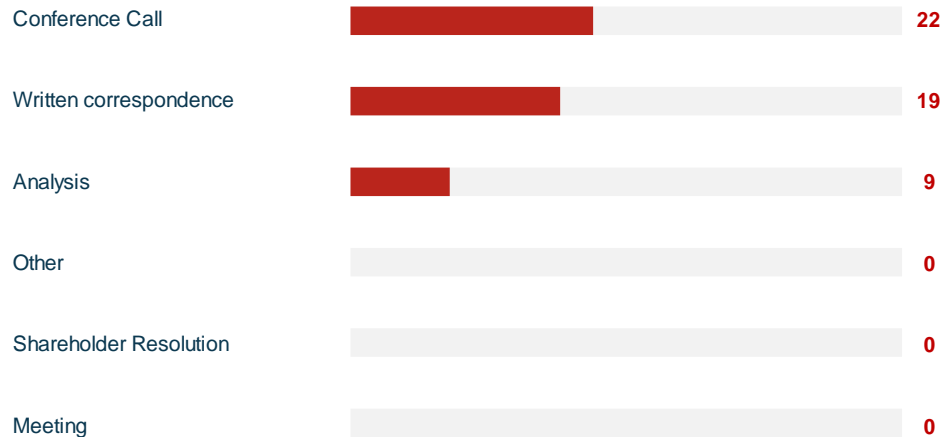


56

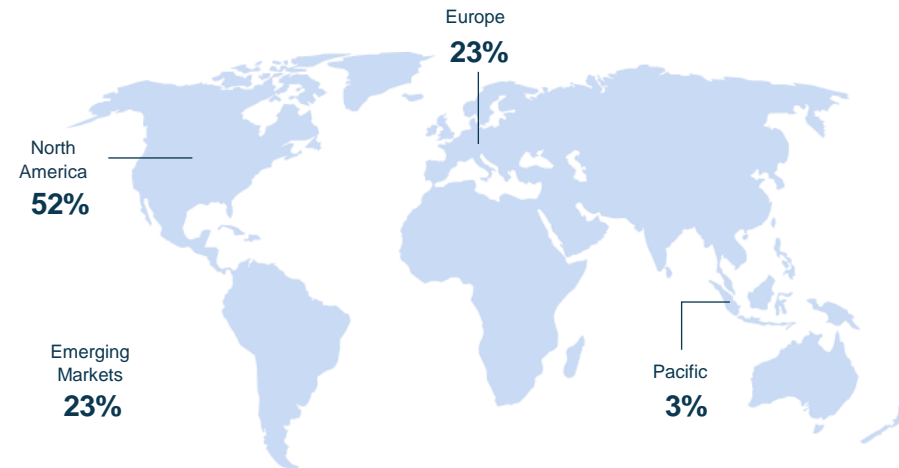
Activity (By Sector)



Activity (By Method)



Activity (By Region) (%)



Source: Robeco Active Ownership Report Q3 2022

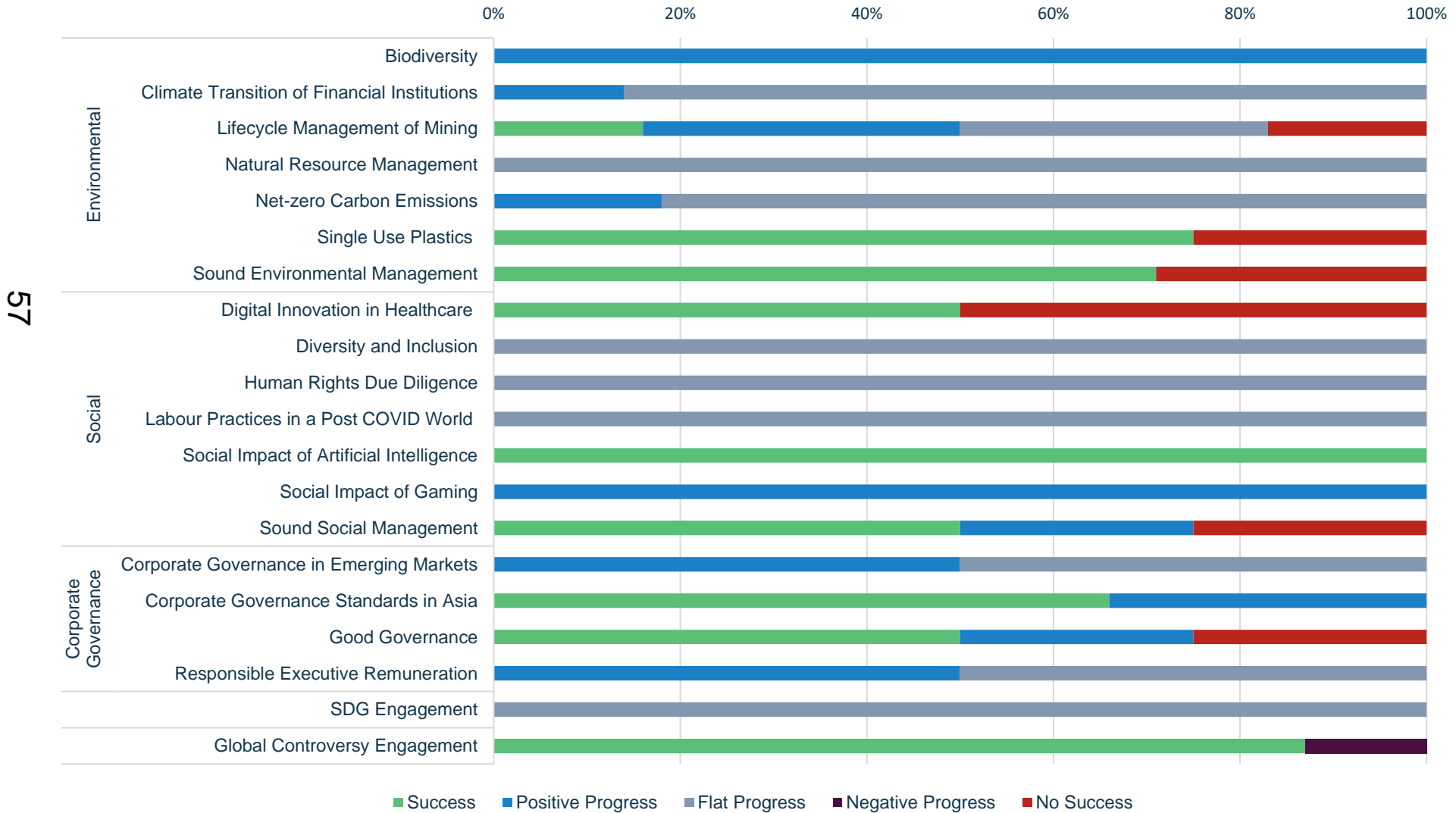
Responsible Investment Dashboard Q3 2022

2. Stewardship Headlines

Engagement (Public Markets): Robeco

The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Engagement Results (by Theme)



Source: Robeco Active Ownership Report Q3 2022



Environmental sustainability consulting and software vendor serving commercial real estate asset owners and investment managers

The business provides long-term sustainability advisory services to help real estate owners to:

- efficiently comply with sustainability related regulations and reporting standards
- respond to investor scrutiny on ESG related risks
- make better informed investment decisions and avoid “**brown discounting**”^{*} of assets

*Brown Discounting

Where buildings with poor performing energy efficiency will be less attractive to owners and occupiers, reducing the buildings value.



58



Halve emissions by 2030

Buildings are globally responsible for 40% of all greenhouse gas emissions and it is estimated that between \$2-3tn will need to be spent each year to **halve these emissions by 2030**. Evora assists clients (who represent \$1-2tn of AUM) to limit the environmental footprint of their real estate portfolios and increase transparency with regards to reporting on this.



Diversified workforce

Evora is a high quality employer with a **diversified workforce**, with approx. **50% female FTEs and female participation at the board**.



Satisfaction surveys

The business annually conducts **employee engagement and satisfaction surveys**. It has also had no health and safety incidents.



Planet Mark Certified

Evora is Planet Mark Certified, which is achieved by reporting a **reduction in its carbon footprint** and engaging with its stakeholders.



Governance policies

Evora has adopted a **comprehensive suite of governance policies** with the exception of cyber essentials, albeit relevant **ISO accreditation** is being pursued to remedy this.

Cera⁺

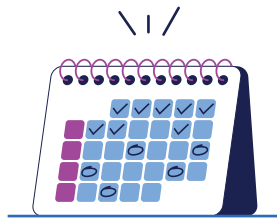
Cera is a UK-based 'digital-first' home healthcare platform, offering care, nursing, telehealth and prescription delivery services in the home.

Cera's carers and nurses collect patient symptoms and health data during at-home appointments, which Cera's artificial intelligence algorithms use to predict deterioration in conditions before they occur. This allows earlier health interventions to prevent people becoming unwell, whilst reducing the burden of 'pen and paper' administrative work, empowering carers to do what they do best: care.

For those receiving care, Cera is able to monitor conditions digitally, responding to any deterioration 30 times faster than traditional methods, reducing hospitalisations and keeping people well in their own homes.



59



40,000+
in-person healthcare
visits every day



52%*
of hospitalisations
reduced by Cera tech

* Based on data in 2021, looking at hospitalisation rates in the first 30 days of a service user joining Cera. Hospitalisation rates may still be caused by unseen factors.



10,000
jobs filled during
the pandemic



80%
of hospitalisations predicted
up to seven days in advance¹

1. <https://tech.eu/2022/08/04/reducing-hospital-waiting-time-and-keeping-patients-out-of-hospitals-land-320-million-for-cera/>



Portfolio Insights (Pages 1 - 2)

Sector Breakdown (%)

- Identifies the Global Equity Fund's ("GEF") sector breakdown and their proportions.

GEF Sector Weights

- Comparison of sector weights against their benchmark.
- The larger the bar the bigger the difference between GEF and benchmark weightings.
- Where a positive number is shown, this indicates the GEF is overweight to a sector.
- Where a negative number is shown, this indicates the GEF is underweight to a sector.

Top 10 Positions

- The top 10 GEF companies as a % of the asset class portfolio.

Governance Insights

09

- **Women on the board:** A measure of gender diversity based on the average proportion of female board members for companies in the GEF.
- **Board independence:** The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence.
- **Say-on-pay:** The average investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

Portfolio ESG Score

- This is a relative indicator and not a measure of portfolio ESG risk exposure.
- Individual companies are assigned an ESG score (between 0-10). The final numbers shown in the bar chart are the weighted averages of these scores for the stocks held in the GEF vs its benchmark through time.
- This table is a comparison with the benchmark and reviews changes over time.
- LPPI utilise an established methodology (developed by MSCI) for determining the ESG score of stocks within the GEF. Further details can be found here: <https://www.msci.com/documents/1296102/21901542/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Nov+2020.pdf>
- The higher the score shown, the better the ESG credentials of the GEF / benchmark.

Portfolio Insights (Pages 1 - 2)

Transition Pathway Initiative (TPI) Headlines

- TPI assess how well the largest global companies in high carbon emitting sectors are adapting their business models for a low carbon economy.
- The % of GEF covered by TPI shows the portfolio exposure to high emitting companies.
- The number/proportion of companies with top scores (TPI 3 and 4) is a measure of the quality of transition management by the high emitting companies held within the GEF.
- Detailed TPI methodology can be found through the following link: <https://www.transitionpathwayinitiative.org/methodology>

Private Market Asset Classes

- These metrics indicate the industry sector and regional breakdown as a % of the asset class for Private Equity, Infrastructure and Real Estate investments.

Green & Brown

- These metrics indicate the Pension Fund's total portfolio exposure (%) to green and brown assets. Current coverage extends to: Listed Equity, Fixed Income, Green Bonds, Private Equity, and Infrastructure.
- These are further broken down into their sectors/activities related to green and brown.
- Please be aware that due to rounding within the different breakdowns the totals may not sum correctly.

Green

These are investments in renewable energy and sectors/activities assisting in renewable energy generation, low carbon tech and wider decarbonising activities.

Brown

Investments in energy and power generation based on fossil fuel activities, including: extracting (upstream), transporting (midstream), refining (midstream), supplying (downstream), or some energy companies that legitimately span all aspects (integrated). Fossil fuels used to generate energy is part of electricity generation.

Stewardship Headlines (Pages 3 - 5)

Shareholding Voting

- Key shareholder voting metrics for LPPI's GEF.
- The Headline section provides insight into the scope of voting activity, including how votes against management is concentrated.
- LPPI is responsible for voting on each decision taken, working in partnership with Institutional Shareholder Services to best inform views prior to taking action.
- The map of votes per region is included because different jurisdictions have different voting seasons. This provides context to the reporting of voting statistics quarter to quarter as votes take place in batches depending on the companies domicile at different points throughout the year.

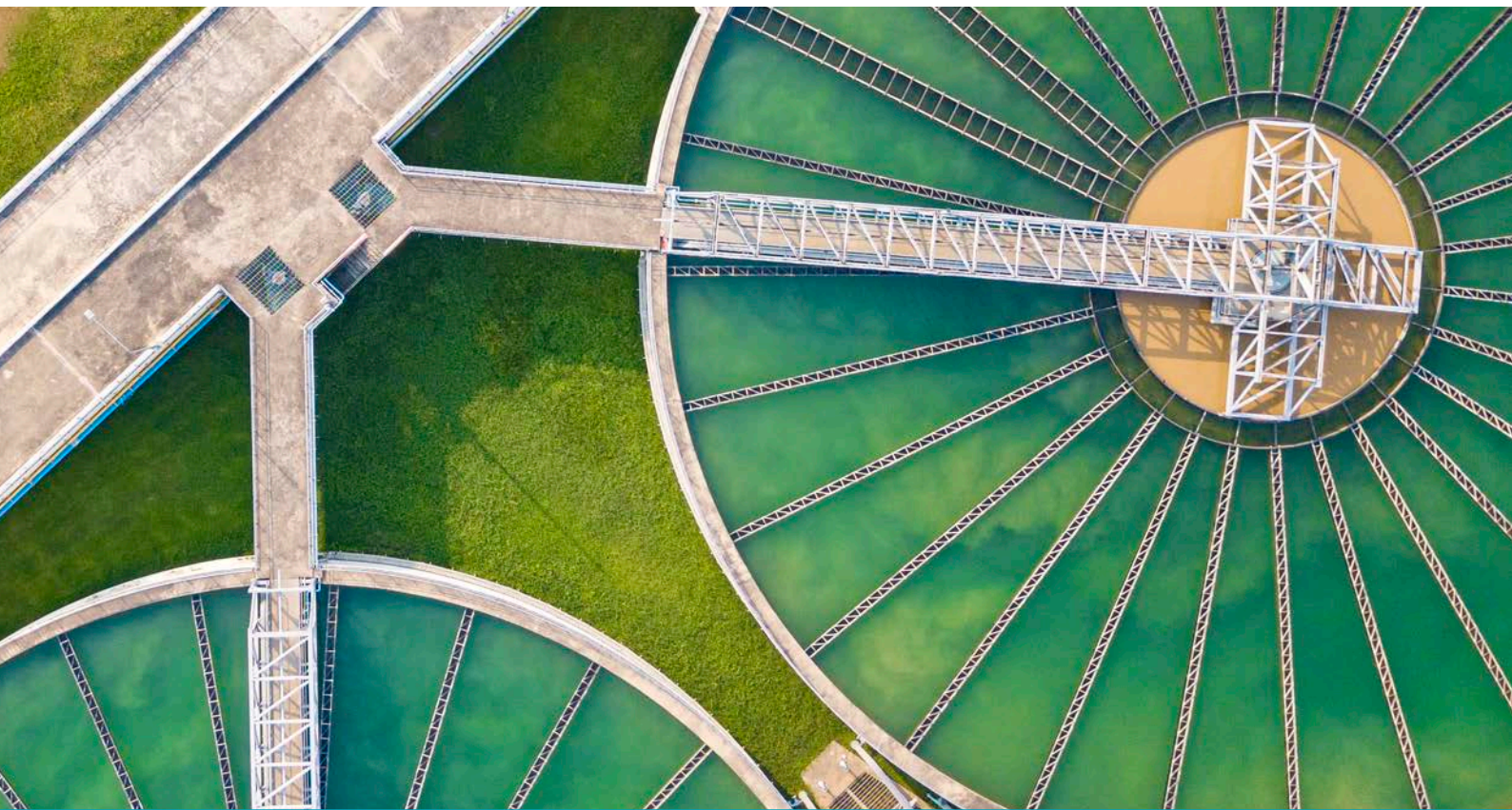
Engagement (Public Markets)

- Engagement is an active, long-term dialogue between investors and companies on environmental, social and governance factors, which can be executed through a variety of channels.
- LPPI has engaged an external provider (Robeco Active Ownership Team) to supplement dialogue underway by LPPI and external delegate managers.
- This section outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution).
- "Activity by method" summarises engagements by category / method and can include multiple inputs from the same company.
- The updated Robeco Active Ownership report summarises our engagement activities for the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %).
- Page 9 of the Robeco stewardship policy outlines further details of their process: <https://www.robeco.com/docm/docu-robeco-stewardship-policy.pdf>

Real World Outcomes (Pages 6 - 7)

- This section provides real world ESG case studies, relevant to the Pension Fund's holdings, which rotate between asset classes each quarter.
- The focus of the real world outcomes rotates between asset classes for each quarter in the following pattern:
 - Q1 – Infrastructure
 - Q3 – Real Estate
 - Q3 – Private Equity
 - Q4 – GEF
- The case studies are an in-depth review of positive ESG practices for current investments within the portfolio over the past year.

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ACTIVE OWNERSHIP REPORT

ROBECO | 01.07.2022 - 30.09.2022

LPP

Local Pensions Partnership
Investments

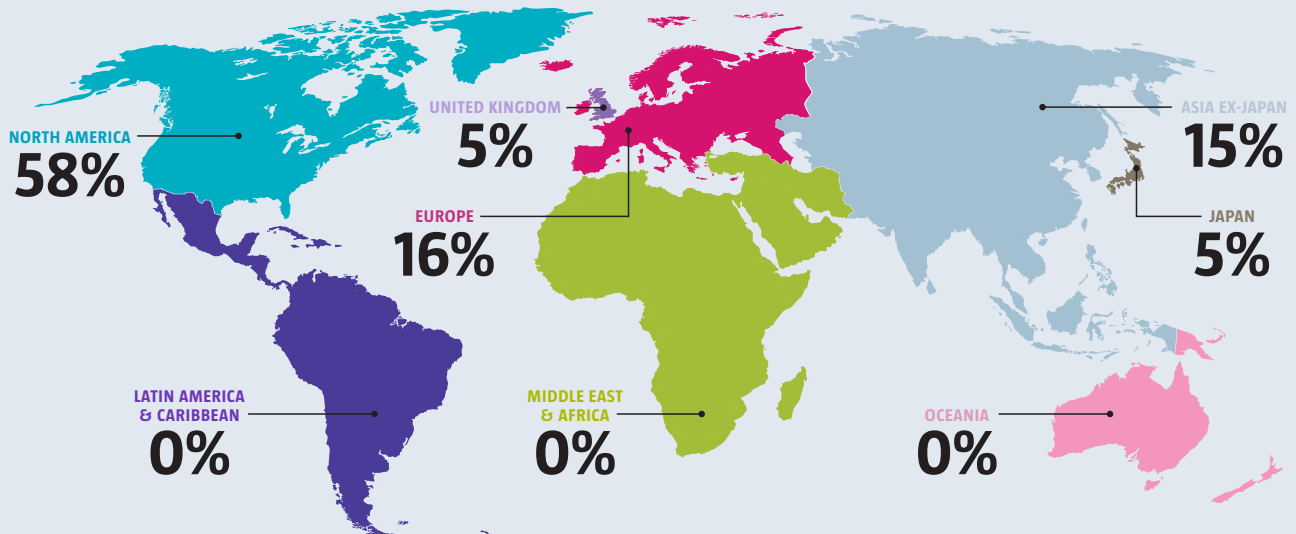
Q3

2022

Sustainable Investing Expertise by
ROBECOSAM

Q3|22 FIGURES ENGAGEMENT

Engagement activities by region



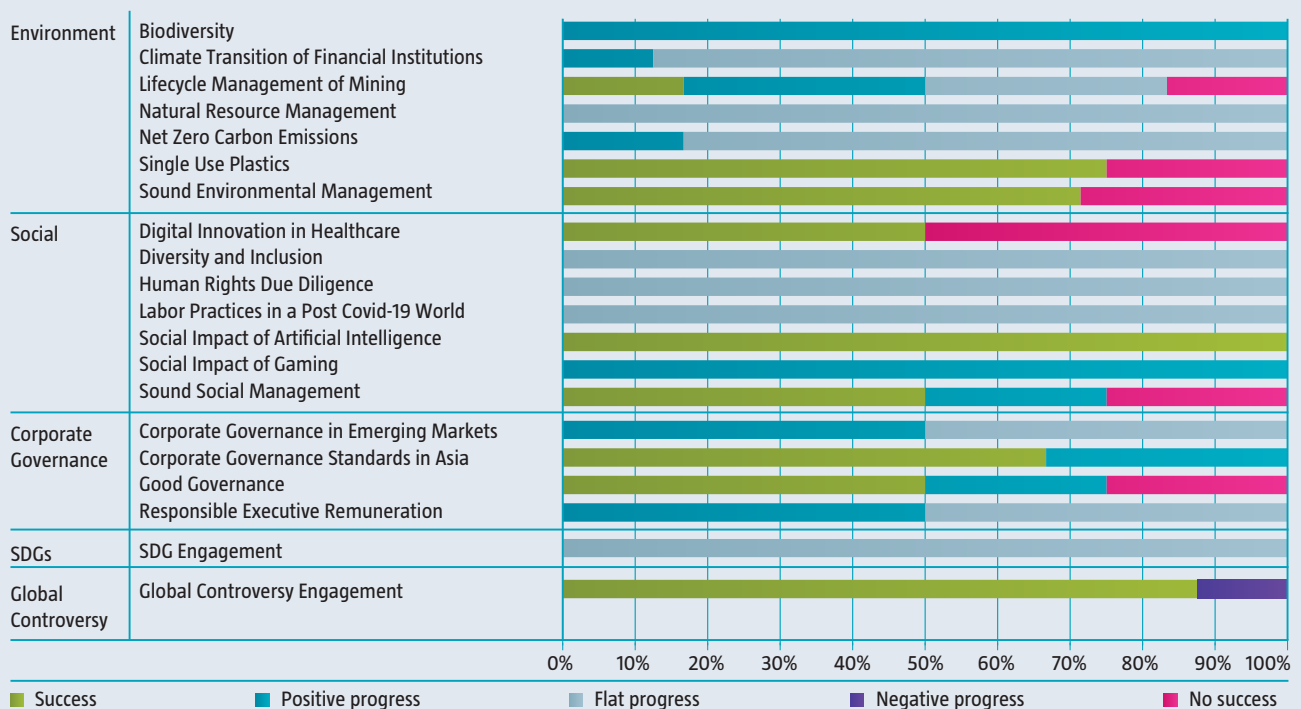
Number of engagement cases by topic*

	Q1	Q2	Q3	Q4
Environment	17	17	12	
Social	7	7	6	
Corporate Governance	4	4	5	
SDGs	7	10	8	
Global Controversy	2	1	0	
Total	37	39	31	

Number of engagement activities per contact type

	Q1	Q2	Q3	Q4	YTD
Meeting	1	0	0		1
Conference call	26	19	22		67
Written correspondence	25	43	19		87
Shareholder resolution	0	1	0		1
Analysis	4	11	9		24
Other	0	2	0		2
Total	56	76	50		182

Progress per theme



* Due to a change in Robeco's methodology to account for engagement cases, numbers are expected to differ from previous quarters.

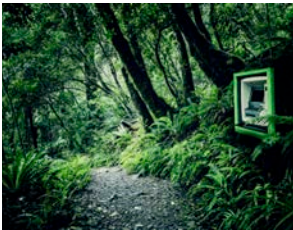
CONTENTS



Diversity and Inclusion & Natural Resource Management

In an interview, Laura Bosch, Antonis Mantsokis and Sylvia van Waveren reflect on how the need to address companies' adverse impacts is uniting even the most different engagement topics, as reflected by our new engagement themes on Diversity and Inclusion, and Natural Resource Management. Throughout the article, they explain the business case behind managing companies' negative externalities and how through their engagements they aim to do just that.

5



Climate Transition of Financial Institutions

After more than one year of engagement with the financial sector, Robert Dykstra reflects on his engagements in the Climate Transition of Financial Institutions theme. Financial institutions are key to financing the climate transition and while expectations towards them are clear, many struggle to switch their loan books and activities to be transition ready.

11



Responsible Executive Remuneration

This year's proxy season once again highlighted the relevance of well-designed executive remuneration policies. Engagement specialist Michiel van Esch reflects on executive pay practices in times of uncertainty, and explains what companies need to watch out for if they wish to get shareholder support on their executive pay proposals.

14

INTRODUCTION



During the third quarter of 2022, Robeco has been actively pushing the frontiers of sustainable investment by sharing our intellectual property with our clients, while continuing to work with our investee companies on the engagement areas we deem most critical.

The new quarter was marked by a great step forward for Robeco and its clients as we launched our Sustainable Investing (SI) Open Access Initiative. Through this initiative, we are sharing some of our most valuable proprietary data with our clients and academics, including Robeco's proprietary Sustainable Development Goal (SDG) scores and methodology, in the hope that we can work together to build a more robust sustainable investment landscape.

Meanwhile, on the engagement side, we have launched two new engagement themes. Our new Diversity and Inclusion engagement program is working to address the societal inequalities mirrored throughout gender and ethnic pay gaps, discriminatory company policies and unequal promotional opportunities. By considering their most vulnerable employees at each step of their human capital management, companies can strengthen employee attraction, lower turnover costs and benefit from diverse perspectives and skillsets. Through this theme, we hope to help companies elevate each part of their workforce, and thus create value for both them and society.

On the environmental side, in line with the rising summer temperatures and climate change-induced droughts across the world, we have initiated a new engagement

stream on Natural Resource Management. This focuses on companies working in water and/or waste-intensive sectors and will look not only at strengthening companies' water and waste policies, but also whether they have strong operational processes around emergency situations. The engagement theme will also address chemical waste and seabed mining and tailings.

Elsewhere in this report, we provide an update on some of our ongoing engagements. With the quarter marking the mid-point of our three-year engagement around the Climate Transition of Financial Institutions, we see that only few banks are on credible net-zero trajectories. Many still lack adequate targets and essential carbon emissions data throughout their loan books. These are all issues that were echoed by the shareholder proposals we supported at numerous banks during the 2022 proxy voting season.

The aftermath of the proxy season always provides grounds for engagement on the topic of Responsible Executive Remuneration, as companies are trying to understand investors' reasons for voting against pay-related agenda items. During our update, we delve into some of the best practices we advocate for when it comes to executive remuneration, as well as some concerning trends we see across companies. These include the growing use of ill-designed sustainability-linked performance pay packages which are being used as a remuneration cushion, rewarding executives during times of bad company performance.

We enter the new quarter with clearly laid out engagement priorities and a strong mandate for transparency and look forward to the change to come.

Carola van Lamoen

Head of Sustainable Investing



Focus on companies' impacts on human and natural resource management

DIVERSITY AND INCLUSION & NATURAL RESOURCE MANAGEMENT

LAURA BOSCH – *Engagement specialist*
ANTONIS MANTSOKIS – *Engagement specialist*
SYLVIA VAN WAVEREN – *Engagement specialist*

More and more investors are moving beyond measuring sustainability only through the material environmental, social and governance (ESG) risks companies are facing, and increasingly try to identify the impacts that companies' activities have on society, whether through their products or processes. In this interview, Laura Bosch, Antonis Mantsokis and Sylvia van Waveren share how Robeco's new Diversity and Inclusion, and Natural Resource Management themes aim to explicitly address some of the key adverse environmental and social impacts companies can have.

Why are we launching these engagement themes, and where do they differ from other programs?

The focus of sustainable investing is increasingly shifting from the idea of single financial materiality to the concept of double materiality, whereby the focus is no longer only on how sustainable development impacts companies but also how companies contribute to this development. This includes both positive and adverse impacts, where addressing adverse impact has been the key driver behind our new engagement themes. Adverse impact as a concept ranges from water emissions and negative biodiversity impacts to social violations and gender pay gaps. Impacts which the European Commission is now making investors report on, in particular through the Principal Adverse Impact Indicators (PAI) defined in the EU Sustainable Finance Disclosure Regulation (SFDR). The regulation requires investors in the EU to disclose performance against at least the mandatory PAIs for their holdings, using a set of ESG metrics reflecting their negative externalities.

While we have been addressing adverse impacts within our engagement program for many years, we took the opportunity to identify potential gaps in our engagement approach using the mandatory list of PAIs in 2021. As a result of the analysis, we are now launching two new engagement themes explicitly covering Diversity and Inclusion and Natural Resource Management. The two themes aim to support companies in facing some of their core negative impacts around their human and natural resource management, and push for more transparency as required by the PAIs.

These engagement programs differ from our conventional themes as they were designed to incorporate a higher degree of flexibility. They need to gradually increase coverage, as they follow the development of PAI-related data and increasing engagement demand. The two themes are expected to run continuously, instead of over the usual three years. Moreover, timelines for the engagement dialogues can be shortened if successful outcomes are achieved at an earlier stage.

DIVERSITY AND INCLUSION

sitting down with Laura Bosch and Antonis Mantsokis

Firstly, looking at Diversity and Inclusion – why is this relevant for investors?

The relevance of Diversity and Inclusion (D&I) for investors can be understood through the double materiality lens. From a financial standpoint, D&I can enhance corporate performance in many ways: recruiting and retaining the best talent, having stronger customer orientation, enhancing corporate reputation, and improving decision-making and innovation outcomes. Many industries are becoming increasingly knowledge-intensive, which is materialized financially by the more prominent role that intangibles play in global balance sheets.

Therefore, human capital management strategies, including the promotion of diversity and inclusion, are significantly important in determining a company's underlying quality and intrinsic value. Investors should therefore integrate such factors into their investment approach to formulate better-informed decisions.

At the same time, the benefits stemming from an inclusive and diverse workforce flow through to the macro environment and have a societal impact. Barriers for women and minorities to enter the labor market, such as pay distortions, social and cultural factors, and outright discrimination, work against achieving parity and have a financial cost. Poor allocation of human resources that wastes an individual's education, talent and

potential, contributes to this cost. The resultant welfare gains after removing the obstacles are estimated to be more significant. Providing employment opportunities and equal remuneration to minority groups can minimize structural wealth gaps between societal groups. Subsequently, this would have a direct impact on society and the economy as a whole.

What are the aims of the theme?

We formulated five engagement objectives to facilitate our dialogue on D&I. The first step towards creating a more diverse workforce is developing a D&I policy, resulting in a higher-level commitment and a consistent approach to advance D&I throughout the company. It should include a set of time-bound goals that are sufficiently ambitious to effectively diversify a company's workforce. Once these goals are in place, a critical next step is to clearly define how to establish D&I as a priority among corporate leaders and hold them accountable for their contributions. This includes having a sufficiently diverse leadership and board of directors, latter of which is measured by the PAIs.

Our second objective focuses on how companies define their D&I implementation strategies and measures of success for aligning their talent management strategy with their business goals and D&I objectives over the different stages of the employee lifecycle. Thirdly, we encourage companies to disclose workforce diversity data, focusing not only on ethnic or gender diversity across different employment bands and employee levels, but also incorporating other diversity components.

The fourth objective focuses on overall pay equality. Companies should undertake audits to ensure they address any pay gaps in their D&I strategy. We expect companies to provide quantitative statistics, complemented by qualitative assurances, for both adjusted and unadjusted median pay gaps, as required by the mandatory PAIs. Finally, we encourage companies to promote an inclusive culture by taking a strategic approach to shaping attitudes and behaviors in the workplace that can shift workplace culture in a meaningful way.

How do you decide which companies should be under engagement?

The lack of data is the main challenge identified by investors when assessing companies' efforts on diversity and inclusion. With that in mind, we first identified those industries where disclosure of diversity data is lagging. We looked at the PAI indicators using data produced by MSCI and the S&P Global Corporate Sustainability Assessment (CSA). For our engagement, we prioritized the 20 industries with the lowest levels of disclosures.

Within those selected industries, we identified the first set of companies by screening those that fail to disclose their unadjusted gender pay gap, in line with PAI requirements, and also did not answer the diversity-related questions in the CSA questionnaire. The questionnaire

'ONCE (D&I) GOALS ARE IN PLACE, A CRITICAL NEXT STEP IS TO CLEARLY DEFINE HOW TO ESTABLISH D&I AS A PRIORITY AMONG CORPORATE LEADERS AND HOLD THEM ACCOUNTABLE FOR THEIR CONTRIBUTIONS.'

LAURA BOSCH | ANTONIS MANTSOKIS

looks at aspects like age, disabilities, sexual orientation and broader human capital-related factors. We also considered gender-focused data sources, namely RobecoSAM's gender score and the Equileap score, which assess the inclusion of women across companies. Additionally, we collaborated closely with our portfolio managers and analysts to decide upon the final selection of companies.

What other actions will be taken in line with this engagement?

The Black Lives Matter and MeToo movements both highlighted the negative impact of today's systematic inequalities. Investors have increasingly been putting pressure on companies by supporting social-related shareholder resolutions, and stakeholders are holding those companies that do not promote D&I to account.

In line with this engagement, we will continue to vote against management on specific agenda items when the company fails to incorporate minimum standards on gender diversity at the board level. We will continue to evaluate issues on a case-by-case basis, and support those shareholder resolutions that aim to resolve social issues such as racial equality. Additionally, we will explore filing shareholder resolutions focusing on promoting D&I in those companies where we see no progress and the social issues continuously persist.

What challenges do you expect to face and what are the outcomes you expect to achieve?

Promoting D&I is a challenging topic at its core due to differences in company cultures and regional practices. There are many benefits stemming from promoting diversity metrics or goals, and having D&I policies in place. However, practically improving inclusion is not always addressed with equal importance, and it is much more challenging to measure it. In many cases, it isn't easy to assess if the spirit of the policies in place is accomplished in practice.

Another significant hurdle that we expect to face is how to equally address all aspects of diversity, and move the conversation beyond simply looking at gender. There are still many countries where identifying as LGBTQ+ remains illegal, and cultural norms prohibit companies from promoting an inclusive culture. Moreover, processing employees' D&I-related data is prohibited in many countries, due to privacy restrictions (i.e., GDPR in the EU), making it difficult to have targeted policies. In addition, companies usually focus on promoting female representation on the board or at the top management levels, and stick to a mechanical implementation of gender-only quotas. Promoting practices that address the benefits of the integration of various minority groups will be challenging.

Lastly, pay equality is an issue not easy to resolve. According to World Economic Forum's Global Gender Gap report 2020, it will take 257 years to achieve equal pay for women and men at work at the current rate. Pay disparity, though primarily gender-focused, also exists regarding race, ethnicity, sexual orientation, disabilities and age. Thus, it is challenging to promote structural solutions in pay equality when in many countries there are no regulatory requirements to tackle the broader aspects of the pay gap.



ENGAGING ON NATURAL RESOURCE MANAGEMENT

by Sylvia van Waveren

Moving to the environmental front - Why is Natural Resource Management relevant for investors?

The world is facing a dire shortage of freshwater, a situation that is set to only get worse due to urbanization, population growth, climate change and socio-economic development. The World Research Institute's Aqueduct Water Risk Atlas reveals that 44 countries currently face high baseline water stress covering one-third of the world's population.

Companies operating in highly water-stressed regions are not only exposed to these risks but also often enhance them through their own water usage and pollution. Disregarding both their impacts and risks can impact corporate valuations through higher operating costs, thus threatening their viability if they do not sustainably manage their water use. This risk is estimated to amount to USD 301 billion for companies, while the cost of addressing their adverse impacts is estimated to be less than one-fifth of that, at USD 55 billion.

It is therefore important for investors to engage with such companies on having resilient water management strategies. Those with poor strategies are more likely to experience production disruptions, stranded assets and community conflicts, all resulting in higher comparative operational and fixed costs which will reduce their overall rate of return.

What are the aims of the theme?

To act upon these risks, Robeco has expanded its environmental engagement program to include the responsible management of natural resources and the mitigation of adverse impacts on the environment. The engagement theme aims to address the impacts of corporate operations related to their intensive water use and generation of waste.

Our engagement strives to minimize risks through a set of objectives that aim to enhance corporate disclosures on their management of water and waste issues. The engagement will also address major issues such as seabed mining and tailings, and the gross emissions of PFAS chemicals into waterways.

How will you assess which companies should be under engagement?

Companies need to account for the amount of freshwater that is needed to make certain products – often drawn from places where water is already scarce. The discharge of wastewater also remains problematic and therefore needs to be addressed. To address these issues, we focus on companies for which the management of water and waste generation and disposal management is a financially material issue, or where corporate operations have a significant actual or potential negative environmental impact due to water or waste issues.

Thus, in our water engagements, the focus is on companies operating in high water-stress areas as well as those deemed to have high water consumption. In the waste engagements, the focus is on companies that generate hazardous waste such as PFAS chemicals and (threaten to) pollute the environment, including companies exploring seabed mining and tailings.

In July 2022, we started engaging with the first group of six companies. They were chosen using a bottom-up and fundamental approach by Robeco’s research and investment analysts. They belong to three sectors: Chemicals (fertilizers and mines); Oil and Gas (shale gas); and Paper and Pulp (operating in South Africa, a water scarce area).

What other actions will be taken in line with this engagement?

We have developed a water and waste management framework tool to assess how well a company has incorporated the management of such risks into their practices. This framework, depicted in Figure 1, evaluates several indicators related to their water and waste policies, their risk management programs, their metrics, targets and disclosures, among others. The insights from this assessment inform our engagement priorities and facilitates the tracking of progress against our engagement objectives.

Figure 1 | Water and waste management evaluation framework



Another important action is recording incidents and controversies that had adverse environmental impacts, such as water depletion and pollution. Frequent involvement in these types of incidents is a sign of exposure to ESG risks and a company’s failure to manage them. Incidents that go unmanaged can potentially lead to an erosion of shareholder value. We base our work on UN Global Compact and OECD guidelines.

What have been your first insights and how will you continue?

We expect that our methodology to identify companies to engage with will continue to evolve and be refined as the relevant data continues to improve and become more broadly available, including that used to measure the SFDR PAIs. We believe that engagement is one of the tools that we can use in addressing and mitigating adverse impacts at the company level and were pleased with companies’ initial openness to discuss their approach to natural resource management. ■

Financing the climate transition

CLIMATE TRANSITION
OF FINANCIAL INSTITUTIONS

ROBERT DYKSTRA – *Engagement specialist*

It has become increasingly clear that the banking sector has a critical role to play in the low-carbon transition. Banks can facilitate investments in low-carbon solutions and encourage emission reductions through climate-aware financing and engagement with their clients. Banks that continue to finance activities not aligned with the low-carbon transition create significant transition and physical risks associated with accelerating global warming.



The fast-evolving landscape

Various stakeholders including investors, governments and the public have put an increasing amount of pressure on the financial sector to advance the economy-wide transition towards net zero emissions. This was highlighted at COP 26 in November 2021, which saw several guidelines emerge to help financial institutions measure their 'financed emissions' – those associated with loans, investments and other financial products. These guidelines include the Partnership for Carbon Accounting Financials (PCAF), the Paris Agreement Capital Transition Assessment (PACTA) and the Science Based Targets Initiative's (SBTi) guidance for the financial sector. Several other initiatives have also been started to help the financial sector align with net zero, such as the Glasgow Financial Alliance for Net Zero (GFANZ) and the Net Zero Banking Alliance (NZBA).

While many banks are dealing with operational challenges such as emission data collection and new governance structures, the expectations around disclosures and targets are becoming ever-more stringent. For example, the NZBA has outlined a timeline for setting sector-specific decarbonization targets by 2024. However, these targets should also be aligned with a credible net zero emission scenario, such as the ones established by the International Energy Agency (IEA). Several banks have already set targets that now need to be readjusted to be aligned with a particular scenario. Many banks are also expected to disclose fossil fuel lending policies that outline the criteria for denying clients access to loans or capital markets.

A collaborative engagement approach

With our three-year engagement program on the climate transition of financials having reached its mid-point, we take stock of the progress made and upcoming challenges that banks will face in executing their climate strategies. At the start of this engagement theme, we selected 10 banks amongst our and our clients' portfolios with significant exposure to carbon-intensive assets.

To maximize the effectiveness of our engagement strategy, we collaborate with the Institutional Investor Group on Climate Change (IIGCC), which coordinates a larger investor initiative on banks' climate strategies. The IIGCC, in partnership with the Transition Pathway Initiative (TPI), is developing a framework to assess how prepared banks are for the low-carbon transition. The framework consists of many indicators that have been selected following significant investor consultation and tested on 27 banks from across the globe based on disclosures published up to February 2022. Over the coming months, the IIGCC and TPI will continue their consultation on these indicators to improve and fine-tune the framework so that a final version can be published in late 2022.

'BANKS SHOULD EXPAND THEIR NET ZERO COMMITMENTS TO INCLUDE ALL HIGH-RISK SECTORS IN ALL MATERIAL BUSINESS SEGMENTS. THIS MEANS NOT ONLY FOCUSING ON REDUCING FINANCED EMISSIONS THROUGHOUT THEIR LOAN BOOKS, BUT ALSO IN CAPITAL MARKET ACTIVITIES SUCH AS UNDERWRITING AND M&A.'

ROBERT DYKSTRA

The indicators are grouped into the following six areas and provide a comprehensive picture of a bank's net zero transition plan:

1. Net zero commitments
2. Short and medium-term targets
3. Decarbonization strategies
4. Climate governance
5. Climate policy engagement
6. Audit and accounts.

Based on the first round of assessments conducted earlier in 2022, average alignment with credible net zero trajectories amongst banks is relatively low. This is in part due to the lack of disclosure of carbon emission data throughout their loan books, but also because of insufficient target-setting at the time of the assessment. These six elements of the framework correspond with our existing engagement objectives, which are based on the four pillars of the Task Force for Climate-related Financial Disclosure (TCFD).

Future steps and upcoming challenges

The assessment outlines several areas for banks to improve their climate strategy, primarily through enhanced disclosures and financed emission reduction targets. Specifically, banks should expand their net zero commitments to include all high-risk sectors in all material business segments. This means not only focusing on reducing financed emissions throughout their loan books, but also in capital market activities such as underwriting and M&A.

More transparency on how banks engage with clients is also expected in the coming years. For instance, banks should disclose explicit financing conditions for clients whose transition plans are not aligned with a net zero emissions pathway. These conditions could be outlined in a dedicated coal or oil and gas lending policy which we have seen at several major banks. This includes aligning all high-risk sector policies with a 1.5°C warming scenario. For example, the IEA's Net Zero Emissions by 2050 scenario requires banks' coal sector policies to include:

- No financing of additional capacity for thermal coal operations.
- Phasing out of financial services and portfolio exposure to unabated coal-fired power generation by 2030 in the EU and OECD countries, and in the rest of the world by 2040 at the latest.

These expectations have been echoed by shareholder proposals filed at numerous banks during the 2022 proxy voting season. Banks were asked to define their commitment to being net zero by 2050 and include a timeline by which they would stop all lending

related to new fossil fuel supplies. Many banks found these requests overly prescriptive, as they did not take into account regional discrepancies in energy demand, such as heavier coal dependency in emerging markets. Nonetheless, large groups of shareholders, including Robeco, supported these proposals with the aim of making banks' net zero commitments more credible.

In the upcoming second half of the engagement theme, we will use the outcomes of this assessment framework to emphasize the changes that we expect banks to make. So far, several banks are making significant progress, while others appear to be lagging. This is in part due to the varied pressure banks anticipate from looming sustainability regulations in the EU and North America.

Overall, the governance around climate-related financing has been one of our engagement objectives that has seen the most progress. Unfortunately, our objectives around risk management and strategy have seen the least progress. Therefore, we will push for improvements in sector decarbonization strategies and scenario analyses in our upcoming dialogues. ■

The pay for performance crisis

RESPONSIBLE EXECUTIVE REMUNERATION

MICHEL VAN ESCH – *Engagement specialist*

Executive remuneration often is one of the touchiest topics between investors and company managements. Firstly, there is the discomfort of a group of outsiders forming an opinion on how (and how much) someone should get paid. Secondly, there are often discrepancies between how well management think they have performed and whether investors agree that this actually has created value for them. Yet, the topic of executive remuneration has been relevant since the foundation of the first public stock company and remains a key governance instrument today.

In 2019, the EU's amended shareholder rights directive SRD 2 was passed into national legislation across the continent, giving shareholders the right to a vote on remuneration on a structural basis. Similar as in the US, shareholders have an advisory vote on the remuneration report. But they also get a formal say on the review of the remuneration policy at least every four years.

In the second half of 2020, Robeco conducted research into best practices for executive remuneration. An engagement project was initiated in order to make use of the new opportunities that the shareholder rights directive offers. For a set of European and US companies we have focused our engagement practices to improve corporate pay practices on four focus areas. These are (1) to better align pay with performance (including performance on sustainability); (2) to promote equity holding requirements (rather than option structures or cash pay-outs) to have a more straightforward alignment with shareholders; (3) to use ratios and benchmarks in order to avoid excessive pay discrepancies between and within organizations; and (4) to have strong and independent oversight from the supervisory board and feedback mechanisms towards its shareholders.

Taking stock of SRD 2

After a year and a half of engagement, it is safe to say that SRD 2 has had an impact. Almost directly after its implementation, we saw several remuneration practices being voted down, and requests for feedback calls picking up. Additionally, many companies are starting to look into incorporating non-financial

measures (often ESG metrics) into remuneration packages. This is starting to become common practice across Europe, but is also a trend in the US. We also have seen companies align their reporting practices on remuneration with SRD 2. But have remuneration practices really become any better?

Pay for performance, sustainability and the Covid-19 effect

At the start of our engagement, many companies had most of their financial performance metrics already in place. Even though for many of them we would prefer that companies evaluate on risk and return-based metrics (such as the return on invested capital) rather than pure profit measures, at least companies' performance indicators and targets are often clearly communicated.

However, during the pandemic many corporates decided to drop these targets as the world's economic circumstances were duly turned upside down. Some companies dropped annual bonuses altogether, but many continued to pay out their bonuses under the argument that the pandemic is an external circumstance that does not relate to company performance. This logic seemed dominant in conversations, particularly in the US. For those companies we focused our engagement on alignment with the shareholder experience. It is common for companies to attribute strong stock performance in economic booms to management and to blame external factors for poor performance during economic downturns.

The introduction of sustainability-related metrics often is a good thing and sometimes we encourage it. However, we have also noted that some companies use sustainability performance as a remuneration cushion. When financial performance was close to zero, sustainability metrics were all met, safeguarding executive pay-outs but without strong disclosure. During our conversations, we aimed to make sure that sustainability metrics are measurable, relevant to the strategy, and sufficiently ambitious.

One common aspect to look out for are targets around metrics on sustainable product portfolios. Many companies set targets to improve the percentage of sustainable revenues that could be attributed to their product pipelines. This could be a valid measure for those companies that have appropriate impact measurement methods in place. However, many companies just re-label more of their products as being sustainable without having much of an impact.

Focus on share-based performance

Equity-linked compensation is widely considered to be an effective means to align the interests of managers and shareholders, and yet this can only be achieved if the equity plan is adequately structured. We continue to see companies that have poorly designed stock

'WE CONTINUE TO SEE COMPANIES THAT HAVE POORLY DESIGNED STOCK PLANS WHICH FAIL TO INCENTIVIZE EXECUTIVES TO FOCUS ON DELIVERING LONG-TERM, SUSTAINABLE PERFORMANCE.'

MICHIEL VAN ESCH

plans which fail to incentivize executives to focus on delivering long-term, sustainable performance. For instance, some companies choose to grant their CEOs long-term incentive awards which are predominantly in the form of time-based equity. We consider it best practice for a majority of an executive’s long-term incentive award to be in the form of equity vesting based on performance against pre-set quantifiable targets set over a multi-year period.

In addition, stock options with no performance conditions attached continue to represent a disproportionately large portion of many CEOs’ pay packages. We view this as a concern. We favor the use of stock compensation as opposed to stock option compensation, as stock options have been shown to incentivize risk-taking behavior, given that they provide limited downside risk and significant upside potential.

Share ownership guidelines for executives are another important feature of an adequately designed compensation plan. These are meant to ensure that executives build and maintain a meaningful level of stock ownership throughout their tenure, thereby ensuring that manager and shareowner incentives are aligned. Hence, during our conversations, we continue to focus on ensuring that adequate ownership guidelines are in place for executives.

Pay ratios

When analyzing the size of the compensation paid to executive directors, we not only assess the absolute value of the remuneration package, but also how this compares to the company’s wider workforce. Investors often use pay ratios to compare top and bottom salaries within an organization. The most popular ratio is the CEO pay ratio, which was introduced by the Dodd-Frank Wall Street Reform and Consumer Protection Act and is calculated by dividing the CEO’s remuneration with the pay of the median employee.

Before the pandemic, it had already been established that these ratios were increasing. However, the disrupting characteristics of the pandemic have exacerbated global income inequality through issues such as lost income and rising inflation, both of which have a significantly higher impact on lower-income groups. As a result, and in the pursuit of reversing the increase in global income equality, we expect investors to pay increasingly more attention to the relative pay levels of company executives.

Structure and oversight

Remuneration oversight remains a focal point of our engagement. We focus on ensuring that the committee responsible for remuneration is sufficiently independent so as to provide objective decision-making in the interests of shareholders. In addition, we view it as best practice for companies to engage with shareholders

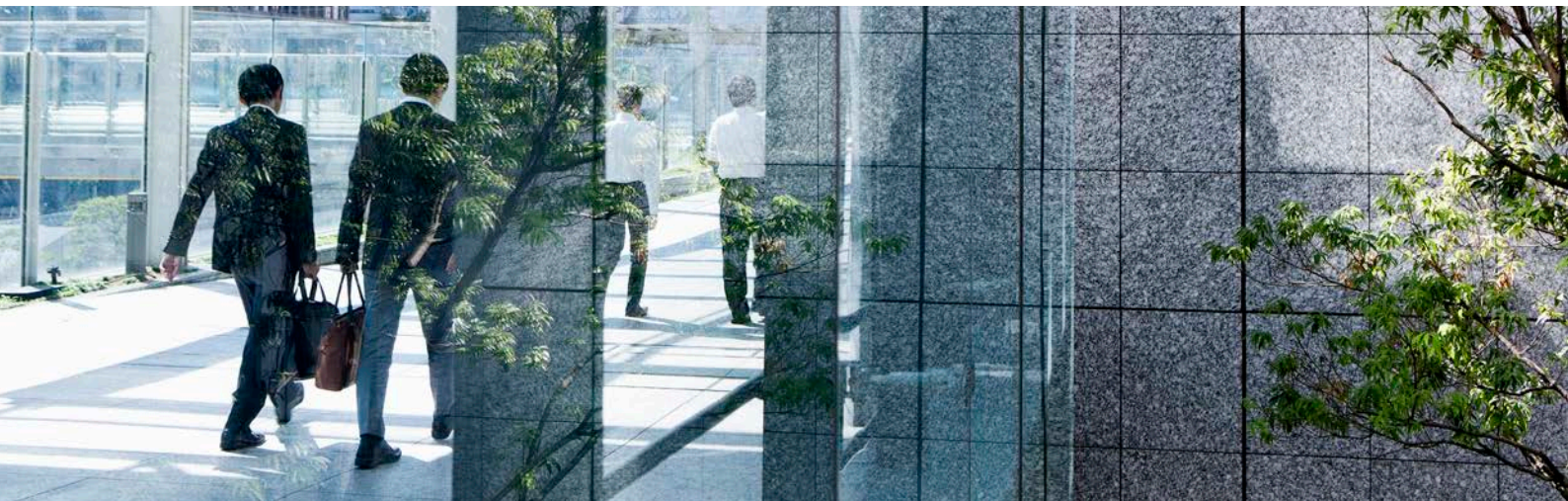
to gain feedback on their pay practices and to thereby set up a process of improving remuneration practices on a continuous basis.

When there is significant dissent on remuneration-related voting items, we expect companies to initiate a dialogue with shareowners to identify what factors prompted the opposition, and to determine what changes to the pay policies and/or practices are needed. We also pay particular attention to whether companies provide clear and transparent disclosure with regards to any instances where discretionary adjustments to pay outcomes or structures are rolled out. Notably, we assess whether the body responsible for remuneration matters adequately discharged its oversight responsibilities by ensuring that an appropriate remuneration structure is in place. ■

CASE STUDY

Wolters Kluwer has undergone significant changes over the last several years, having finalized their transition into a digital solutions company. To facilitate this transition, the company has had to adapt some of their corporate governance practices on executive remuneration. The CEO of Wolters Kluwer has historically received excessive payouts compared to local benchmarks and industry peers. This is in part due to retaining and attracting talent from markets with above average executive pay like the US, as well as incentivizing stability throughout the company’s long-term transition. In response to continuous shareholder feedback on the excessive payouts, the company has reduced the maximum opportunity under the long-term incentive plan from 285% to 240% of base salary.

COMPANIES UNDER ENGAGEMENT



Biodiversity

Mondelez International
Sappi Ltd.
Suzano Papel e Celulose SA

Climate Transition of Financial Institutions

Bank of America Corp.
Barclays Plc
BNP Paribas SA
Citigroup, Inc.
DBS Group Holdings
HSBC
ING Groep NV
Sumitomo Mitsui Financial Group, Inc.

Lifecycle Management of Mining

Barrick Gold Corp.
First Quantum Minerals Ltd.
Fortescue Metals Group Ltd.
Polyus Gold OAO

Natural Resource Management

Sappi Ltd.

Net Zero Carbon Emissions

Berkshire Hathaway
CRH Plc
Ecopetrol SA
Enel
Hyundai Motor
WEC Energy Group Inc

Digital Innovation in Healthcare

Elevance Health Inc

Diversity and Inclusion

Oracle Corp
Taiwan Semiconductor Manufacturing Co. Ltd.

Human Rights Due Diligence for Conflict-Affected and High-Risk Areas

Cemex SAB de CV

Labor Practices in a Post Covid-19 World

InterContinental Hotels Group Plc
Marriott International, Inc.
Meituan Dianping
Wal-Mart Stores

Social Impact of Artificial Intelligence

Accenture Plc
Visa, Inc.

Social Impact of Gaming

Tencent Holdings Ltd.

Sound Social Management

Bayerische Motoren Werke

Corporate Governance in Emerging Markets

Cosan SA
Hyundai Motor
Midea Group Co. Ltd.
Samsung Electronics

Corporate Governance Standards in Asia

Hynix Semiconductor, Inc.

Good Governance

Unilever

Responsible Executive Remuneration

Henkel AG & Co. KGaA

Linde Plc

NIKE

Wolters Kluwer

SDG Engagement

Adobe Systems, Inc.

Alphabet, Inc.

Amazon.com, Inc.

Apple

Capital One Financial Corp.

Elevance Health Inc

JPMorgan Chase & Co., Inc.

L Oréal

Meta Platforms Inc

Novartis

OTP Bank Nyrt

Salesforce.com, Inc.

Samsung Electronics

Union Pacific

Global Controversy Engagement

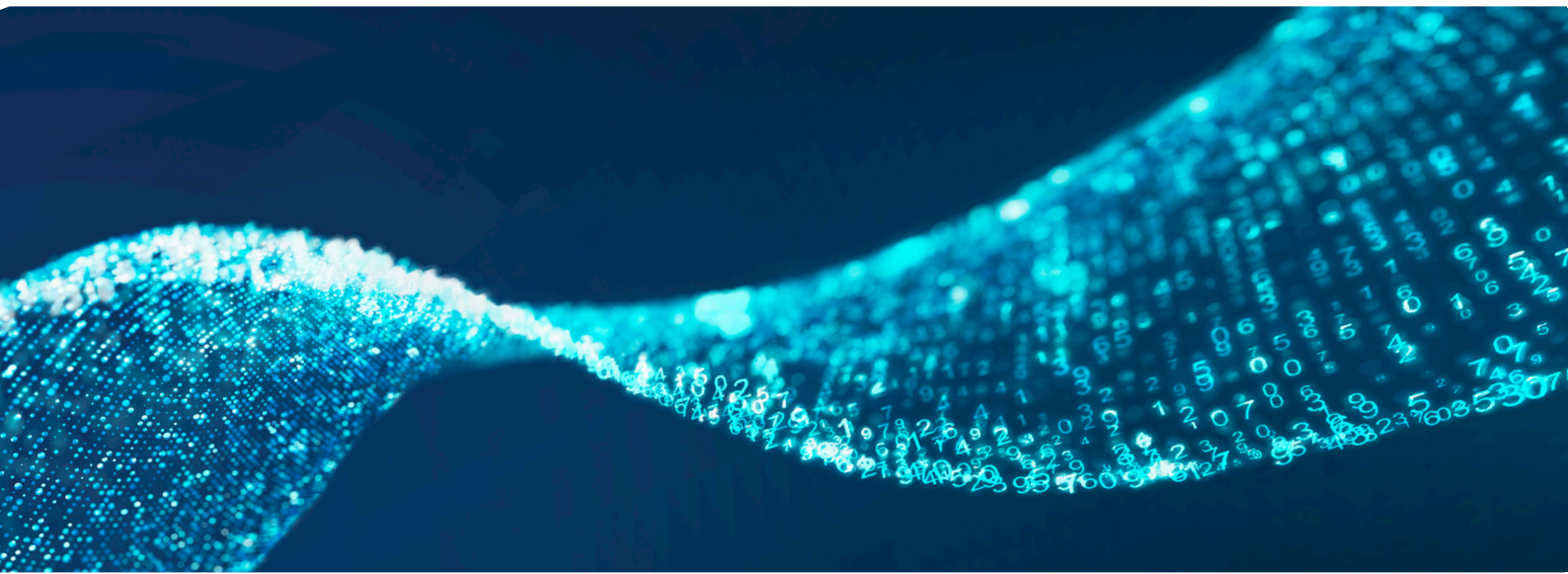
Currently, 1 company is under engagement based on potential breaches of the UN Global Compact and/or the OECD Guidelines for Multinational Enterprises.

ENGAGEMENT BY ASSET CLASS



Accenture Plc	Equity	Midea Group Co. Ltd.	Equity
Adobe Systems, Inc.	Equity	Mondelez International	Credit
Alphabet, Inc.	Equity	NIKE	Equity/Credit
Amazon.com, Inc.	Equity	Novartis	Equity
Apple	Equity/Credit	Oracle Corp	Equity/Credit
Bank of America Corp.	Credit	OTP Bank Nyrt	Credit
Barclays Plc	Credit	Polyus Gold OAO	Equity
Barrick Gold Corp.	Equity	Salesforce.com, Inc.	Equity
Bayerische Motoren Werke	Equity	Samsung Electronics	Equity
Berkshire Hathaway	Equity	Sappi Ltd.	Bond
BNP Paribas SA	Credit	Sumitomo Mitsui Financial Group, Inc.	Credit
Capital One Financial Corp.	Credit	Suzano Papel e Celulose SA	Equity
Cemex SAB de CV	Credit	Taiwan Semiconductor Manufacturing Co. Ltd.	Equity
Citigroup, Inc.	Credit	Tencent Holdings Ltd.	Equity
Cosan SA	Equity	Teva Pharmaceutical Industries Ltd.	Credit
CRH Plc	Equity	Unilever	Equity
DBS Group Holdings	Credit	Union Pacific	Equity
Ecopetrol SA	Credit	Visa, Inc.	Equity/Credit
Elevance Health Inc	Equity	Wal-Mart Stores	Equity
Enel	Credit	WEC Energy Group Inc	Equity
First Quantum Minerals Ltd.	Credit	Wolters Kluwer	Equity
Fortescue Metals Group Ltd.	Equity		
Henkel AG & Co. KGaA	Equity		
HSBC	Credit		
Hynix Semiconductor, Inc.	Credit		
Hyundai Motor	Equity/Credit		
ING Groep NV	Credit		
InterContinental Hotels Group Plc	Credit		
JPMorgan Chase & Co., Inc.	Credit		
L'Oréal	Equity		
Linde Plc	Credit		
Marriott International, Inc.	Credit		
Meituan Dianping	Credit		
Meta Platforms Inc	Equity		

CODES OF CONDUCTS



Robeco's Engagement Policy

Robeco actively uses its ownership rights to engage with companies on behalf of our clients in a constructive manner. We believe improvements in sustainable corporate behavior can result in an improved risk return profile of our investments. Robeco engages with companies worldwide, in both our equity and credit portfolios. Robeco carries out two different types of corporate engagement with the companies in which we invest; value engagement and enhanced engagement. In both types of engagement, Robeco aims to improve a company's behavior on environmental, social and/or corporate governance (ESG) related issues with the aim of improving the long-term performance of the company and ultimately the quality of investments for our clients.

Robeco adopts a holistic approach to integrating sustainability. We view sustainability as a long-term driver of change in markets, countries and companies which impacts future performance. Based on this belief, sustainability is considered as one of the value drivers in our investment process, like

the way we look at other drivers such as company financials or market momentum.

More information is available at: <https://www.robeco.com/docm/docu-robeco-engagement-policy.pdf>

The UN Global Compact

One of the principal codes of conduct in Robeco's engagement process is the United Nations Global Compact. The UN Global Compact supports companies and other social players worldwide in stimulating corporate social responsibility. The Global Compact became effective in 2000 and is the most endorsed code of conduct in this field. The Global Compact requires companies to embrace, support and adopt several core values within their own sphere of influence in the field of human rights, labor standards, the environment and anti-corruption measures. Ten universal principles have been identified to deal with the challenges of globalization.

Human rights

1. Companies should support and respect the protection of human rights as established at an international level

2. They should ensure that they are not complicit in human-rights abuses.

Labor standards

3. Companies should uphold the freedom of association and recognize the right to collective bargaining
4. Companies should abolish all forms of compulsory labor
5. Companies should abolish child labor
6. Companies should eliminate discrimination in employment.

Environment

7. Companies should adopt a prudent approach to environmental challenges
8. Companies should undertake initiatives to promote greater environmental responsibility
9. Companies should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. Companies should work against all forms of corruption, including extortion and bribery.

More information can be found at: <https://www.unglobalcompact.org/>

CODES OF CONDUCTS

OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from adhering countries, and are another important framework used in Robeco's engagement process. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards.

The Guidelines' recommendations express the shared values of the governments of countries from which a large share of international direct investment originates and which are home to many of the largest multinational enterprises. The Guidelines aim to promote positive contributions by enterprises to economic, environmental and social progress worldwide.

More information can be found at: <http://mneguidelines.oecd.org/>

International codes of conduct

Robeco has chosen to use broadly accepted external codes of conduct in order to assess the ESG responsibilities of the entities in which we invest. Robeco adheres to several independent and broadly accepted codes of conduct, statements and best practices and is a signatory to several of these codes. Next to the UN Global Compact, the most important codes, principles, and best practices for engagement followed by Robeco are:

- International Corporate Governance Network (ICGN) statement on
- Global Governance Principles
- United Nations Global Compact
- United Nations Sustainable Development Goals
- United Nations Guiding Principles on Business and Human Rights

- OECD Guidelines for Multinational Enterprises
- Responsible Business Conduct for Institutional Investors (OECD)

In addition to our own adherence to these codes, we also expect companies to follow these codes, principles, and best practices. In addition to our own adherence to these codes, we also expect companies to follow these codes, principles, and best practices.

Robeco's Voting Policy

Robeco encourages good governance and sustainable corporate practices, which contribute to long-term shareholder value creation. Proxy voting is part of Robeco's Active Ownership approach. Robeco has adopted written procedures reasonably designed to ensure that we vote proxies in the best interest of our clients. The Robeco policy on corporate governance relies on the internationally accepted set of principles of the International Corporate Governance Network (ICGN). By making active use of our voting rights, Robeco can, on behalf of our clients, encourage the companies concerned to increase the quality of the management of these companies and to improve their sustainability profile. We expect this to be beneficial in the long term for the development of shareholder value.

Collaboration

Where necessary, Robeco coordinates its engagement activities with other investors. Examples of this includes Eumedion; a platform for institutional investors in the field of corporate governance and the Carbon Disclosure Project, a partnership in the field of transparency on CO₂ emissions from companies, and the ICCR. Another important initiative to which Robeco is a signatory is the United Nations Principles for Responsible Investment. Within this context, institutional investors commit themselves to promoting responsible investment, both internally and externally.

Robeco's Active Ownership Team

Robeco's voting and engagement activities are carried out by a dedicated Active Ownership Team. This team was established as a centralized competence center in 2005. The team is based in Rotterdam, the Netherlands, and Hong Kong. As Robeco operates across markets on a global basis, the team is multi-national and multi-lingual. This diversity provides an understanding of the financial, legal and cultural environment in which the companies we engage with operate. The Active Ownership team is part of Robeco's Sustainable Investing Center of Expertise headed by Carola van Lamoen. The SI Center of Expertise combines our knowledge and experience on sustainability within the investment domain and drives SI leadership by delivering SI expertise and insights to our clients, our investment teams, the company and the broader market. Furthermore, the Active Ownership team gains input from investment professionals based in local offices of the Robeco around the world. Together with our global client base we are able leverage this network to achieve the maximum possible impact from our Active Ownership activities. ■

Robeco Institutional Asset Management B.V. (Robeco) is a pure play international asset manager founded in 1929. It currently has offices in 15 countries worldwide and is headquartered in Rotterdam, the Netherlands. Through its integration of fundamental, sustainability and quantitative research, Robeco is able to offer institutional and private investors a selection of active investment strategies, covering a range of asset classes.

Sustainability investing is integral to Robeco's overall strategy. We are convinced that integrating environmental, social and governance (ESG) factors results in better-informed investment decisions. Further we believe that our engagement with investee companies on financially material sustainability issues will have a positive impact on our investment results and on society.

More information can be found at:
<https://www.robeco.com>

IMPORTANT INFORMATION

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Additional Information for investors with residence or seat in Canada

No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence. Robeco Institutional Asset Management B.V. is relying on the international dealer and international adviser exemption in Quebec and has appointed McCarthy Tétrault LLP as its agent for service in Quebec.



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November 2022

RCBPF Response to DLUHC TCFD consultation

Executive Summary

The Royal County of Berkshire Pension Fund (RCBPF) as administered by the Royal Borough of Windsor and Maidenhead is a £3 billion Local Government Pension Scheme (LGPS) fund with over 75,000 scheme member records and 339 contributing employers (288 with active members).

In 2018, RCBPF joined The London Pension Fund (LPFA) and Lancashire County Council (LCC) in becoming part of the Local Pensions Partnership (LPP) asset pool, pooling the majority of RCBPF's assets whilst outsourcing the day to day investment management function to LPP. Unlike LPP's other two clients, RCBPF retains an in-house administration function, providing administration services for all of the scheme employers and members.

In September 2022, RCBPF published a revised Responsible Investment (RI) policy, reflecting its values, principles, priorities and approach to RI and further detailing how delivery against its commitment will be achieved. Its RI policy is an extension of its investment Strategy Statement (ISS) under section 7(2)(e) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Having anticipated the implementation of TCFD for the LGPS to be on the horizon, the RCBPF RI policy was designed to be compliant with upcoming DLUHC TCFD regulations based on how it currently stands for DWP regulated pension funds.

As pretext to this response, we wanted to take this opportunity to echo some of the crucial points made in the LGPS Scheme Advisory Board's (SAB) response. The points specifically addressed by SAB that we are in agreement with are listed as follows; Timing of consultation, role of Pension Funds, the fiduciary duty and investment choices, the appropriate means to achieve the ends, compliance, resourcing production of climate risk reports

As a general underlying theme to our response to this consultation, RCBPF firmly believes that the development and implementation of this policy should be carefully considered alongside the pooling policy area. It is important that these two policy areas are not at odds with each other for reasons of public sector efficiency, cost control and perceived value for money from a local-taxation standpoint.

The pooling model adopted by RCBPF is to aim for full pooling of assets as soon as reasonably and practically possible, in essence, the day-to-day investment management function is outsourced to LPP. Policy makers should tread cautiously in making policy decisions that may seek to undermine this progress by effectively bringing additional functions back to the administering authority that were once deemed to be outsourced to the asset pool.

Furthermore, RCBPF firmly believe that in setting policy in this area, greater legal responsibilities should be placed on the pools rather than the Administering Authorities and perhaps policy that directed LGPS funds as a reporting function of the more efficient and effective asset pools would seek to achieve the departments objectives in a more pragmatic way. These thoughts are reflected through the answers to the 12 consultation questions in this response.

Question 1: Do you agree with our proposed requirements in relation to governance?

The proposal is that in administering the fund, administering authorities should have ongoing oversight of climate related risks and opportunities and ensure that those undertaking this work and the professional advisors assisting them are acting effectively.

RCBPF's view is that that placing legal duties on the pools would be a more pragmatic and cost-effective form of implementation of the governance requirements. For Administering Authorities (AA's) that have adopted a full-pooling model, effectively outsourcing their investment management function to the pool, the proposed requirements will likely lead to inefficiency.

Pools already have strong governance and ESG procedures in place, and for AA's to place greater reliance on this will lead to better efficiencies, economies of scale and a better value for money proposition. RCBPF's view is that this may even encourage funds with a low commitment to pooling to increase that commitment with two aligned policy objectives.

Putting additional duties directly on the AA will cause additional consultancy and advisory cost commitments externally that RCBPF feel are more efficiently serviced by the pools.

Question 2: Do you agree with our proposed requirements in relation to strategy?

The proposal is that funds identify and assess, on an ongoing basis the short, medium and long term impact of climate risks and opportunities on the fund. Statutory guidance will be provided to assist in identification of risks and opportunities and impact assessment.

Generally yes, as the AA's are in control of the strategic direction of the fund (ISS/FSS policy documents). RCBPF's strong view, however, is that that placing greater legal duties on the pools will help to build that from an asset allocation and manager selection (day-to-day investment decision making) perspective enabling overall fund strategy to be consistent with operational investment decision making.

There will be challenges (particularly for funds with leaner organisation structures such as RCBPF) in terms of resources, expertise, and the increasing complexity in this area. These challenges associated with the proposed requirements should be met by the administering authorities working with their already appointed providers of "proper advice", namely their asset pools. Without clarity on this from a policy perspective, there are likely to be significant additional costs to funds.

Question 3: Do you agree with our suggested requirements in relation to scenario analysis?

The proposal is that two sets of scenario analysis should be undertaken at least once per valuation period. One should be Paris aligned and one of the fund's own choice. Statutory guidance will be given, including how to deal with missing or poor quality data and other barriers to effective analysis.

Yes, this seems pragmatic, but could lead to inefficiencies if AA's are all procuring their own consultants independently to carry out such analysis. If pools were to have a legal duty to undertake this analysis for all of its underlying holdings (followed by apportionment between clients), this will not only generate economies of scale but actually encourage full pooling which will save AA's having to procure additional work externally for non-pooled assets. RCBPF's view is that putting additional duties on the pools will serve a cross-purpose of financial savings as well as supporting the departments existing mandate to increase pooling across the LGPS.

Additionally, RCBPF suggest that the requirements should refer to the UK Government's target rather than the Paris aligned scenario. The role of LGPS funds as institutional investors may be constrained compared to the impact

national government policy can have, therefore alignment with government policy is likely to make it easier for funds to make better investment decisions. We suggest that funds should only be required to undertake a second scenario analysis if their own target is different to that of the UK Government.

Question 4: Do you agree with our proposed requirements in relation to risk management?

The proposal is that funds integrate the identification and management of climate related risks and opportunities in their existing risk management process. Statutory guidance will be provided

Yes, but RCBPF would encourage CIPFA to publish prescriptive guidance that can be followed by the LGPS funds. We currently use CIPFA's 2018 model "managing risks in the LGPS" and would encourage this be updated to encapsulate the proposed TCFD risk management processes. Climate-related risks are among many of the risks faced by LGPS funds and funds should consider these risks in the context of their overall risks, allowing for prioritisation of resources to address it effectively.

Question 5: Do you agree with our proposed requirements in relation to metrics?

The proposal specifies four different metrics for funds to measure and report on annually

The proposed requirements in relation to metrics will require an extensive use of administering authority resources. This includes the time spent estimating data as well as collating existing data. A considerable amount of this work will be outside the core responsibilities of the administering authority and would therefore require additional resources and expertise to achieve meaningful outcomes.

RCBPF's view is that greater responsibilities should be placed on the pools in relation to both measurement and reporting of these four metrics and instead AA's should act as a reporting function for the work undertaken by the pools.

In addition, RCBPF would encourage these metrics to be reviewed regularly and updated if new more appropriate metrics become available but with sufficient lead time for implementation.

RCBPF would also encourage pools to ensure the agreed metrics are mandated as part of manager selection and asset allocation decisions as this is where we place significant reliance. Again, mandating this within pools selection processes will likely encourage increased pooling commitment and reduce inefficiencies across the LGPS and for the local taxpayer.

Question 6: Do you agree with our proposed requirements in relation to targets?

The proposal is to set a target against one metric which may be one of the four that funds are required to calculate or any other TCFD accepted metric. Progress should be assessed annually, and the target revised as needed

RCBPF completely agree with the statement "There is no expectation that AAs should set targets which require them to divest or invest in a given way, and the targets are not legally binding." – as the Fund's fiduciary duty to pay pensions when they fall due must always take precedent. Funds will be able to set more aggressive targets depending on their funding level and affordability, with those on the lower end of the funding spectrum having to prioritise financial returns.

RCBPF reiterate our desire for the fund's long term target to match the UK Government's target, and funds should be required to justify their decision to set an alternative target.

RCBPF do not agree that annual assessment of progress would be meaningful activity, as implementing an investment strategy once the relevant risks have been identified can take some time and therefore would not be a fair indication of the progress made by the fund. We propose that funds should set milestone targets (aligned to the triennial valuation) within the longer-term objective, and that this should be reviewed and assessed at each valuation date.

Question 7: Do you agree with our approach to reporting?

The proposal is to publish an annual Climate Risk report, aligned to (or part of if preferred) the Annual Report process. The contents of the report would be prescribed

RCBPF wish to emphasise that pension funds are already required to produce audited accounts and there are already significant pressures existing in this area. In recent years, our fund has experienced significant delays to final accounts publication and external audit sign off. Increasing statutory reporting requirements at this time would only add to this pressure funds are facing and this should be fully understood by the department.

With regard to the contents of the climate risk report, RCBPF agree. However, with regard to the responsibility for producing the report we feel that more ownership could be placed on the pools. For funds such as RCBPF that have effectively outsourced the investment management function to its pool, this will require additional hiring internally to facilitate the production of the comprehensive report, this can be avoided by placing the commitment on the pools to report on behalf of their clients/shareholders and enables a drag and drop exercise into the AA's annual report.

RCBPF do have concerns that some of the reporting is backward-looking and this should not be a burden that is undertaken for its own sake but instead as a guide for future action and transition plans, RCBPF therefore take the view that more emphasis should be put in the strategy requirements rather than the reporting requirements.

Question 8: Do you agree with our proposals on the Scheme Climate Risk Report?

The proposal is that the SAB should amalgamate all funds reports and publish an annual Scheme Climate Risk Report, with links to each fund's report

Yes – RCBPF agree, subject to specific prescriptive guidance being produced not just in regard to contents but as a style guide. RCBPF heavily rely on CIPFA guidance for both annual report production and statement of accounts production (and specific areas such as the reporting of management fees). Similar CIPFA guidance on this would be extremely helpful to act not only as a contents checklist but a style-guide on reporting.

Furthermore, specialist auditors should be engaged on the review of such reports to challenge and critique as necessary. This feeds into another potential policy direction, similar to that approach taken in Scotland and Wales, to split out the reporting requirements of the Fund and the Administering Authority when it comes to annual reporting and chart of accounts.

RCBPF's view on this specific point is there is significant inefficiency in maintaining the requirement to include LGPS reports in the administering authorities annual report, splitting this out will likely enable a better audit function of LGPS funds and subsequently better audit of funds climate risk reports.

Question 9: Do you have any comments on the role of the LGPS asset pools in delivering the requirements?

LGPS asset pools should be required to collect and analyse data on behalf of their client funds. This would help to standardise the data collection and reporting which would significantly reduce the cost of obtaining this data through economies of scale. However, pools should be required to provide climate reporting services to all assets, including those not held by the pool in order to achieve this consistency.

RCBPF's strong view is that more legal requirements could be placed on the asset pools. As discussed in our response to the other questions and the general theme across this consultation response, increasing the requirements on pools will likely reduce inefficiencies, increase value for money and promote a more consistent approach than having each of the 86 AA's separately implement the TCFD requirements.

RCBPF are not suggesting that AA's be absolved of any duty in this regard, but instead that pools have a greater legal and reporting responsibility meaning AA's can rely upon the work of the pools. This will likely encourage increased pooling commitment, especially important for those AAs that are resistant to pooling.

RCBPF's general view is that AA's should act more as a reporting function and pools to take the lead on implementation and delivery.

Question 10: Do you agree with our proposed approach to guidance?

The proposal is for the reporting requirements to be set in regulations and for the metrics to be reported on to be set in statutory guidance, to facilitate future changes to metrics as this new area of measurement matures and potentially better metrics become available. A template report will also be provided

RCBPF agree generally but strongly encourage that CIPFA guidance is produced on implementation in practice

RCBPF take the strong view that it is imperative that duplication is minimised, for example, pools are required by the FCA to produce their own TCFD reports and the guidance proposal under this questions refers to a SAB template. This means different reports based on different templates which may lead to wasteful duplication. It is important that the SAB template very closely follows any FCA template if it is not a carbon copy.

Question 11: Do you agree with our proposed approach to knowledge, skills and advice?

The proposal is that, in line with existing knowledge and skills requirements, those involved in decision making on climate related matters should be able to demonstrate they have the skills and knowledge to do so. This would involve decision makers having sufficient knowledge to understand the decision and information they are considering, while taking more expert advice to supplement this where required

RCBPF agree that administering authorities should take proper advice to inform their decision making when it comes to the management and reporting of climate-related risks. We also agree that this should be in line with existing knowledge and skills required of those involved in the fund's decision-making processes. At present, this day-to-day investment decision making is outsourced to our pool, therefore greater ownness should be placed on the asset pools if this policy is to be implemented successfully and without inefficiency.

The consultation statement "AAs will need to satisfy themselves that the advice is high quality and provided by appropriately qualified people" should be ensured in practice by placing legal responsibility on the pools in this regard. If this cannot be done directly, then a joint procurement approach should be strongly encouraged – either by the pools or another cross-LGPS initiative.

The Consultation welcomes responses on whether and how asset pools could jointly procure expert advice for their partner funds. RCBPF do not see this as a pragmatic approach if the appointed advisors and consultants are working independently of the pools. The notion that LGPS funds should all be doing this individually is completely at odds with the LGPS pooling objectives and relevant policy direction in this regard. RCBPF's view is that pool should be producing relevant advice but to enable the pools to implement the TCFD measures in practice and pass on final reports to the AAs which should effectively act as a reporting function.

Question 12: Do you have any comments on the impact of our proposals on protected groups and on how any negative impacts may be mitigated?

RCBPF is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF, alongside the All-Party Parliamentary Group for Local Authority Pension Funds (APPG) has undertaken work on ensuring responsible investment for a Just Transition to Net Zero. RCBPF are supportive that the proposals included in this consultation should ensure a just transition for any protected groups.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Responsible Investment (05/12/2022)

Essential information

Items to be assessed: (please mark 'x')

Strategy		Policy		Plan		Project	x	Service/Procedure	x
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Responsible officer	Damien Pantling	Service area	Pension Fund	Directorate	Finance
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Stage 1: EqlA Screening (mandatory)	Date created: 21/11/2022	Stage 2 : Full assessment (if applicable)	N/A
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Approved by Head of Service / Overseeing group/body / Project Sponsor:

"I am satisfied that an equality impact has been undertaken adequately."

Signed by (print):

Dated:

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Responsible Investment (05/12/2022)

Guidance notes

What is an EqlA and why do we need to do it?

The Equality Act 2010 places a 'General Duty' on all public bodies to have 'due regard' to:

- Eliminating discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advancing equality of opportunity between those with 'protected characteristics' and those without them.
- Fostering good relations between those with 'protected characteristics' and those without them.

EqlAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups. All completed EqlA Screenings are required to be publicly available on the council's website once they have been signed off by the relevant Head of Service or Strategic/Policy/Operational Group or Project Sponsor.

What are the "protected characteristics" under the law?

The following are protected characteristics under the Equality Act 2010: age; disability (including physical, learning and mental health conditions); gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

What's the process for conducting an EqlA?

The process for conducting an EqlA is set out at the end of this document. In brief, a Screening Assessment should be conducted for every new or reviewed strategy, policy, plan, project, service or procedure and the outcome of the Screening Assessment will indicate whether a Full Assessment should be undertaken.

Openness and transparency

RBWM has a 'Specific Duty' to publish information about people affected by our policies and practices. Your completed assessment should be sent to the Strategy & Performance Team for publication to the RBWM website once it has been signed off by the relevant manager, and/or Strategic, Policy, or Operational Group. If your proposals are being made to Cabinet or any other Committee, please append a copy of your completed Screening or Full Assessment to your report.

Enforcement

Judicial review of an authority can be taken by any person, including the Equality and Human Rights Commission (EHRC) or a group of people, with an interest, in respect of alleged failure to comply with the general equality duty. Only the EHRC can enforce the specific duties. A failure to comply with the specific duties may however be used as evidence of a failure to comply with the general duty.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (05/12/2022)

Stage 1 : Screening (Mandatory)

1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?

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.

Following the release of an Environmental, Social and Governance (ESG) public statement in late 2020, the Fund approved a Responsible Investment (RI) policy on 22 March 2021 supported by several values, principles, and priorities. Since then, the Fund has been continuously improving its approach to RI and have been working towards an updated RI policy that was approved by the Committee on 12 October 2022.

This report aims to update the reader quarterly on the Fund's responsible investment activities and outcomes through presenting an RI report and dashboard as aligned with the Fun's RI policy – noting that climate change is one of the underlying priorities in the Fund's revised RI policy and therefore carries material weight in this update. This report also seeks to provide the reader with a suite of key engagement activities undertaken on behalf of the Fund and the outcomes of these engagements.

In addition, this report covers the response to DLUHC's consultation on the Taskforce on Climate-related Financial Disclosures (TCFD) as well as brief update on LPPI's net-zero commitment.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (05/12/2022)

1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as “Not Relevant”.

Protected characteristics	Relevance	Level	Positive/negative	Evidence
Age			N/A	Key data: The estimated median age of the local population is 42.6yrs [Source: ONS mid-year estimates 2020]. An estimated 20.2% of the local population are aged 0-15, and estimated 61% of the local population are aged 16-64yrs and an estimated 18.9% of the local population are aged 65+yrs. [Source: ONS mid-year estimates 2020, taken from Berkshire Observatory]
Disability			N/A	
Gender re-assignment			N/A	
Marriage/civil partnership			N/A	
Pregnancy and maternity			N/A	
Race			N/A	Key data: The 2011 Census indicates that 86.1% of the local population is White and 13.9% of the local population is BAME. The borough has a higher Asian/Asian British population (9.6%) than the South East (5.2%) and England (7.8%). The forthcoming 2021 Census data is expected to show a rise in the BAME population. [Source: 2011 Census, taken from Berkshire Observatory]
Religion and belief			N/A	Key data: The 2011 Census indicates that 62.3% of the local population is Christian, 21.7% no religion, 3.9% Muslim, 2% Sikh, 1.8% Hindu, 0.5% Buddhist, 0.4% other religion, and 0.3% Jewish. [Source: 2011 Census, taken from Berkshire Observatory]
Sex			N/A	Key data: In 2020 an estimated 49.6% of the local population is male and 50.4% female. [Source: ONS mid-year estimates 2020, taken from Berkshire Observatory]
Sexual orientation			N/A	

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ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (05/12/2022)

Outcome, action and public reporting

Screening Assessment Outcome	Yes / No / Not at this stage	Further Action Required / Action to be taken	Responsible Officer and / or Lead Strategic Group	Timescale for Resolution of negative impact / Delivery of positive impact
Was a significant level of negative impact identified?	No	No	Damien Pantling	N/A
Does the strategy, policy, plan etc require amendment to have a positive impact?	No	No	Damien Pantling	N/A

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If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

Stage 2 : Full assessment

2.1 : Scope and define

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
EQUALITY IMPACT ASSESSMENT

EqlA : Responsible Investment (05/12/2022)

2.1.1 Who are the main beneficiaries of the proposed strategy / policy / plan / project / service / procedure? List the groups who the work is targeting/aimed at.

N/A – No full assessment required

2.1.2 Who has been involved in the creation of the proposed strategy / policy / plan / project / service / procedure? List those groups who the work is targeting/aimed at.

N/A – No full assessment required

2.2 : Information gathering/evidence

2.2.1 What secondary data have you used in this assessment? Common sources of secondary data include: censuses, organisational records.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (05/12/2022)

N/A – No full assessment required

2.2.2 What primary data have you used to inform this assessment? *Common sources of primary data include: consultation through interviews, focus groups, questionnaires.*

N/A – No full assessment required

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Eliminate discrimination, harassment, victimisation

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (05/12/2022)

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

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ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (05/12/2022)

Advance equality of opportunity

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

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ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (05/12/2022)

Foster good relations

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					
<p>2.4 Has your delivery plan been updated to incorporate the activities identified in this assessment to mitigate any identified negative impacts? If so please summarise any updates. <i>These could be service, equality, project or other delivery plans. If you did not have sufficient data to complete a thorough impact assessment, then an action should be incorporated to collect this information in the future.</i></p>					
N/A – No full assessment required					

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Report Title:	Pension Fund Annual Report
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 and Advisory Panel – 5 December 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

REPORT SUMMARY

LGPS Funds are required to submit an annual report for the year ended 31 March once its financial accounts have been finalised and audited. The Royal County of Berkshire Pension Fund is administered by the Royal Borough of Windsor and Maidenhead and is therefore subject to full audit sign off of the Administering Authority’s annual report and financial statements before the Fund’s annual report can be finalised.

Whilst the Fund’s annual reports are complete for periods 2019/20, 2020/21 and 2021/22, the Administering Authority’s statement of accounts is still awaiting sign off for 2019/20 and this is expected imminently. As a result, the Pension Fund annual reports have not yet been formally signed off for these periods and with accounting periods still open amendments can still be made.

This report intends to seek approval from the Pension Fund Committee to publish the draft Pension Fund’s annual report for 2021/22 along with re-publication of the 2019/20 and 2021/22 annual reports with some amendments since last presented in December 2021.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

- i) Approves the draft 2021/22 Pension Fund Annual Report for publication on the Pension Fund’s website;**
- ii) Approves the draft 2019/20 and 2020/21 Pension Fund Annual Reports for re-publication following amendments since December 2021 approval.**
- iii) Notes that although the accounts will remain as “draft” officially until the Administering Authority’s accounts are formally signed off, the auditors have recommended these have been reviewed and are fit for public disclosure.**

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

- 2.1. The 2019/20 Administering Authority (RBWM) accounts are yet to be signed off and this is expected imminently, this is a prerequisite for the 2020/21 and 2021/22 RBWM sign off and as a result the Pension Fund annual report and financial statements will not be signed off before the date of this meeting.
- 2.2. The reasons for 2019/20 and 2020/21 RBWM audited accounts still awaiting sign off is due to several issues unrelated to the Pension Fund, the Pension Fund's annual report and the Pension Fund's statements of accounts.
- 2.3. The Committee are advised to note that draft RBWM accounts for all three periods are available online with the Pension Fund financial statements forming part of these documents. Thus, approving the Pension Fund annual report for publication does not put any new accounting information into the public domain.
- 2.4. Deloitte are the Pension Fund and RBWM's auditors and have advised that there are no further material changes required to the Pension Fund annual report for 2021/22. The Pension Fund Committee were given the opportunity to ask Deloitte any questions in private relating to the report and audit at the pre-meet on 1 December 2022. This informal consultation process already took place with Deloitte for 2019/20 and 2020/21 in December 2021 in approving these two annual reports previously.
- 2.5. Deloitte attended the Pension Fund Committee pre-meet on 1 December 2021, giving a verbal update on the status of the audit including the various levels of review of the annual report. The intention of this interaction was to give the Committee visibility around the likelihood of future material adjustments prior to signing off the 2021/22 annual report.
- 2.6. In approving the 2019/20 and 2020/21 annual reports last year, it was agreed that if any changes are required before formal RBWM sign off a report would be taken back to the Pension Fund Committee outlining the changes, the following part of this report addresses these changes.
- 2.7. The key change since publication of the 2019/20 and 2020/21 annual reports in December 2021 is the adoption of an improved method of investment management fee reporting, Data is now collected by a third party (Clearglass) as part of the cost transparency initiative (CTI) in relation to investment management, investment performance and transaction fees. The majority of these fees and charges are taken directly from the assets and are not transparently reported through the accounting reports generated by our custodian bank. CIPFA guidance suggests that where CTI data can be obtained, accounts should be "grossed up" to appropriately account for these fees.
- 2.8. Grossing up is technical an accounting process which refers to the manual adjustment (increase) of costs along with an equal and opposite adjustment (decrease) to the fund account, followed by a balancing adjustment to ensure that there is no change to the closing net asset value reported by the investment managers. This technical adjustment does not affect the closing value of investment assets but more appropriately reflects the true costs of investment management, performance and transactions.

- 2.9. This process was adopted in 2019/20 along with a disclosure note for the change in accounting policy, followed by equal application in 2020/21 and 2021/22.
- 2.10. A further minor change was made in 2019/20 and 2020/21 since last approval in December 2021, that was to account for LPPI's credit fund as a "level 3" or less-liquid holding in the fair-value hierarchy due to the nature of our investment through a limited partnership (LP).
- 2.11. Appendix 1 (2021/22 draft annual report) is attached to this report, however, Appendix 2 (2019/20) and Appendix 3 (2020/21) were approved at the December 2021 meeting and now just have minor amendments. Rather than attach an additional 500 pages to this Committee Report for what has already been materially agreed, these two reports are instead uploaded to the reports section of the [Pension Fund website](#). This link is also provided in the appendices section of the report. It is intended that this process will continue, physically appending only the reports not previously seen by the Pension Fund Committee, whilst there are multiple outstanding annual reports not formally signed off by the administering authority.

3. KEY IMPLICATIONS

- 3.1. Draft accounts "approved in principle" shall be published on the Pension Fund's website following Committee Members approving this decision. It shall be made clear in any publication that finalisation is subject to RBWM audit sign off for 2019/20, 2020/21 and 2021/22.

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1. The grossing-up adjustment applied from 2019/20 is an accounting adjustment that does not affect the closing asset value or the total portfolio value in any of the aforementioned years. Whilst management fees appear to have increased materially, this is to reflect additional transparency on fees that were already in place as opposed to an actual increase in investment management fees.

5. LEGAL IMPLICATIONS

- 5.1. The Administering Authority's audit committee is legally responsible through delegated authority in the constitution for signing off the Administering Authorities accounts, of which the Pension Fund forms part of. The Pension Fund Committee, therefore, do not legally sign off the accounts, instead formal Committee approval of these reports are given for reasons of transparency and good governance.

6. RISK MANAGEMENT

- 6.1. The Pension Fund Committee review and approve a risk register on a quarterly basis, prepared in line with CIPFA's guidance on "managing risks in the LGPS

– 2018”. The latest risk register (including relevant actions and mitigations) has been prepared alongside this report, with any relevant changes considered and documented as appropriate in the quarterly review of the risk management report

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: There are no EQIA impacts as a result of taking this decision. A completed EQIA has been attached at Appendix 4 to this report
- 7.3. Climate change/sustainability: N/A
- 7.4. Data Protection/GDPR. GDPR compliance is included as a specific risk on the register in regard to processing and handling personal data, this is dealt with in the appendix along with the relevant mitigations.

8. CONSULTATION

- 8.1. No official consultation has been undertaken in regard to the review of this report, however, external audit are engaged in the formal review of all annual reports and Committee Members have been given the opportunity to discuss these annual reports outside of the public arena.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1. Dependant on formal sign-off of RBWM’s statement of accounts

10. APPENDICES

- 10.1. This report is supported by 4 Appendices:
 - Appendix 1 – 2021/22 Draft Annual Report
 - Appendix 2* – 2020/21 Draft Annual Report
 - Appendix 3* – 2019/20 Draft Annual Report
 - Appendix 4 – EQIA

**See report section of the [Pension Fund website](#)*

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	08/11/2022	
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	21/11/2022	24/11/2022
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	08/11/2022	25/11/2022
Elaine Browne	Head of Law (Deputy Monitoring Officer)	21/11/2022	
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	21/11/2022	
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	21/11/2022	

13. 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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Royal County of Berkshire Pension Fund

Annual Report and Accounts

2021/2022



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1) PENSION FUND COMMITTEE CHAIRMAN'S INTRODUCTION

It gives me great pleasure as Chairman of the Pension Fund Committee to present the Annual Report and Accounts for the financial year ended 31 March 2022 for the Royal County of Berkshire Pension Fund (the "Fund").

The Royal Borough of Windsor & Maidenhead (RBWM) is the Administering Authority for the Fund and administers the Local Government Pension Scheme (LGPS) on behalf of all Scheme members employed by the 6 Berkshire Unitary Authorities and around 270 other public and private sector employers. The administration team have been able to provide you with a highly professional and efficient service to all employers this year. Their continued professionalism in maintaining the highest standards of service to our Scheme members has been, I am sure, very welcome to all our members, and we can all thank them for this. These high levels of service will continue this year too.

The Berkshire Pension Fund Committee comprises five RBWM Councillors. The Pension Committee also receives invaluable support from the Pension Fund Advisory Panel, which consists of representatives from the other 5 Berkshire Unitary Authorities. Additional assistance is provided by the Fund's independent financial advisors, who have provided us with guidance in managing the funds.

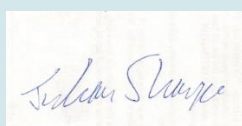
In practice decisions are taken at joint meetings of the Pension Fund Committee and Pension Fund Advisory Panel although only members of the Pension Fund Committee have voting rights.

The Royal County of Berkshire Pension Fund continues to operate under an Advisory Management Agreement with Local Pensions Partnership Investments Limited (LPPI), which continues to be a successful partnership, with them pooling an increasing range of our funds. The Pension Fund Committee remains responsible for setting the investment strategy and strategic allocation of its assets and for monitoring investment performance.

In addition to taking decisions that relate to Fund investments, the Pension Fund Committee has a statutory duty to ensure that the LGPS is governed and administered in line with the government regulations and other associated legislation. I am grateful to members of our local Pension Board for their input and assistance in ensuring that RBWM fulfils its statutory responsibilities.

This year so far we have seen some fluctuations on global markets which has made the outlook somewhat unpredictable when compared to this time last year. But we can never rest and we must always be vigilant, which is why we have this year we have been focusing on our Responsible Investment strategy to ensure that our investments are in line with a more carbon-neutral future. We have also been working to rebalance the portfolio to ensure that our returns are moving in the right direction.

I have great confidence that the Pension team will continue to provide our Scheme members with a high-quality service over the next year.



Councillor Julian Sharpe
Chairman
Berkshire Pension Fund Committee
Berkshire Pension Fund Advisory Panel

2) SCHEME MANAGEMENT

PENSION FUND COMMITTEE (voting) (ELECTED MEMBERS OF THE ADMINISTERING AUTHORITY)

Chairman	Councillor Julian Sharpe
Vice Chairman	Councillor David Hilton
Other members	Councillor Simon Bond
	Councillor Wisdom Da Costa
	Councillor Shamsul Shelim

PENSION FUND ADVISORY PANEL (non-voting)

In addition to the 5 Pension Fund Committee members, the Advisory Panel consists of Elected Members from the other 5 Berkshire Unitary Authorities:

Councillor Ian Leake (Bracknell Forest Borough Council)
Councillor Jo Lovelock (Reading Borough Council) (Final meeting 14 June 2021)
Councillor Jason Brock (Reading Borough Council) (First meeting 20 September 2021, Final meeting 7 March 2022)
Councillor Safdar Ali (Slough Borough Council)
Councillor Alan Law (West Berkshire Council)
Councillor John Kaiser (Wokingham Borough Council) (Final meeting of 7 March 2022)

Dates and attendance of Pension Committee/Advisory Panel meetings

Meeting Dates:

14 June 2021
20 September 2021
15 November 2021 (Supplementary*)
6 December 2021
7 March 2022

Attendance for 2021/22

Name	Number of meetings eligible to attend	Attended
Cllr. Julian Sharpe	5	4 (1*)
Cllr. David Hilton	5	4 (1*)
Cllr. Simon Bond	5	4 (1*)
Cllr. Wisdom Da Costa	5	3**
Cllr. Shamsul Shelim	5	4 (1*)
Cllr. Ian Leake	5	0 (1*)
Cllr. Alan Law	5	0
Cllr Jo Lovelock	1	1
Cllr. Jason Brock	4	3
Cllr. Safdar Ali	5	2
Cllr. John Kaiser	5	3 (1*)

** Cllr. Wisdom Da Costa attended all meetings virtually in a non-voting capacity

ADVISERS

Actuary

Barnett Waddingham LLP

Additional Voluntary Contribution Provider

Prudential Assurance Company

Asset Pool Operator

Local Pensions Partnership (Investments) Limited (LPPI)

Bankers to the Fund

Lloyds Bank PLC

External Auditors

Deloitte LLP

Global Custodian

JP Morgan Worldwide Securities Services

Independent Advisers

The Law Debenture Pension Trustee Corporation (Mr Andrew Harrison until meeting of 7 March 2022)

Mr Rohan Worrall (until meeting of 7 March 2022)

Ms Aoifinn Devitt

Lawyers

Osborne Clarke LLP

Royal Borough of Windsor & Maidenhead Pension Fund Senior Officers

Director of Resources and s151 Officer Adele Taylor

Head of Finance and Dep. s151 Officer Andrew Vallance

Interim Head of Pension Fund Ian Coleman (to 31 October 2021)

Head of Pension Fund Damien Pantling (From 1 September 2021)

Scheme Administrators

In-house pension administration team

PENSION BOARD

In accordance with the provisions of the Public Service Pensions Act 2013 a Pension Board was constituted on 22 July 2015.

Chairman	Mr Alan Cross
Vice-Chairman	Mr Arthur Parker
Employer Representatives	Mrs Nikki Craig (RBWM) Mr Arthur Parker (Bracknell Forest Council)
1 Vacancy	
Scheme Member Representatives	Mr Alan Cross (Deferred Scheme Member) Mr Jeff Ford (Active Scheme member) Mr Tony Pettitt (Retired Scheme member) (until 17 February 2022)
1 Vacancy	
Substitutes	Mr Kieron Finlay (University of West London) Mr Julian Curzon (Haybrook College Trust)

Dates and attendance of Pension Board meetings 2021-22:

Meeting Dates:

27 May 2021

2 September 2021

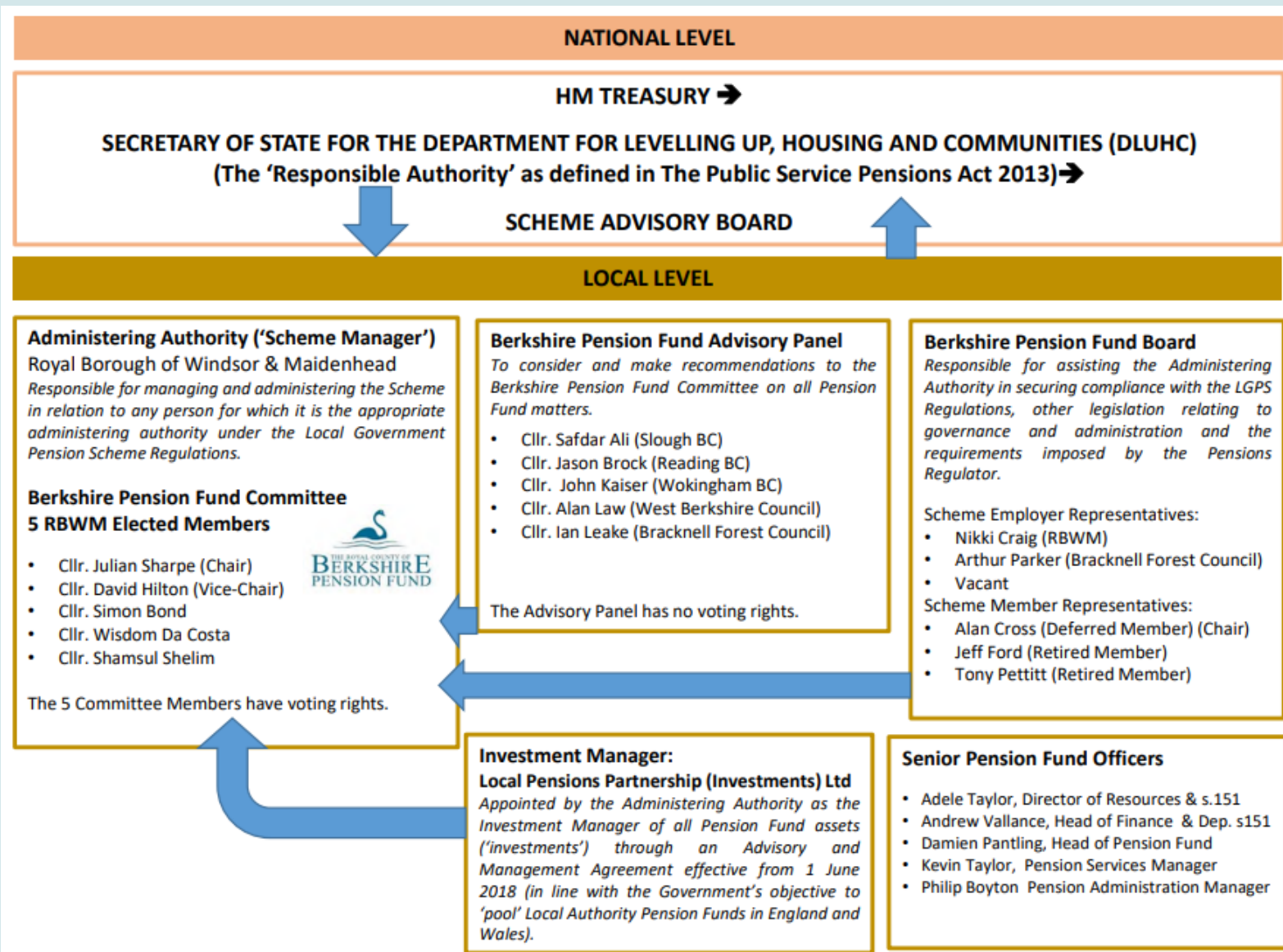
18 November 2021

17 February 2022

Attendance for 2021/22

Name	Number of meetings eligible to attend	Attended
Nikki Craig	4	3
Alan Cross	4	4
Jeff Ford	4	4
Arthur Parker	4	3
Tony Pettitt	4	0
Julian Curzon	4	2
Kieron Finlay	4	2

The following structure chart reflects the Pension Fund’s governance arrangements as at 31 March 2022:



PENSION BOARD STATEMENT: APRIL 2021 – MARCH 2022

The Pension Board (“the Board”) has been established to meet the requirements defined in the Public Services Pensions Act 2013. The Board’s statutory duties are to:

- Ensure the Fund’s compliance with legislation, regulation and guidance, along with the Pension Regulator’s (TPR) requirements;
- Ensure that the Fund’s governance and Scheme administration is effective and efficient.

The Board focuses mainly on governance and administration issues through the management of a clearly defined work programme of reviews, monitored through an action tracker. In addition, the Board has sought to deliver effective advice and assurance in line with the agreed Terms of Reference and the Administering Authority’s Constitution.

During 2021/22 the Board’s meetings have occurred using a hybrid arrangement with some members meeting in person with Fund officers and others attending virtually using Zoom & Teams. As the Board is not formally a committee with any significant decision-making powers, it is envisaged that the Board will continue to meet that way for the foreseeable future. The Board has continued the process of developing the knowledge and skills of the Board members to enable them to undertake their duties with confidence.

Following the authority’s Governance review, work has been undertaken to review the Board’s operation which it is expected will be concluded in 2022/23 with the present Board vacancies being filled and clear Board membership review arrangements being put in place. Time has been given to the compliance of the Fund’s administration, reviewing statutory documentation as it has been published throughout the year and building on the positive outcome of the internal audit of the Administering Authority’s compliance with the TPR Code of Practice 14. Particular attention has been given to the review of the Fund’s refreshed Risk Register.

The recent past has been a period of transition for all Local Government Pension Funds including the Royal County of Berkshire Pension Fund. In Berkshire, all investment assets have been transferred to LPPI’s management but there remain legacy assets to transfer to the LPPI pool as investment conditions permit.

Nationally, amendments to scheme regulations and over-arching legislation, plus numerous and complex Government consultations to consider, has made it a demanding time for all connected with Local Government Pension Funds. Add to this the scrutiny of the Pensions Regulator and it is clear that Fund governance and administration of the Local Government Pension Scheme (LGPS) is more important than ever and a challenge to which the Pension team has in the past, and will in the future, continue to meet.

The Board normally meets a few weeks before the Pension Committee so as far as practical Board members can consider and provide input to (draft) Committee papers ahead of any required decision being made. The Board continues to keep under review the Pension Committee’s work-plan offering whatever assistance it can give to the Administering Authority in fulfilling its statutory duties of governance and administration, with the Chair of the Board normally attending the Pension Committee meetings. There will always be room for improvement but the work of the Board helps to establish clear priorities for future activity.

3) ADMINISTRATION REPORT

Introduction

The Royal Borough of Windsor and Maidenhead acts as the Administering Authority for the Royal County of Berkshire Pension Fund (“Pension Fund”) and is the Pension Fund for local government employees across the County of Berkshire who all contribute to the Local Government Pension Scheme (LGPS). The benefit entitlement for Scheme members of the LGPS is set out by the Local Government Pension Scheme Regulations 2013 (as amended) and other associated legislation.

While employee pension contributions and benefits payable are set by Regulation, employer pension contributions are actuarially assessed at each valuation of the Pension Fund and areas of discretion are subject to local policies determined by each participating Scheme employer.

Value for Money Statement

The Royal County of Berkshire Pension Fund is committed to providing and delivering the highest standards of performance and customer service to all stakeholders. To achieve this the Pension Fund in line ensures compliance with the Local Government Pension Scheme Regulations, wider pensions and other associated legislation and the requirements of the Pensions Regulator.

The Fund is responsive to change and utilises the most up-to-date technologies in order to administer the scheme in the most, efficient and cost-effective way. The long-term interests of current and former scheme members are aligned closely with the Fund’s commitment to maintaining value for money in all activities and practices.

The Berkshire Pension Fund Committee (“the Committee”), made up of 5 Elected Members of the Administering Authority (the Royal Borough of Windsor & Maidenhead (RBWM)), has overall responsibility for the Pension Fund. Each quarter, the Committee receives an operational performance report which sets out the strategic and operational administration aims to maximise efficiencies and service standards. Each year a business plan is reported to the Committee which reflects on the past years’ achievements and the Funds objectives in the short and medium-term.

As the administration of the LGPS becomes ever-more complex the administration team are required to maintain increasing membership numbers, employer admissions and workloads. Despite this, staffing numbers have remained relatively constant. The results of a recent recruitment and retention survey undertaken by the Local Government Association (LGA) showed, at the time of issue, that the Pension Fund maintains 4,069 records per administrator against an average of 2,453. This is reflected in the fact that the team is made up of 18.73 FTE staff against an average of 39.51FTE identified in the survey.

The average unit cost, or cost of running the administration function per member record is £23.45 per annum, based on total administration costs of £2.115m and 83,092 member records.

The Pension Fund consistently delivers high service levels to all stakeholders. As reported each quarter to the Committee, the key performance indicators are measured against locally agreed targets which are much more challenging than those put forward by CIPFA as the Industry Standard Performance Indicators. Even so, the Pension Fund consistently reports performance targets achieved in excess of 95%.

The Pension Fund prides itself in the quality of data that it holds achieving a common data score of 98.9% and a scheme specific data score of 95% in the 2021 data quality exercise, details that are report to the Pensions Regulator.

Customer Satisfaction

The landscape of the LGPS continues to evolve greatly resulting in the need for our administration team to continue using a variety of methods to understand our Scheme members' and Scheme employers' needs. Their needs, experiences of the service we provide, and their perception of the Pension Fund help us to continually improve and become more efficient and effective.

The 1 April 2014 saw a significant change to the LGPS with the introduction of a Career Average Scheme, fundamentally different to the Final Salary Scheme previously in place. This event undoubtedly made the LGPS more complex to administer with increased scrutiny from the Pensions Regulator.

Due to the global Coronavirus pandemic the administration team was quick to identify the immediate need to adopt and accept new ways of working whilst at the same time adapting long standing processes. This all aimed at continuing to provide the high standard of service our Scheme employers and their Scheme members have come to expect during unprecedented times of upheaval for many. It is pleasing that the equipment made available to the administration team by the Administering Authority has meant the transition from office to home working has remained seamless, helping us to maintain the confidence of all our stakeholders.

Going forward the administration team will continue to be pro-active and provide timely and accurate information to all Scheme members ensuring that they are aware of all changes to the Scheme and what any changes, including retrospective changes, will make to their pension benefits. Also continuing to ensure Scheme employers are fully educated about the Scheme, they understand their responsibilities and the consequences of their failure to adhere to them.

Compliance with Communications Policy Statement

Under Regulation 61 of the Local Government Pension Scheme Regulations 2013 (as amended) The Royal Borough of Windsor & Maidenhead, in its role as Administering Authority to the Pension Fund, is required to publish a statement of policy concerning communications.

This policy statement can be found at Appendix 1 and deals with the methods of communication between the Administering Authority, Scheme members and Scheme employers of the Pension Fund. The Administering Authority keeps the policy statement under review.

➤ Communication with Scheme Employers

Annual Scheme Employers' Meeting

All Scheme employers were invited to attend a remote meeting on Tuesday, 15 March 2022. Attendees were provided with a review of the work undertaken by the administration team during the last scheme year, a legislative update that included information about the McCloud Judgement and Pension Dashboards Programme, and an actuarial update delivered by the Pension Fund Actuary, Barnett Waddingham.

Training for Scheme Employers

The Pension Team continues to hold ad-hoc training sessions throughout the year on request. These sessions are designed to educate both new and current Scheme employers about the important role they play in helping the team administer the Scheme and the importance of holding clean and accurate data to process benefits quickly and efficiently. These sessions were well received with the team immediately seeing a more proactive approach towards the submission and quality of data by Scheme employers.

Regular Updates on the LGPS

“*The Inscribe*” bulletin is distributed to Scheme employers on a quarterly and, where necessary, ad-hoc basis along with other global emails distributed to Scheme employers when deemed necessary.

Pension Fund website

The Pension Fund website continues to prove a valuable source of information for our Scheme employers and their Scheme members.

The website contains sections dedicated to the following:

- Current Scheme members
- Deferred Scheme members
- Retired Scheme members
- Councillor Scheme members
- Scheme employers

The website has been described as easily accessible and includes many links making navigation user friendly. Even so, during the coming months the administration team will review and remodel the website to ensure Scheme members continue to have a quick and easy to use point of reference and are aware of the impact any changes to the Scheme will make to their pension benefits. Also, to ensure the same experience continues to be afforded to Scheme employers to help continually educate them and understand their responsibilities.

The website address is www.berkshirepensions.org.uk

Employer Self Service (ESS)

The Pension Fund launched ESS on 19 October 2017. ESS is accessible to all registered Scheme employers and enables them to view and amend their own Scheme members' pension data remotely and securely from the comfort of their workplace.

ESS also enables Scheme employers to calculate quickly and efficiently the value of their Scheme members benefits and any respective strain cost payable thus avoiding the need to contact the administration team.

The Pension Fund is aware of the software providers plans to decommission ESS before March 2023 having undertaken a significant piece of work beforehand to evaluate which of the key areas of ESS functionality should be developed in i-connect Software. The Pension Fund looks forward to continuing to work with the software provider to ensure i-connect Software meets the needs of our Scheme employers.

i-connect Software

The Pension Fund continues to build on the success it has experienced since February 2016 with data in respect of 91% of the total active Scheme membership now submitted to the Pension Fund monthly. This is an increase of 5% compared to the previous year. We continue to pro-actively work closely together with our Scheme employers of all sizes who are yet to on board the service to ensure they can realise the benefits of the service as quickly as possible.

Overall, this has saved the team significant administration time by removing the need for manual input, but most importantly helping maintain the accuracy of member data. No doubt Scheme employers and the team will continue to benefit from this service throughout the next 12 months.

General Guidance and Assistance

The pension administration team can be contacted during normal office hours. There is a dedicated help-line 01628 796668 and a dedicated email help desk (info@berkshirepensions.org.uk).

Promotional Services

The Pension Fund continues to produce and publish scheme guides and factsheets relating to specific pension topics all of which are available for download from the Pension Fund website. These are constantly reviewed and updated to keep pace with the ever evolving Local Government Pension Scheme.

➤ **Communication with All Scheme Members**

Member Self Service - 'my pension ONLINE'

The Pension Fund's 'my pension ONLINE' service enables Scheme members to securely access and update your own pension details using a variety of different devices - desktop PC, laptop, tablet, or smartphone.

The service continues to prove popular with over 21,700 Scheme members now registered, which represents approximately 40% of the total Scheme membership the service is accessible to. Registered Scheme members' can quickly gain access to their own pension record to check their details are correct and calculate the current and future value of their own benefits and their dependants. This removes the need to contact the Pension Team and wait for an estimate to be sent to them.

Welcome Pack

With the implementation of 'my pension ONLINE' each new member receives a letter containing an activation code and guidance as to how to access their welcome pack online. If a member chooses not to register for 'my pension ONLINE' a paper version of the welcome pack will be sent to the member's home address upon request.

Annual Benefit Statements

Each active and deferred member of the pension scheme receives an annual benefit statement. With the availability of 'my pension ONLINE' these statements are available for viewing, downloading, or printing on-line and means the Pension Fund only issues a paper statement to 3,403 active and deferred Scheme members combined. This number will decrease as the Scheme membership types move to receiving their benefits and individuals join the Scheme and default to the 'my pension ONLINE' service.

The Annual Benefit Statement provides details of benefits built up to 31st March the previous year, benefits projected to Normal Pension Age, death in service benefits and details of the member's nominated beneficiaries.

Pension Surgeries

During the year two pension surgeries were held at each of the six Unitary Authorities with additional pension surgeries being held at other employer locations upon request. These pension surgeries have all been held remotely using Microsoft Teams and very well received who made pre-arranged appointments, providing an opportunity for Scheme members to discuss any aspect of their pension benefits. The administration team met with 310 Scheme members across the pension surgeries held. To accompany these pension surgeries the

administration team provide pre-retirement courses and presentations aimed at those Scheme members considering retirement in the near future.

Newsletters

The Pension Fund produces and distributes bi-annual newsletters. *'The Quill'* is issued to active and deferred Scheme members and *'The Scribe'* is issued to pensioner and dependant Scheme members. Both continue to be very well received by Scheme members. Since the implementation of 'my pension ONLINE' newsletters are available for viewing, downloading or printing on-line.

Annual Meeting

All Scheme members were invited to attend a remote meeting on Thursday, 16 December 2021. Attendees were provided with a review of the work undertaken by the administration team during the last scheme year, a legislative update that included information about the McCloud Judgement and Pension Dashboards Programme, an investments update delivered by the Local Pensions Partnership Investments Limited (LPPI), and an actuarial update delivered by the Pension Fund Actuary, Barnett Waddingham.

➤ **Communication with Pensioner and Dependant Scheme Members**

The Pension Fund has a dedicated payroll team dealing with former Scheme members now receiving payment of their pension benefits. As well as responding to their enquiries the payroll team are responsible for ensuring we meet our regulatory requirements.

Pension Payslips

The administration team has issued payslips in accordance with its 50 pence variance rule each month and before payment has been made. The Retired Members area of the Pension Fund website provides a detailed explanation of a payslip. Since the implementation of 'my pension ONLINE' payslips are available for viewing, downloading and printing on-line.

P60s

The administration team issued P60s to all pensioner and dependant Scheme members in April 2021 well in advance of the HMRC deadline. The Retired Scheme Members area of the Pension Fund website provides a detailed explanation of a P60, which was also contained in our Spring edition of *'The Scribe'*. Since the implementation of 'my pension ONLINE' P60s are available for viewing, downloading and printing on-line in a format approved by HM Revenue & Customs.

Annual Pension Increase Notice

Pensions are reviewed annually each April under the Pensions Increase Act as prescribed by Social Security legislation in line with the upgrading of various state benefits and is determined by the percentage increase in the Consumer Price Index (CPI) to the preceding September.

Pensions were increased by 0.5% from 12 April 2021 and represents the increase in the CPI index for the 12-month period to the 30 September 2020. Pensions increase is normally applied to pensioners who are age 55 or over, or have retired at any age on ill-health grounds or those in receipt of a dependant's pension.

A member who retired during the financial year will have a proportionate increase applied. The Pension Fund issued a notification to all pensioner and dependant Scheme members in April 2020 providing details of their increase awarded from 12 April 2021.

Tell Us Once (TUO)

A service designed to provide Pension Funds with details of those members having died and their next of kin via the General Registry Office (GRO), the Pension Fund was one of the first Local Government Pension Funds to on board and upload membership data and since going LIVE in March 2016 has received 1,603 notifications with 292 of these received between 1 April 2021 and 31 March 2022.

The service continues to prove a successful addition helping the Pension Fund contact the next of kin more quickly and avoid any potential overpayment of benefits.

National Fraud Initiative

The Cabinet Office is responsible for the National Fraud Initiative. The Pension Fund participates in the National Fraud Initiative (NFI). Since April 2015 the NFI has been conducted using data matching powers bestowed on the Minister for the Cabinet Office by Part 6 of the Local Audit and Accountability Act 2014.

The NFI is a data matching exercise to assist in the prevention and detection of fraud which is undertaken every two years. NFI is primarily used by the Pension Fund to ensure an annual pension is not continued to be paid after a member has died.

The Pension Fund has access to several methods to eliminate the risk of an annual pension continuing to be paid after the death of a member. A family bereavement is a challenging time, so in addition to notification by friends and family, the Pension Fund checks mortality of all pensioners and dependents, on a monthly basis, via an external database and also uses the services of the "Tell Us Once Service" operated by DWP which automatically notifies the Pension Fund when a death is registered. Following the NFI 2020 data matching exercise undertaken in October 2020, there were no cases where an annual pension had continued to be paid following a member's death.

Management Performance

Key Administration Performance Indicators

The Pension Fund monitors the time it takes to complete procedures. The key foundation to achieving the performance standards we set to complete procedures is by ensuring we maintain quality data.

Our key procedures reported to the Pension Board, Pension Fund Committee and Pension Fund Advisory Panel on a quarterly basis are:

- Inputting of new Scheme members,
- Payment of deceased benefits,
- Payment of retirement benefits, and
- Payment of Refund of Contributions

Performance for these key procedures over the year was 97.87%, which is an increase of 0.26% on the 2020/2021 year. From 1 April 2021 the Pension Fund moved away from reporting performance in respect of the processing of early leavers and instead began reporting performance in respect of the processing of deceased benefits. A summary of achievement in each area is shown in the table below:

Administration Team Performance		2020/2021			2021/2022		
Case Type	Target (working days)	Number received	Number within target	% within target	Number received	Number within target	% within target
Inputting of new Scheme members	20	4,608	4,577	99.33	7,043	6,983	99.15
Processing of deceased benefits	5	n/a	n/a	n/a	205	162	79.02
Payment of retirement benefits	5	1,258	1,185	94.17	1,567	1,473	94.00
Payment of Refund of Contributions	10	600	598	99.76	546	544	99.63

Complaints

The administration team monitor the complaints received monthly and ensure we respond promptly having investigated thoroughly and learn from them to improve the service.

The complaints are monitored in two distinct ways:

- Complaints about our service and the way we apply the regulations; and
- Under the LGPS Regulations Scheme members can use a three stage Internal Dispute Resolution Procedure (IDRP) to settle any disagreement or complaint that they may have about decisions made under scheme rules.

The table below shows the number of complaints in each category. These represent a minimal percentage when compared to more than 34,800 procedures carried out in 2021/2022.

Administration Team Performance		2020/2021			2021/2022		
Case Type	Target (working days)	Number received	Number within target	% within target	Number received	Number within target	% within target
Service	10	2	2	100	3	3	100
IDRP	n/a	1	1	100	2	2	100

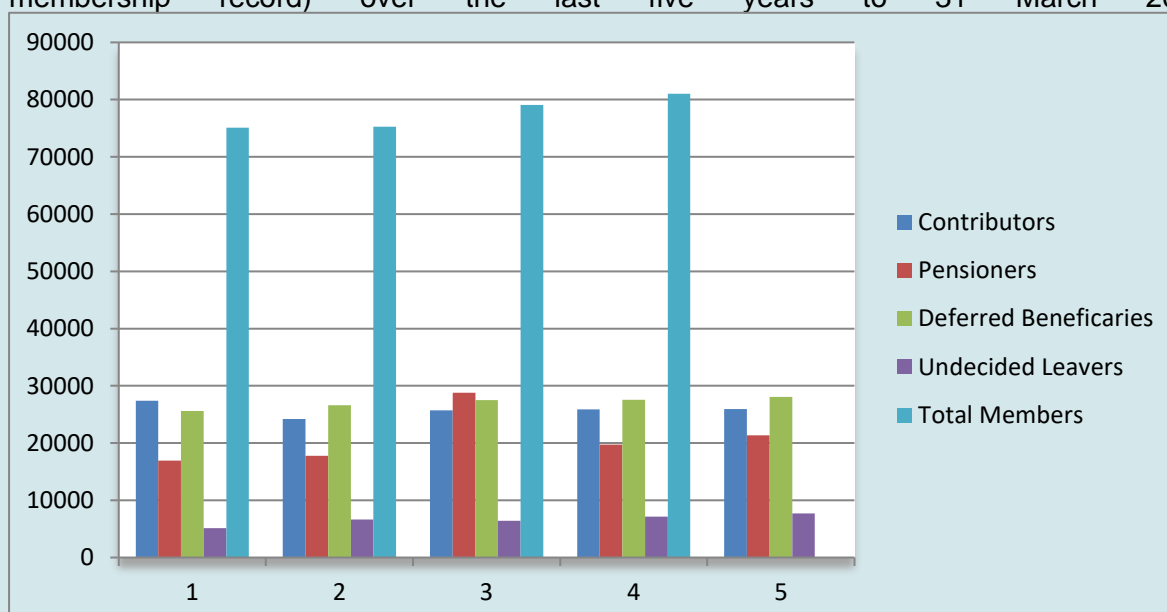
Key Staffing and Scheme Membership Numbers

Staffing – The administration team is made up of the following team members:

Year	2020/2021	2021/2022
Head of Pension Fund	n/a	1.0
Pension Services Manager	1.0	0.7
Pension Administration Manager	1.0	1.0
Deputy Pension Administration Manager	1.0	0.6
Assistant Pension Manager (Communications)	1.0	1.0
Pension Fund Finance Officer	1.0	1.0
Corporate Accountant (Pensions)	1.0	1.0
Technical Analyst	0.7	0.8
Assistant Technical Analyst	1.0	1.0
Senior Pension Administrators	2.0	2.0
Pension Administrators	6.5	6.5
Trainee Pension Administrators	3.0	3.0
Payroll Supervisor	0.8	0.9
Pension & Payroll Administrator	1.0	1.0
Clerical Support	0.6	0.6
Total	21.6	22.1

Scheme Membership

Scheme membership of the Pension Fund continues to grow. The chart and table overleaf show the number of contributors, pensioners (including dependants) deferred beneficiaries, and deferred refund member records (individuals may have more than one Scheme membership record) over the last five years to 31 March 2022.



	31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2022
Contributors	27,369	24,203	25,695	25,887	25,959
Pensioners	16,955	17,763	18,785	19,720	21,356
Deferred Beneficiaries	25,624	26,626	27,510	27,575	28,087
Deferred Refunds	5,127	6,650	6,408	7,170	7,690
Total Scheme Members	<u>75,075</u>	<u>75,242</u>	<u>78,398</u>	<u>80,352</u>	<u>83,092</u>

NOTES:

- Contributors are employees currently contributing to the Local Government Pension Scheme and include some employees who have more than one contract of employment, each contract being treated separately for administration purposes.
- Pensioner Scheme members are in receipt of a pension and include all dependants of former Scheme members.
- Deferred beneficiaries are former contributors who have elected to retain their rights in the Scheme until such time as they become payable.
- Deferred Refunds are former contributors who have an entitlement to receive a return of contributions paid, less mandatory deductions.

Pension Team Administrator and Scheme Member Ratio

The result is a large Pension Fund being administered by a small team. The administrator (from Technical Analyst to Clerical Officer) to scheme member ratio remains consistent with the previous year at 1:5258 with the administration team continuing to provide a highly regarded and professional service across the entire Scheme membership.

Benefit Movements: 2021/2022 Admissions and Withdrawals from the Pension Fund

Admissions to the Pension Fund

Reason	Total
Scheme members with no known previous LGPS membership outside of Pension Fund	3,786
Scheme members who transferred in their benefit entitlement from another LGPS Pension Funds	165
Scheme members who transferred in their benefit entitlement another type of pension schemes	114

Withdrawals from the Pension Fund

Reason	Total
Scheme members entitled to deferred benefits	1,508
Scheme members entitled to deferred contribution refund	522
Scheme members awarded retirement benefits	466
	Type of retirement benefits:
	- Early / Normal: 248

	<ul style="list-style-type: none"> - Employer Consent: 8 - Flexible: 8 - Ill Health: 18 - Redundancy / Efficiency: 58 - Late: 126
Scheme members who died whilst in service	30
Scheme members who merged benefits with other entitlement within Pension Fund	1180
Scheme members who transferred out their benefit entitlement to another LGPS Pension Fund	324
Scheme members who transferred out their benefit entitlement to another type of pension scheme	54

Scheme Employer Details

A summary of the number of scheme employers in the Pension Fund analysed by Scheduled Bodies and Admitted Bodies with actively contributing Scheme members and with no actively contributing Scheme members, but with some outstanding pension liabilities, is given in the table below:

Employer Type	Active Contributors	No Active Contributors	Total
<i>Admitted Body</i>	61	82	143
<i>Scheduled Body</i>	136	121	257
Total	197	203	400

Benchmarking

The Pension Fund has not taken part in any formal benchmarking exercise since 2006 but is always prepared to take the opportunity to compare ourselves against other Pension Funds of a comparable size in terms of Scheme membership.

Gathering Assurance and Data Quality

The Pension Fund recognises the importance of gathering assurance over the effective and efficient operation of the pension and payroll administration software used, *altair*. Provided by Heywood Pension Technologies, both our teams utilise the workflow functionality afforded to us ensuring thorough checks are performed by senior members of the team in all areas of administration.

In addition, it is fundamentally important to measure the presence and accuracy of both Common and Scheme Specific data held to administer benefits on behalf of Scheme members and their beneficiaries and to have plans in place to resolve discrepancies where they are found. In consideration of the Pension Regulators (tPR) requirements in this area the Pension Fund has an agreement with Heywood Pension Technologies to produce annually the respective data results including a breakdown of all failures. Feedback continues to be received that the results are well above average.

The exercise of monitoring the accuracy of data demonstrates how serious the Pension Fund is regarding holding accurate data on behalf of Scheme members and their beneficiaries.

Data Type	2018 Results	2019 Results	2020 Results	2021 Results
	%	%	%	%
Common	91.30	92.40	98.90	98.90

Scheme Specific	86.10	91.30	94.50	95.00
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The Pension Fund is also proactive in responding to enquiries received from both internal and external auditors, the Royal Borough of Windsor and Maidenhead and Deloitte UK respectively.

The Future

The Pension Fund will continue to take the threat posed by the Coronavirus extremely seriously with the health, safety and well-being of our team members, Scheme employers, Scheme members and all other parties we are associated with being one of our main priorities.

Together with the Royal Borough of Windsor & Maidenhead, as administering authority to the Pension Fund, comprehensive Business Continuity Plans remain in place which include detailed Disaster Recovery processes. These plans include the ability for the Pension Team to work remotely allowing us to remain completely committed and to focus our efforts on communicating with both our Scheme employers and their Scheme members in the quick and efficient way they have come to expect.

Therefore, in addition to the Pension Team's day to day activities including the training and development needs of the team we will aspire to:

- Continue to increase the number of registered users of 'my pension ONLINE' by conducting further promotional events with each scheme employer authority to actively encourage scheme member take up by increasing the number of visits to the site.
- Continue to respond to consultations on scheme arrangements and implement changed structures due to amending legislation.
- Continue to liaise with all Scheme employers to ensure that clean and accurate data is consistently provided, and appropriate processes and procedures are in place to comply with scheme regulations and other associated legislation.
- Continue to undertake data validation and integrity checks for data which is issued by HMRC in respect of the GMP Reconciliation exercise in order that the correct state benefits are recorded and paid.
- Continue to undertake an annual data quality exercise in accordance with The Pensions Regulator's (tPR) Code of Practice 14 requirements and report findings to both the Pension Fund Committee and tPR. Update and endeavour to correct discrepancies identified.
- Continue to pro-actively work closely together with our Scheme employers of all sizes who are yet to on board i-connect Software to ensure they can realise the benefits of the service as quickly as possible.

Customer service will continue to be a priority as the next few years will be challenging for both Scheme members and Scheme employers. We will continue to endeavour to introduce further efficiencies and better ways of working to further improve on the systems that are currently in place. These improvements will be delivered to not only ensure the quality of our Scheme member data is maintained to the standard required by tPR but is also protected as required by Government Data Protection Regulation (GDPR).

I would like to take the opportunity to record my sincere thanks to all team members involved in the administration of the Scheme, not only for the work done over the last scheme year but also for their enthusiasm to embrace change and meet ever changing regulatory and stakeholder requirements.

4) INVESTMENT REPORT

Background:

In continuing with the UK Government's initiative for Local Government Pension Scheme Funds to take advantage of pooling their investments, the management of the Royal County of Berkshire Pension Fund's ("the Fund") assets has transferred to the Local Pensions Partnership Investments ("LPPI"). The assets remain the legal property of the Fund.

LPPI has set up and oversees the investment of seven pooled fund vehicles across a number of asset classes, which the Fund invests in to varying degrees. LPPI also oversees the Fund's 'on-balance sheet' assets that remain outside of the pooled funds. A significant amount of work has been undertaken by LPPI in relation to the Fund's on-balance sheet assets since the Fund joined the pool, and opportunities continue to be sought to increase the Fund's investments into the LPPI pooled fund vehicles.

As at 31 March 2022, c.77% of the Fund's total assets have been pooled with LPPI – increasing from c.75% as at 31 March 2021 and c.40% as at 31 March 2020. Pooling brings with it benefits such as a lowering of costs.

Asset allocation:

The Fund's asset allocation can be seen in the following table:

Asset Class	31-Mar-22		31-Mar-21	
	Actual weighting	Target Weighting	Actual Weighting	Target Weighting
Credit	12.5%	12.0%	12.9%	16.0%
Diversifying Strategies	0.0%	0.0%	3.7%	4.0%
Fixed Income	2.8%	2.5%	2.8%	3.0%
Infrastructure	10.2%	12.5%	6.8%	12.5%
Private Equity	14.2%	15.0%	12.7%	10.0%
Public Equities	45.0%	45.0%	44.2%	40.0%
Real Estate	12.9%	12.0%	12.7%	13.5%
Cash	2.3%	1.0%	4.3%	1.0%
	100.0%	100.0%	100.0%	100.0%

N.B. "Target Weighting" shown above represents the agreed Strategic Asset Allocation ('SAA').

Adjustments were made to the Fund's SAA over the year, with an increase in target weightings to Public Equity and Private Equity and reductions in the target weightings to Credit, Fixed Income and Real Estate. It was also agreed during the year that the allocation to Diversifying Strategies would be fully redeemed, a process which remains ongoing.

The Fund's Cash allocation reduced over the twelve-month period, with the allocations to Infrastructure and Private Equity increasing most notably over the period.

Performance*:

The Fund returned +12.5% over the twelve-month period to the end of March 2022. This represents an outperformance of +5.7% against the Fund's Actuarial Target and a +2.8% outperformance versus the Fund's Policy Portfolio Benchmark over the period.

The +12.5% absolute return was driven by double-digit gains in all asset classes except for Credit, which returned +7.3%, and Fixed Income, which returned -2.0% over the twelve-months. Notably strong returns were seen from Private Equity, which returned +39.5%,

Diversifying Strategies, which returned +17.5%, and Infrastructure, which returned +14.5% over the twelve months. However, it should be noted that Private Equity and Infrastructure, in particular, have lagged returns due to the illiquid nature of the asset classes.

Fixed income was the only asset class to generate a negative absolute return over the twelve-months, largely driven by the rise in bond yields seen over the period. However, the LPPI Fixed Income Fund's low interest rate exposure was a factor in driving its +2.2% outperformance against its benchmark.

Despite Public Equities returning +11.2% over the year, it was one of only two asset classes to underperform over the period, by -1.1% against its MSCI AC World Index benchmark. This underperformance predominantly arose in the first three-months of 2022, where the market rotation into cyclical and commodity stocks, where the LPPI Global Equities Fund is underweight, more than offset the outperformance seen in the prior nine-months.

The only other asset class to underperform its benchmark was Real Estate, which returned +11.8% over the twelve-months against a benchmark return of +15.9%. Whilst the Fund's holdings in the LPPI Real Estate Fund benefitted from a high weighting to the Industrial and Logistics sectors, the Fund's on-balance sheet holdings weighed on returns.

Over the three-years to the end of March 2022 the Fund had returned +8.0% p.a., outperforming its Actuarial Target by +1.4% p.a. but underperforming its Policy Portfolio Benchmark by -0.9% p.a. Strong absolute returns have been seen from Private Equity (+17.8% p.a.), Infrastructure (+15.0% p.a.) and Public Equities (+10.8% p.a.) over the three-year period.

**Fund performance over the 12 months to March 2022 disclosed in this section was calculated using valuations obtainable at March 2022. Due to the quarterly-lagged valuations of private market assets, the relevant pricing information for this tranche was not available at the time of writing this report. In the months following 31 March 2022 asset valuations have been undertaken and this accounts for any difference between the performance shown in this investment performance report and any subsequent accounting positions at that date.*

Economic Update:

The latest fiscal year was a tale of two folds – a strong economic recovery in the first three quarters followed by an increasingly challenging macroeconomic backdrop in Q1 2022, with financial conditions tightening, growth expectations being revised lower and inflation readings rising to multi-decade highs. In this environment, risk assets exhibited a similar pattern of strong returns until the end of the calendar year, followed by a significant correction in Q1 2022.

On a regional basis, the UK economy expanded the most, but this followed the deepest contraction in 2020 among major developed economies. In fact, the UK GDP rose above its pre-pandemic level just in Q1 2022. Consumer spending was the key driver behind the expansion (with a shift from goods toward services spending), whilst government spending contribution to growth was much more moderate (amid much less Covid-19 related spending). US GDP, which was relatively unscathed by the pandemic (with a recovery of the previous output lost already by the end of 2020), continued to expand strongly. However, there were notable fluctuations emanating from big inventory build-ups and unwinds, highlighting the supply chain disruptions present in the global economy.

Eurozone GDP expanded strongly in Q2 and Q3 2021, however, during the last two quarters of The Fund's fiscal year saw a significant drop in the region's growth. The common currency economy has been much more impacted by Russia's invasion of Ukraine in February 2022 due to its higher dependency in oil and natural gas imports from the former, as well as its stronger overall trade ties. Many companies announced plans to withdraw and shut down their Russian operations quickly in the weeks following Russia's invasion. The latter has contributed

to an even more acute increase in food prices (with Ukraine's significant wheat production and trade being impaired) as well as oil and natural gas prices.

These have fed into the common theme of rising inflation, especially since Q4 2021. Strong demand at first for certain types of goods and services amid economies' "re-opening" post Covid-19, soon morphed to a persistent excess demand over supply, fuelling widespread price increases. Central banks, after standing behind a narrative of "temporary price increases" acknowledged that inflation peaks will be significantly higher than previously assumed and that prices decline to the central bank targets will take much longer. To facilitate this path, they pivoted quickly to a less accommodative policy stance with the Bank of England leading interest rate hikes and the Fed moving shortly thereafter.

Global Equities posted high single digit returns over the fiscal year, with developed market equities finishing with significant positive returns, despite their decrease in Q1 2022, whilst emerging market equities trailed for another year. The latter exhibited strongly negative returns due to poor performance from Chinese, Hong Kong, and South Korean shares. Markets with high energy and commodity exposure, such as the UK were top performers, whilst Eurozone, Japanese and highly valued US technology shares lagged across developed markets.

Despite a challenging start this year, equity fundamentals have not deteriorated significantly. Q1 2022 earnings results held up relatively well for S&P 500 companies in general, as well as other equity markets. Strong demand has enabled companies to pass on cost increases to consumers and maintain margins so far. Having said that, weaker guidance and corporate sentiment have started to translate to a downgrade of analysts near and medium-term earnings forecasts. Thus, although we may see a rebound after a significant equity sell-off (which has made equity valuations appear much more attractive), it would be imprudent to extrapolate this into a new multi-year rally without considering the widely changed and weakening macroeconomic environment.

Fixed Income assets had one of their most challenging 12-month periods to the end of March 2022, with yields rising from suppressed levels on a widely shifting outlook for inflation and monetary policy. In many cases, long-term sovereign bonds posted double digit declines during this time. Interest rate sensitive investment grade corporate bonds declined in the region of 5%. High yield bond returns were much less negative, as bonds' spreads widening was not accompanied by a significantly higher level of corporate defaults or rating downgrades.

At the end of March 2022, The Fund's exposure was reasonably close to its long-term SAA. This was on the back of a number of changes to The Fund's SAA, as well as a number of portfolio rebalancing decisions from LPPI. The Fund's portfolio continues to be well diversified across different asset classes, regions, and sectors. This, together with robust investment underwriting, should assist with navigating through increased macroeconomic uncertainties. The Fund's significant allocations to Real Estate and Infrastructure assets, with their assumed implicit or explicit inflation participation, should help it attain inflation-adjusted returns in line with its long-term objectives.

Note: Relative returns are calculated geometrically

5) FINANCIAL PERFORMANCE REPORT

Fund Account and Net assets of the Fund

Over the three-year period, contributions received have exceeded pensions paid year on year.

The Fund asset value increased by £289.6m to £2.689bn as at 31 March 2022 from £2.4bn as at 31 March 2021.

	2019/20	2020/21	2021/22
	£'000	£'000	£'000
Fund Account			
Dealings with members			
Contributions	(141,561)	(145,969)	(157,975)
Pensions	133,893	130,354	146,454
Net additions from dealings with members	(7,668)	(15,615)	(11,521)
Management expense	24,765	27,723	40,011
Investment income (incl. taxes on income)	(40,462)	(29,261)	(34,632)
Change in market value	100,361	(378,107)	(283,465)
Net (increase)/decrease in the net assets available for benefits during the year	76,996	(395,260)	(289,607)
Net Asset Statement	£'000	£'000	£'000
Net investment assets	1,995,299	2,382,592	2,677,842
Net current assets	9,648	17,615	11,972
Total Net Assets available to fund benefits	2,004,947	2,400,207	2,689,814

More detailed information can be found in the Statement of Accounts.

Timeliness of Receipt of Contributions

	2019/20	2020/21	2021/22
Percentage of contributions received on or before the due date	98.16%	95.55%	96.40%

The option to levy interest on overdue contributions has not been exercised.

Administrative Costs Actual compared to Budget

	2021/22 Actual £000's	2021/22 Budget £000's	Variance £000's
Staff	1,214	946	268
Supplies and Services	761	267	494
Unit Recharges	21	148	126
TOTAL	1,996	1,361	636

Overspend compared to budget is predominantly due to a budget that has been carried forward from pre 2018 when the fund was roughly 50% of its current size. Expenditure has increased proportionally and a detailed budget setting exercise shall be undertaken in 2022/23 to appropriately set future budgets.

The actuarial valuation undertaken at 31 March 2019 set the employer contribution rates over the year ended 31 March 2022. The total future contribution rate for 2021/22 was set at 21.9% of gross pensionable pay, of which 6.5% is funded by employee contributions and 15.4% by employers. In addition, 8.6% of gross pensionable pay was set to fund deficit recovery contributions. The contributions collected as a percentage of gross pensionable pay over the year ended 31 March 2022 have not materially deviated from those assumed at the 2019 valuation.

6) RISK MANAGEMENT

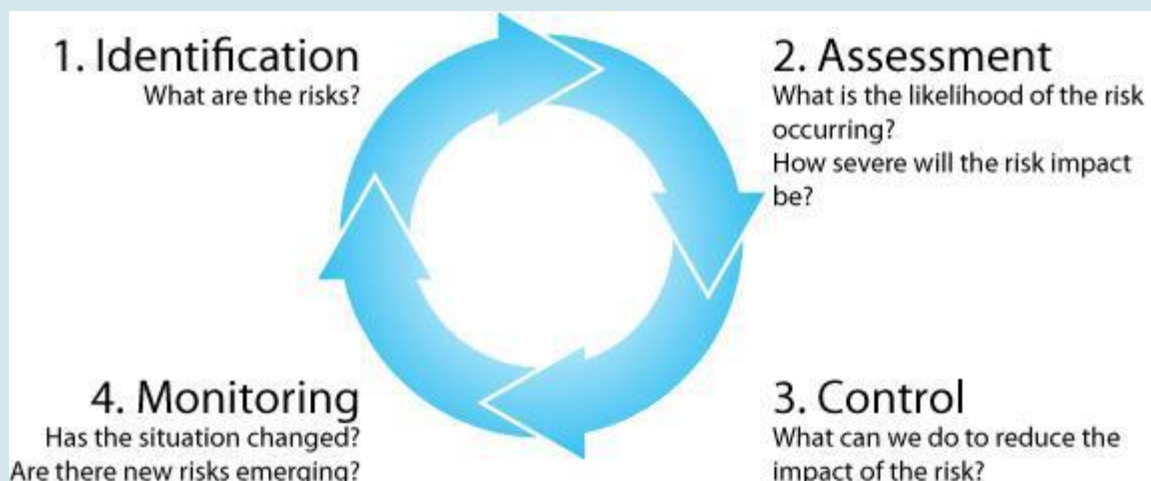
A Scheme Manager (Administering Authority) of a public service pension scheme must establish and operate internal controls which must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and with the requirements of the law. The Royal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

The Fund has a detailed and comprehensive Risk Management policy that is reviewed and approved annually by the Pension Fund Committee. This Policy can be found on the Pension Fund's Website (<https://berkshirerpensions.org.uk/>) along with the Fund's risk register which is kept under continuous review and presented to the Committee quarterly.

The Risk Management Policy and risk-reporting processes have been designed using a recent CIPFA framework document, alongside the Administering Authority's risk management policy and several bespoke risk appetite statements relating to funding and investment risk.

The Fund's annual accounts (see note 18) also makes detailed reference to specific risks and the management of such risks relating to the Fund's assets, Liabilities and Investments.

From December 2021, the Pension Fund Committee adopted the CIPFA framework "Managing Risk in The Local Government Pension Scheme (2018 Edition)" as its revised approach to risk management. The RCBPF combines the use of this framework with RBWM's 4 step risk management process as outlined in the infographic below.



Introduction

The last full triennial valuation of the Royal County of Berkshire Pension Fund was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2020. We are currently carrying out the 2022 triennial valuation, which will be incorporated in next year's actuary's statement.

Please note that the full triennial valuation report produced by the Actuary can be found on the Fund's website here: <https://berkshirerpensions.org.uk/>

2019 valuation results

Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- The Fund as a whole had a funding level of 78% i.e. the assets were 78% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £597m.
- To cover the cost of new benefits and to also pay off the deficit over a period of 21 years, an average total employer contribution rate of 23.5% of pensionable salaries would be needed.
- The contribution rate for each employer was set based on the annual cost of new benefits being earned plus any adjustment required to pay for their individual deficit.

Assumptions

The key assumptions used to value the benefits at 31 March 2019 are summarised below:

Assumption	31 March 2019
Discount rate	5.3% p.a.
Pension increases (CPI)	2.6% p.a.
Salary increases	3.6% p.a.
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.
Mortality	The post retirement mortality assumptions adopted are the S3PA series with a multiplier of 115% for males and 110% for females, whilst making allowance for CMI 2018 projected improvements with a long term rate of improvement of 1.25% p.a., a smoothing parameter of 7.5 and an additional initial rate of improvement of 0.5% p.a.
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced
Commutation	Members will convert 50% of the maximum possible amount of pension into cash

Updated position since the 2019 valuation

Assets

Returns over the year to 31 March 2022 have been strong. As at 31 March 2022, in market value terms, the Fund assets are higher than they were projected to be based on the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2022, the real discount rate is estimated to be lower than at the 2019 valuation due to a higher CPI inflation assumption.

Please note that we have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20 year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20 year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

Overall position

On balance, we estimate that the funding position has improved when compared on a consistent basis to 31 March 2019 (but allowing for the update to the CPI inflation assumption).

The change in the real discount rate since 31 March 2019 is likely to place a higher value on the cost of future accrual which results in a higher primary contribution rate. However, assets are expected to have increased more than expected due to the favourable investment returns. Therefore, deficit contributions are likely to have decreased.

The next formal valuation will be carried out as at 31 March 2022 with new contribution rates set effective from 1 April 2023.



**Barry McKay FFA
Partner**

8) INDEPENDENT AUDITOR'S STATEMENT

TO THE MEMBERS OF THE ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD ON THE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2022, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26.

Respective responsibilities of the Director of Resources and the auditor

As explained more fully in the Statement of the Director of Resources' Responsibilities, the Director of Resources is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you my opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of The Royal Borough of Windsor and Maidenhead, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We also read the other information contained in the pension fund annual report and consider the implications for my report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only the information included in the pension fund's Annual Report, other than the financial statements and our auditor's report thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.

Opinion

In our opinion, the Pension Fund financial statements are consistent, in all material aspects, with the Pension Fund financial statements in the full annual statement of accounts of The Royal Borough of Windsor and Maidenhead for the year ended 31 March 2022 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. We have not considered the effects of any events between the date we signed our report on the Pension Fund financial statements in the full annual statement of accounts [DATE] and the date of this statement.

Use of our report

This report is made solely to the members of The Royal Borough of Windsor & Maidenhead ('the Authority'), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed."

Jonathan Gooding, FCA (Appointed auditor)
For and on behalf of Deloitte LLP
St. Albans, UK
[DATE]

9) STATEMENT OF RESPONSIBILITIES

The Royal Borough of Windsor and Maidenhead's Responsibilities

The Royal Borough is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Head of Pension Fund is the officer fulfilling that responsibility;
- To manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Fund's statement of accounts;

The Director of Resources' Responsibilities

The Director of Resources is responsible for the preparation of the Fund's statement of accounts in accordance with proper practices set out in the CIPFA Code of Practice on Local Authority Accounting.

In preparing this statement of accounts, the Director of Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice on Local Authority Accounting;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Adele Taylor
Executive Director of Resources

10) POST POOL REPORTING AND COST TRANSPARENCY

The table below shows the costs to Royal County of Berkshire Pension Fund (RCBPF) of setting up the individual pooling vehicles within the pooling company, Local Pensions Partnership Investments Ltd (LPPI).

Pool set up and investment transition costs by year

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'m	£'m	£'m	£'m	£'m
Set up costs					
Legal	–	–	–	–	–
Professional fees	–	–	–	–	–
Other support costs	–	–	–	–	–
Total		–	–	–	
Transition costs	0.3	–	–	0.4	–

Pool set up and investment transition costs by type of expense

	Current Year			Total £'m	Since inception of the pool Cumulative £'m
	Direct £'m	Indirect £'m			
Set up costs					
Legal	–	–	–	–	–
Professional fees	–	–	–	–	–
Other support costs	–	–	–	–	–
Total set up costs	–	–	–	–	–
Transition costs	–	–	–	–	0.7

Total expected pooling costs and savings

The table below compares the investment management fee savings realised since admission to the Pool versus the preceding year, 2017-18. The savings are based on grossed up fees in accordance with the revised CIPFA guidance issued in 2016, whereas in previous years fees may have been reported lower as they would have been netted off against the change in market value. This is consistent with current recommended practice.

Total expected costs and savings

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'m	£'m	£'m	£'m	£'m
Set up costs	–	–	–	–	–
Transition costs	0.3	–	–	0.4	–
Investment management fee savings	–	1.0	0.6	(2.5)	(4.3)
Net (savings)/costs realised	0.3	1.0	0.6	(2.1)	(4.3)

Ongoing investment management costs 2021/22

Investment expenses are shown broken down into their constituent categories and split between those resulting from investments held in the pooled vehicles and those held on the balance sheet of the Fund.

The table below summarises investment management costs for 2021/22. It has been compiled from cost transparency templates completed by each of the Fund's investment managers. The investment expenses are split between those held within LPPI investment pooling vehicles and those non-pooled assets held directly by the Fund.

	LPPI pooled assets			Non pooled assets			Fund Total
	Direct	Indirect	Total	Direct	Indirect	Total	
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Investment management fees	11.8	–	11.8	5.2	–	5.2	17.1
Performance	5.5	–	5.5	2.3	–	2.3	7.7
Transaction costs	1.0	0.5	1.5	0.6	–	0.6	2.1
Custody	–	–	–	0.3	–	0.3	0.3
Administration	–	1.8	1.8	–	3.2	3.2	5.0
Borrowing and arrangement fees	–	0.3	0.3	–	0.1	0.1	0.4
Distribution, comms and client service	–	0.0	0.0	–	–	–	0.0
Governance, Regulation and Compliance	–	1.3	1.3	–	1.8	1.8	3.0
Property expenses	–	1.0	1.0	–	0.4	0.4	1.4
Other fees	–	0.6	0.6	–	–	–	0.6
Total**	18.3	5.4	23.7	8.4	5.5	13.9	37.7*

**Totals may not add up due to rounding*

***Please note that the data was collected by ClearGlass as part of the CTI (cost transparency initiative), then amalgamated, prepared and reported by LPPI to the Fund. Whilst efforts are made to gross-up RCBPF's accounting records to reflect CTI data, discrepancies may still exist between the data provided above and the notes to the Pension Fund Accounts (note 11). These discrepancies exist where investment costs are paid directly by the fund and/or fall outside of the scope of the CTI.*

Pooling progress

As at 31 March 2022, 81.2% of the Fund's investment assets were pooled within LPPI's investment pooling vehicles. This compares to 77.8% at 31 March 2021

11) PENSION FUND ACCOUNTS

Fund Account at 31 March 2022

2020/21			2021/22
£'000		Notes	£'000
	Dealings with members, employers and others directly involved in the Fund		
(139,010)	Contributions	7	(148,184)
(6,959)	Transfers in from other pension funds	8	(9,791)
(145,969)			(157,975)
114,245	Benefits	9	122,560
16,109	Payments to and on account of leavers	10	23,894
130,354			146,454
(15,615)	Net additions from dealings with members		(11,521)
27,723	Management expenses	11	40,011
12,108	Net (additions)/withdrawals including fund management expenses		28,490
	Returns on investments		
(28,977)	Investment income	12	(34,584)
(284)	Taxes on income	13	(48)
(378,107)	Profits and losses on disposal of investments and changes in the market value of investments	14	(283,465)
(407,368)	Net return on investments		(318,097)
(395,260)	Net (increase)/decrease in the net assets available for benefits during the year		(289,607)
(2,004,947)	Opening net assets of the scheme		(2,400,207)
(2,400,207)	Closing net assets of the scheme		(2,689,814)

Net Assets Statement at 31 March 2022

2020/21			2021/22
£'000		Notes	£'000
2,518,894	Investment assets	14	2,816,526
(136,302)	Investment liabilities	14	(138,414)
2,382,592	Total net investments		2,677,842
21,395	Current assets	21	16,336
21,395			16,336
(3,780)	Current liabilities	22	(4,364)
(3,780)			(4,364)
2,400,207	Net assets of the fund available to fund benefits at the end of the reporting period		2,689,814

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Notes to the Royal County of Berkshire Pension Fund Accounts for the year ended 31 March 2022

Note 1) Description of Fund

The Royal County of Berkshire Pension Fund (the 'fund') is part of the Local Government Pension Scheme and is administered by the Royal Borough of Windsor and Maidenhead.

Note 1) a) General

The fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended);
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by the Royal Borough of Windsor and Maidenhead to provide pensions and other benefits for pensionable employees of the 6 unitary local authorities in the geographical region of Berkshire, and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The fund is overseen by the Pension Fund Committee.

Note 1) b) Membership

Membership of the LGPS is voluntary. Employees are automatically enrolled into the Fund and are free to choose whether to remain in the fund, opt-out of the fund, or make their own personal arrangements outside the fund.

Organisations participating in the Royal County of Berkshire Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

The Royal County of Berkshire Pension Fund	31 March 2021	31 March 2022
--	------------------	------------------

Number of employers with active members	189	189
Number of employees in scheme		
Administering authority	1,502	1,483
Unitary authorities	14,772	14,465
Other employers	9,613	10,011
Total	25,887	25,959
Number of pensioners		
Administering authority	2,082	2,179
Unitary authorities	10,825	11,557
Other employers	6,813	7,620
Total	19,720	21,356
Deferred pensioners		
Administering authority	3,516	3,488
Unitary authorities	16,885	17,042
Other employers	7,174	7,557
Total	27,575	28,087
Total number of members in pension scheme	73,182	75,402

Note 1) c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2022. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. During 2021/22, employer contribution rates ranged from 10.9% to 36.0% of pensionable pay.

Note 1) d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre 1 April 2008	Service post 1 April 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the fund became a career average revalued earnings (CARE) scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the fund including early retirement, disability pensions and death benefits. For more details, please refer to the Royal County of Berkshire Pension Fund website - see www.berkshirepensions.org.uk.

Note 2) Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2021/22.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

Note 3) Summary of significant accounting policies

Note 3) a) Fund account - revenue recognition

i. Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Employee's contribution rates are set in accordance with LGPS regulations. Employer's contributions are set at the percentage rate recommended by the Fund actuary.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the rates and adjustments certificate set by the fund actuary.

Additional employers' contributions in respect of ill-health and early retirements are accounted for in the period in which they are due. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

ii. Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see note 3m) to purchase fund benefits are accounted for on a receipts basis and are included in transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

iii. Investment income

1. Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition.

2. Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

3. Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

4. Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Note 3) b) Fund Account - expense items

i. Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be payable during the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

ii. Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

iii. Management expenses

The Fund discloses its pension Fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)*. All items of expenditure are charged to the Fund on an accruals basis as follows:

1. Administrative expenses

All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

2. Oversight and governance costs

All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

3. Investment management expenses

Fees of the external investment manager and custodian are agreed in the respective mandates governing their appointments. Most are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change, but there are a number of fixed price contracts with annual inflation related increases.

Note 3) c) Net Assets Statement

i. Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respects of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14a. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 16). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

ii. Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

iii. Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Longevity swaps are valued on a fair value basis based on the expected future cash flows arising under the swap, discounted using market interest rates and taking into account the risk premium inherent in the contract.

iv. Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

v. Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year.

vi. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the fund actuary in accordance with the requirements of International Accounting Standards (IAS19) and relevant actuarial standards.

As permitted under the code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

vii. Additional voluntary contributions

The Royal County of Berkshire Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund.

AVCs are not included in the accounts in accordance with section 4(1)(b) of the LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

viii. Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

Note 4) Critical judgements in applying accounting policies

In applying the Fund's accounting policies, which are described in note 3, the Fund is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There were no critical judgements made, apart from those involving estimations (which are presented separately below).

Note 5) Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the financial statements and notes at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. Further information on the carrying amounts of the Fund's defined benefit obligation and the setting of the assumptions are provided in notes 19 and 20.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £111.16 million. A 0.1% increase in pension increases and deferred revaluation assumption would increase the value of liabilities by approximately £113.57 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £237.86 million.
Longevity insurance policy	The longevity insurance policy is valued by a firm of consulting actuaries. This valuation is the difference between the discounted cash flows relating to the amounts expected to be reimbursed to the fund and the inflation linked premiums expected to be paid by the fund. The carrying amount as at 31 March 2022 is (£138.41 million). This valuation depends on a number of complex judgements including the discount and mortality rates..	Changes in the discount rate and mortality rate assumptions would result in a material change to the carrying value in a similar way to the value of the pension fund liability disclosed above.
Private equity investments	Private equity investments are valued at fair value in accordance with the	The valuations of private equity investments are particularly sensitive to changes in one or

	International Private Equity and Venture Capital Board guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	more unobservable inputs which are considered reasonably possible within the next financial year. Changes to the inputs could result in a material change to the carrying value. Further information on the carrying amounts of the private equity and the estimated sensitivity are shown in note 16.
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Covid-19 impact

The impact of the Covid-19 pandemic since 2019/20 created uncertainty surrounding global financial and property markets. Since then the asset values have stabilised in order that a materially accurate value can be applied to illiquid assets.

Note 6) Events after the reporting date

Note 6) a) Impact of the McCloud judgement

The McCloud court case relates to possible age discrimination within the New Judicial Pension Scheme. On 16 July 2020, the government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and a ministerial statement in response to the proposed remedy was published on 31 May 2021.

An allowance using analysis from the Government Actuary's Department as a starting point was made for the potential impact of the McCloud and Sargeant judgement in the results provided to the Fund at the last accounting date. This allowance is incorporated in the roll forward approach and is remeasured at the accounting date (31 March 2022) along with the normal LGPS liabilities. The actuary does not believe there are any material differences between the approach underlying their estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant amount of member data which is not yet available. In the light of changes to Regulations an adjustment has been included in this years IAS 26 calculations. In particular, the projected service cost from 1 April 2022 has been adjusted to ensure that no further McCloud remedy is made. The remedy is expected to apply to benefits up to 31 March 2022.

Note 6) b) Investments

The investment figures in the accounts and notes have been adjusted in all material respects to reflect the impact of any information received after 31 March 2022 which reflect the conditions as at 31 March 2022. During the preparation of the statement of accounts, the fund manager's valuation as at 31 March 2022 were received and they showed material difference in aggregate. The accounts have been amended to reflect the difference reported in the table below.

Asset Class	Estimated value 31 March 2022 £m	Manager's value 31 March 2022 £m	Difference £m
Equities	48.43	48.39	(0.04)
Pooled investments	1,660.29	1,658.74	(1.55)
Pooled liquidity	7.83	7.83	0.00
Pooled property investments	321.10	321.10	(0.00)
Private equity	726.56	737.47	10.91
Other	(95.69)	(95.69)	(0.00)
Total	2,668.52	2,677.84	9.32

Note 7) Contributions receivable

Note 7) a) By category

2020/21 £'000		2021/22 £'000
30,337	Member's contributions	31,542
	Employers' contributions	
79,455	Normal contributions	74,040
27,588	Deficit recovery contributions	40,211
1,630	Augmentation contributions	2,391
108,673	Total Employers' contributions	116,642
139,010		148,184

Note 7) b) By type of employer

2020/21 £'000		2021/22 £'000
12,165	Administering authority	12,935
114,002	Scheduled bodies	121,974
5,377	Admitted bodies	5,820
7,466	Transferee admission body	7,455
139,010		148,184

Note 8) Transfers in from other pension funds

2020/21 £'000		2021/22 £'000
6,556	Individual transfers from other pension funds	9,278
403	AVC to purchase scheme benefits	513
6,959		9,791

Note 9) Benefits payable**Note 9) a) By category**

2020/21 £'000		2021/22 £'000
94,947	Pensions	98,371
16,893	Commutation and lump sum retirement benefits	19,926
2,405	Lump sum death benefits	4,263
114,245		122,560

Note 9) b) By type of employer

2020/21 £'000		2021/22 £'000
12,169	Administering authority	13,095
91,516	Scheduled bodies	97,454
7,799	Admitted bodies	8,218
2,761	Transferee admission body	3,793
114,245		122,560

Note 10) Payments to and on account of leavers

2020/21 £'000		2021/22 £'000
503	Refunds to members leaving service	857
6,043	Group transfers to other pension funds	7,210
9,563	Individual transfers to other pension funds	15,827
16,109		23,894

Note 11) Management expenses

2020/21 £'000		2021/22 £'000
1,888	Administrative costs	2,115
25,783	Investment management expenses	37,810
52	Oversight and governance costs	86
27,723		40,011

Note 11) a) Investment management expenses

2021/22	Management fees £'000	Performance fees £'000	Transaction costs £'000	Total £'000
Cash and FX Contracts	30	0	0	30
Pooled investments	16,880	5,500	1,500	23,880
Private equity	10,741	2,300	600	13,641
	27,651	7,800	2,100	37,551
Custody fees				259
				37,810

2020/21	Management fees £'000	Performance fees £'000	Transaction costs £'000	Total £'000
Cash and FX Contracts	29	0	0	29
Pooled investments	12,852	6,181	1,019	20,052
Private equity	2,966	2,069	405	5,440
	15,846	8,250	1,424	25,520
Custody fees				263
Total				25,783

Note 12) Investment income

2020/21 £'000		2021/22 £'000
11,113	Income from equities	14,031
3,004	Income from bonds	1,552
8,196	Private equity income	10,039
6,423	Pooled property investments	8,937
125	Pooled investments - unit trusts & other managed funds	0
116	Interest on cash deposits	25
28,977	Total before taxes	34,584

Note 13) Other fund account disclosures

Note 13) a) Taxes on income

2020/21 £'000		2021/22 £'000
(394)	Withholding tax - equities	(179)
110	Withholding tax - pooled property investments	131
(284)		(48)

Note 13) b) External audit costs

2020/21 £'000		2021/22 £'000
11	Payable in respect of external audit	35
11		35

Note 14) Investments

Note 14) a) Market value of investments

Market value 31 March 2021 £'000		Market value 31 March 2022 £'000
	Investment assets	
42,986	Equities	48,394
1,517,667	Pooled investments	1,658,740
84,048	Pooled liquidity funds	7,831
293,617	Pooled property investments	321,096
561,980	Private equity	737,474
	Derivative contracts:	
475	• Forward currency contracts	0
17,149	Cash deposits	10,869
972	Investment income due	802
0	Amounts receivable for sales	31,050
2,518,894	Total investment assets	2,816,256
	Investment liabilities	
	Derivative contracts:	
(3,111)	• Forward currency contracts	0
(133,191)	• Longevity Insurance Policy	(138,414)
(0)	Amounts payable for purchases	0
(136,302)	Total investment liabilities	(138,414)
2,382,592	Net investment assets	2,677,842

Note 14) b) Reconciliation of movements in investments and derivatives

	Market value 1 April 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Equities	42,986	0	(631)	6,039	48,394
Pooled investments	1,517,667	130,283	(158,708)	169,498	1,658,740
Pooled liquidity funds	84,048	151,945	(228,160)	(2)	7,831
Pooled property investments	293,617	0	0	27,479	321,096
Private equity	561,980	156,472	(76,641)	95,663	737,474
	2,500,298	438,700	(464,140)	298,677	2,773,535
Derivative contracts:					
- Forward currency contracts	(2,636)	35,365	(17,385)	(15,344)	0
- Longevity insurance policy	(133,191)	8,080	0	(13,303)	(138,414)
	2,364,471	482,145	(481,525)	270,030	2,635,121
Other investment balances:					
- Cash deposits	17,149			13,435	10,869
- Investment income due	972				802
Amounts payable for purchases	(0)				0
Amounts receivable for sales	0				31,050
Net investment assets	2,382,592			283,465	2,677,842

a) Reconciliation of movements in investments and derivatives – prior year

	Market value 1 April 2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Bonds	2,339	0	(4,418)	2,079	0
Equities	25,217	4,376	0	13,393	42,986
Pooled investments	995,687	529,375	(364,833)	357,438	1,517,667
Pooled liquidity funds	189,099	491,419	(596,062)	(408)	84,048
Pooled property investments	292,107	200,242	(205,436)	6,704	293,617
Private equity	605,868	63,700	(75,671)	(31,917)	561,980
	2,110,317	1,289,112	(1,246,420)	347,289	2,500,298
Derivative contracts:					
- Forward currency contracts	(30,964)	43,514	(54,572)	39,386	(2,636)
- Longevity insurance policy	(121,829)	8,704	0	(20,066)	(133,191)
	1,957,524	1,341,330	(1,300,992)	366,609	2,364,471
Other investment balances:					
- Cash deposits	35,724			11,498	17,149
- Investment income due	2,051				972
Amounts payable for purchases	0				(0)
Net investment assets	1,995,299			378,107	2,382,592

Purchases and sales of derivatives are recognised in note 14b above as follows:

Forward currency contracts - forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

Longevity insurance policy - the net payments or receipts under the contract are reported in the above reconciliation table.

Note 14) c) Investments analysed by fund manager

Market value at 31 March 2021 £'000	% of Market value 31 March 2021 %		Fund Type	Market value at 31 March 2022 £'000	% of Market value 31 March 2022 %
Investment managed within LPPI asset pools					
259,492	10.9	LPPI Credit	Pooled Investment	300,201	11.2
185,558	7.8	LPPI Real Estates	Pooled Property	210,862	7.9
1,092,924	45.9	LPPI Global Equities	Pooled investment	1,266,375	47.3
68,410	2.9	LPPI Fixed Income	Pooled investment	79,113	3.0
91,709	3.8	LPPI Diversifying Strategy	Pooled investment	0	0.0
103,998	4.4	LPPI Infrastructure	Private Infrastructure	198,249	7.4
52,197	2.2	LPPI Private Equity	Private Equity	118,691	4.4
1,854,288	77.8			2,173,491	81.2
Investments managed outside asset pool:					
38,610	1.6	Gresham House Asset Management Limited	Equities	43,837	1.6
4,376	0.2	Technology Enhanced Oil Limited	Equities	4,557	0.2
3,781	0.2	Cheyne Capital Management LLP	Pooled Investment	3,570	0.1
0	0.0	BlackRock	Pooled Investment	4,957	0.2
0	0.0	Select Market	Pooled Investment	3,915	0.2
1,255	0.1	Securis Investment Partners LLP	Pooled Investment	512	0.0
96	0.0	SPL Guernsey ICC Ltd	Pooled Investment	96	0.0
17,321	0.7	Northern Trust	Pooled Liquidity	1,321	0.1
45,811	1.9	JPM Asset Management	Pooled Liquidity	0	0.0
3,409	0.1	Legal & General	Pooled Liquidity	0	0.0
17,508	0.7	Aviva	Pooled Liquidity	6,510	0.2
8,910	0.4	Jones Lang LaSalle	Pooled Property	6,237	0.2
62,312	2.6	LaSalle Investment Management (Jersey) Limited	Pooled Property	72,181	2.7
36,837	1.5	Milltrust International LLP	Pooled Property	31,816	1.2
10,481	0.4	Athyrium Capital Management LP	Private Debt	7,584	0.3
10,843	0.5	Derwent Shared Equity LLP	Private Debt	6,584	0.3
12,724	0.5	Dorchester Capital Advisors, LLC	Private Debt	11,926	0.5
3,268	0.1	Grosvenor Capital Management L.P.	Private Debt	3,101	0.1
3,965	0.2	Neuberger Berman	Private Debt	1,671	0.1
3,173	0.1	Partners Group	Private Debt	2,627	0.1
9,140	0.4	Rutland Partners LLP	Private Debt	4,241	0.2
9,677	0.4	WP Global Partners	Private Debt	11,294	0.4
45,811	1.9	Adams Street Partners	Private Equity	37,456	1.4

1,847	0.1	COREalpha Private Equity Partners Partnership Fund IV, L.P.	Private Equity	2,110	0.1
9,761	0.4	Coral Reef Capital	Private Equity	8,014	0.3
14,663	0.6	Future Planet Capital	Private Equity	22,081	0.8
9,805	0.4	Gresham House Asset Management Limited	Private Equity	11,381	0.4
591	0.0	Henderson Equity Partners	Private Equity	604	0.0
6,296	0.3	ICG PLC	Private Equity	5,829	0.2
9,104	0.4	Kuramo Capital	Private Equity	8,548	0.3
4,540	0.2	Longwall Venture Partners LLP	Private Equity	5,705	0.2
15,046	0.6	Neuberger Berman	Private Equity	16,153	0.6
26,187	1.1	Milltrust International LLP	Private Equity	28,278	1.1
609	0.0	Organox	Private Equity	701	0.0
98	0.0	Orthoson	Private Equity	100	0.0
1,964	0.1	Longwall Ventures	Private Equity	1,964	0.1
462	0.0	Oxsonics Ltd	Private Equity	900	0.0
6,347	0.3	Pantheon Ventures	Private Equity	4,323	0.2
6,481	0.3	Partners Group	Private Equity	5,526	0.2
12,981	0.5	Sarona Asset Management Inc	Private Equity	14,104	0.5
1,915	0.1	South East Growth Fund	Private Equity	3,671	0.1
1,380	0.1	Stafford CP	Private Equity	1,484	0.1
1,447	0.1	BMO Global Asset Management	Private Equity	1,242	0.1
74,262	3.1	WP Global Partners	Private Equity	52,098	2.0
2,294	0.1	African Infrastructure Investment Managers Pty Ltd	Private Infrastructure	1,636	0.1
12,948	0.5	Climate Fund Managers	Private Infrastructure	16,497	0.6
63,020	2.6	Gresham House Asset Management Limited	Private Infrastructure	110,054	4.1
3,785	0.2	Macquarie Group	Private Infrastructure	947	0.0
1,300	0.1	Macquarie Infrastructure Partners Inc.	Private Infrastructure	1,971	0.1
7,572	0.3	The Rohayton Group (TRG)	Private Infrastructure	8,130	0.3
(2,636)	-0.1	Cambridge Strategy Ltd	Forward Currency Contracts	0	0.0
643,374	27.0			600,044	22.6
		Other			
(133,191)	-5.6	Longevity Insurance Policy		(138,414)	-5.2
17,149	0.7	Cash with investment managers		10,869	0.4
0	0.0	Amount receivable for sales		31,050	1.1
(0)	0.0	Amount payable for purchases		0	-0.1
972	0.0	Investment income due		802	0.0
(115,070)	-4.8			(95,693)	-3.8
2,382,592	100.0	Total		2,677,842	100.0

The following investments represent more than +/- 5% of the net assets of the fund.

Investment	Market value 31 March 2021 £'000	% of total fund	Market value 31 March 2022 £'000	% of total fund
Longevity Insurance Policy	(133,191)	(5.7)	(138,414)	(5.1)
LPPI Infrastructure	103,998	4.4	190,249	7.4
LPPI Global Equities Fund	1,092,924	46.4	1,266,375	47.1
LPPI Credit Investments LP	259,492	11.0	300,201	11.2
LPPI Real Estates ACS	185,558	7.9	210,862	7.8

In June 2018 the Fund transferred the management of majority of its investment assets to Local Pensions Partnership (LPP) Investments as part of the government's LGPS pooling initiative.

The above organisations are registered in the United Kingdom.

Note 15) Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the fund and the various investment managers.

Note 15) a) Longevity Insurance Policy

In December 2009 the fund entered into an insurance contract with ReAssure Ltd to cover a closed group of pensioner members. The fund pays ReAssure a pre-determined fixed annual premium and ReAssure reimburses the fund for pensions paid to the insured members. The contract is valued by an external firm of actuaries by considering what adjustment to the discount rate assumption (based on the Merrill Lynch LIBOR swap curve) would be required if the contract had a zero value at the date of inception. A similar adjustment is then made to the discount rate assumption at the accounting date to calculate the updated value of the contract.

Note 15) b) Forward foreign currency

To maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the fund's portfolio is in overseas assets.

To reduce the volatility associated with fluctuating currency rates, the fund has a passive currency programme in place with an external manager.

Open forward currency contracts	Asset value £'000	Liability value £'000
Open forward currency contracts at 31 March 2022	0	0
Net forward currency contracts at 31 March 2022		0

Prior year comparative		
Open forward currency contracts at 31 March 2021	475	(3,111)
Net forward currency contracts at 31 March 2021		(2,636)

Note 16) Fair value – Basis valuation

The basis of the valuation of each class of investment asset is set below. There has been no change in the valuation techniques during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid values on published exchanges	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments - unit trusts	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Unquoted bonds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected cashflows, and by any differences between audited and unaudited accounts
Pooled investments - property funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected

				cashflows, and by any differences between audited and unaudited accounts
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and venture Capital Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected cashflows, and by any differences between audited and unaudited accounts

Note 16) a) Sensitivity of assets valued at level 3

Having analysed historical data and current market trends the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Assessed valuation range (+/-)	Value at 31 March 2022 £'000	Value on increase £'000	Value on decrease £'000
Private equity	4.7%	737,474	772,306	702,642
Property funds	18.1%	321,096	380,467	261,725
Private equity (LPPI Credit)	7.6%	300,201	323,107	277,296
Other	28.2%	4,558	5,844	3,272
Total		1,363,329	1,481,724	1,244,935

Note 16) b) Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

i. Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.

ii. Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

iii. Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2022	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets at fair value through profit and loss	51,668	1,358,538	1,363,329	2,773,535
Financial liabilities at fair value through profit and loss	0	0	(138,414)	(138,414)
Cash deposits	10,869	0	0	10,869
Investment due	802	0	0	802
Amounts receivable for sales for purchases	31,050	0	0	31,050
Net investment assets	94,389	1,358,538	1,224,915	2,677,842

Values at 31 March 2021	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets at fair value through profit and loss	122,658	1,258,650	1,119,465	2,500,773
Financial liabilities at fair value through profit and loss	0	(3,111)	(133,191)	(136,302)
Cash deposits	17,149	0	0	17,149
Investment income due	972	0	0	972
Amounts payable for purchases	(0)	0	0	(0)
Net investment assets	140,779	1,255,539	986,274	2,382,592

Note 16) c) Reconciliation of fair value measurements within level 3

	Market value 31 March 2021	Purchases during the year	Sales during the year	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Unquoted equity	4,376	0	0	181	0	4,557
Private equity	821,472	186,473	(76,641)	70,999	35,374	1,037,676
Pooled property	293,617	0	0	27,479	0	321,096
Longevity insurance policy	(133,191)	8,080	0	(13,303)	0	(138,414)
	986,274	194,552	(76,641)	85,356	35,374	1,224,915

	Market value 31 March 2020	Purchases during the year	Sales during the year	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Unquoted bond	2,339	0	(4,418)	37,126	(35,047)	0
Unquoted equity	0	4,376	0	0	0	4,376
Private equity	643,459	178,700	(75,671)	41,529	33,455	821,472
Pooled property	292,107	200,242	(205,436)	(58,719)	65,423	293,617
Longevity insurance policy	(121,829)	8,704	0	(20,666)	0	(133,191)
	816,076	392,022	(285,525)	(130)	63,831	986,274

Note 17) Financial instruments

Note 17) a) Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading.

Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	31 March 2021				31 March 2022	
£'000	£'000	£'000		£'000	£'000	£'000
			Financial assets			
42,986			Equities	48,394		
1,517,667			Pooled investments	1,658,740		
84,048			Pooled liquidity funds	7,831		
293,617			Pooled property investments	321,096		
561,980			Private equity	737,474		
475			Derivative contracts	0		
17,149	7,493		Cash	10,869	6,309	
	972		Other investment balances		31,852	
	13,902		Debtors		10,027	
2,517,923	22,367	-		2,784,404	48,188	-
			Financial liabilities			
(136,302)			Derivative contracts	(138,414)		
	(0)		Amounts payable for purchases		0	
		(3,780)	Creditors			(4,364)
(136,303)	-	(3,780)		(138,414)	-	(4,364)
2,381,620	22,367	(3,780)		2,645,990	48,188	(4,364)

Note 17) b) Net gains and losses on financial instruments

31 March 2021		31 March 2022
£'000		£'000
	Financial Assets	
416,375	Fair value through profit and loss	312,114
416,374		312,114
	Financial Liabilities	
(52,391)	Fair value through profit and loss	(28,649)
(52,391)		(28,649)
363,983	Total	283,465

The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 18) Nature and extent of risks arising from financial instruments

Note 18) a) Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the pension fund panel. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

i. Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund manages these risks in two ways:

- the exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels;
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

ii. Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of

loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund mitigates this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return by the Fund's investment advisors during the financial year the Fund has determined that the following movements in market price risk are reasonably possible for the 2022/23 reporting period:

Asset type	Potential market movements (+/-)
Bonds	7.6%
Equities:	
Listed	20.9%
Unlisted	28.2%
Private Equity:	
Equity	28.2%
Credit	7.6%
Infrastructure	17.5%
Pooled Investments:	
Equity	20.9%
Bonds	5.4%
Credit	7.6%
Diversifying strategies	10.4%
Pooled Property Funds	18.5%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (with prior year comparator):

Asset type	Value as at 31 March 2022 £'000	Potential market movement £'000	Value on increase £'000	Value on decrease £'000
Investment portfolio assets:				
Equities:				
Unlisted	48,394	13,657	62,051	34,737
Pooled Investments:				
Equity	1,266,471	264,439	1,530,910	1,002,032
Bonds	84,070	4,540	88,610	79,530
Credit	303,772	23,178	326,950	280,594
Diversifying strategies	4,427	460	4,887	3,967
Pooled liquidity funds	7,831	-	7,831	7,831
Pooled Property Funds	321,096	59,371	380,467	261,725
Private Equity:				
Equity	350,963	99,042	450,005	251,922
Credit	49,028	3,741	52,769	45,287
Infrastructure	337,483	58,925	396,408	278,559
Net derivative liabilities	(138,414)	-	(138,414)	(138,414)
Cash deposits	10,869	-	10,869	10,869
Investment income due	802	-	802	802
Amount receivable for sales	31,050	-	31,050	31,050
Current assets:				
Debtors	10,027	-	10,027	10,027
Cash balances	6,309	-	6,309	6,309
Current liabilities	(4,364)	-	(4,364)	(4,364)
Total	2,689,814		3,217,167	2,162,463

Asset type	Value as at 31 March 2022 £'000	Potential market movement £'000	Value on increase £'000	Value on Decrease £'000
Investment portfolio assets:				
Equities:				
Unlisted	42,986	13,837	56,823	29,149
Pooled Investments:				
Equity	1,093,019	223,850	1,316,869	869,169
Bonds	68,410	5,897	74,307	62,513
Credit	263,273	26,485	289,758	236,787
Diversifying strategies	92,965	9,585	102,550	83,380
Pooled liquidity funds	84,048	-	84,048	84,048
Pooled Property Funds	293,617	53,203	346,821	240,414
Private Equity:				
Equity	303,791	97,790	401,582	206,001
Credit	63,273	6,365	69,638	56,907
Infrastructure	194,916	34,500	229,416	160,416
Net derivative liabilities	(135,827)	-	(135,827)	(135,827)
Cash deposits	17,149	-	17,149	17,149
Investment income due	972	-	972	972
Current assets:				
Debtors	13,902	-	13,902	13,902
Cash balances	7,493	-	7,493	7,493
Current liabilities	(3,780)	-	(3,780)	(3,780)
Total	2,400,207		2,871,721	1,928,693

iii. Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor's has advised that long-term average rates are expected to move less than 100 basis points (1%) from one year to the next and experience suggests that such movements are likely.

1 BPS is the movement of 0.01% between two percentages, for example from 0.50% to 0.51%. Therefore 100 BPS is the movement of 1.00% between two percentages, for example from 0.50% to 1.50%.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a \pm 100 BPS change in interest rates:

Asset exposed to interest rate risk	Value as at 31 March 2022	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Investments - Pooled liquidity funds	7,831	0	0
Investments - Cash deposits	10,869	0	0
Current assets - Cash balances	6,309	0	0
Total change in assets available	25,010	0	0

Asset exposed to interest rate risk	Value as at 31 March 2021	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Investments - Pooled liquidity funds	84,048	0	0
Investments - Cash deposits	17,149	0	0

Current assets - Cash balances	7,493	0	0
Total change in assets available	108,690	0	0

Income exposed to interest rate risk	Amount receivable in year ending 31 March 2022	Effects on income values	Effects on income values
	£'000	+ 100 BPS £'000	- 100 BPS £'000
Cash balances / cash and cash equivalents	25	25	25
Bonds	1,552	1,552	1,552
Total change in assets available	1,577	1,577	1,577

Income exposed to interest rate risk	Amount receivable in year ending 31 March 2021	Effects on income values	Effects on income values
	£'000	+ 100 BPS £'000	- 100 BPS £'000
Cash balances / cash and cash equivalents	116	117	115
Bonds	3,004	3,004	3,004
Total change in assets available	3,120	3,121	3,119

The analysis assumes that all variables, in particular exchange rates, remain constant, and shows the effect in the year on net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed bonds but will reduce their fair value and vice-versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances.

iv. Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund GBP. The fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk - sensitivity analysis

Following analysis of historical data by the Fund's investment advisors during the financial year the fund has determined that the following likely volatility associated with foreign exchange rate movements are reasonably possible for 2022/23.

The table below shows the value of assets held by the Fund in foreign currencies and the likely volatility associated with foreign exchange rate movements (as measured by one standard deviation).

This analysis assumes that all other variables, in particular foreign exchange rates and interest rates, remain constant.

Denominated currency	Value as at 31 March 2022	Potential volatility (+/-)	Value on increase	Value on decrease
	£'000		£'000	£'000
AUD	16,862	6.8%	18,008	15,715
CAD	0	6.4%	0	0
CHF	0	6.5%	0	0
EUR	6,068	5.6%	6,408	5,728
JPY	23	7.7%	25	21
NOK	183	9.9%	201	165
NZD	14,960	6.8%	15,977	13,943
USD	307,706	6.7%	328,291	287,120
Total	345,802		368,910	322,692

Denominated currency	Value as at 31 March 2021	Potential volatility (+/-)	Value on increase	Value on decrease
	£'000		£'000	£'000
AUD	17,461	8.5%	18,952	15,970
CAD	0	8.0%	0	0
CHF	79	8.3%	86	73
EUR	4,684	7.4%	5,033	4,336
JPY	26	9.1%	28	24
NOK	237	12.1%	266	208
NZD	19,012	8.5%	20,636	17,388
USD	270,211	9.3%	295,449	244,973
Total	562,463		642,859	482,069

v. Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the funds's credit criteria. The Fund has also set limits as to the Royal County of Berkshire Pension Fund – Annual Report 2021/22

maximum deposit placed with any one class of financial institution. In addition, the Fund invests an agreed amount of its funds in the money markets to provide diversification.

The Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2022 was £25.01m (31 March 2021: £108.7m). This was held with the following institutions:

	Rating	Balances as at 31 March 2021 £'000	Balances as at 31 March 2022 £'000
Money Market funds			
Aviva	AAA	17,508	6,510
JP Morgan	AAA	45,811	0
Legal & General	AAA	3,409	0
Northern Trust	AAA	17,321	1,321
Bank deposit accounts			
JP Morgan	AA-	17,149	10,869
Bank current accounts			
Lloyds	A+	7,493	6,309
Total		108,691	25,010

vi. Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those which will take longer than three months to convert to cash. As at 31 March 2022 the value of illiquid assets was £1,058.57m, which represented 39.4% of the total fund net assets (31 March 2021: £855.6m, which represented 36.4% of the total fund net assets).

vii. Refinancing risk

The key risk is that the fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

viii. Longevity risk

This is the risk of higher-than expected life expectancy trends amongst the Fund's pensioners. A longevity swap has been entered into with ReAssure to protect the Fund against costs associated with potential increases in life expectancy of the Fund's pensioners. This arrangement covers all pensions in payment as at the end of July 2009.

Note 19) Funding arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the fund by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 21 years from the valuation date and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2019 actuarial valuation, the Fund was assessed as 78% funded (73% at the March 2016 valuation). This corresponded to a deficit of £597m (2016 valuation: £597m) at that time.

At the 2019 actuarial valuation the average required employer contribution to restore the funding position to 100% over the next 21 years was 22.0% of pensionable pay.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Note 19) a) Financial assumptions

Discount Rate	5.3% per annum for both unitary authorities and other employers
Pension and Deferred Pension Increases	2.6% per annum
Short term pay increases	not applicable
Long term pay increases	3.6% per annum

Note 19) b) Mortality assumptions

Current mortality	115% (Male) / 110% (Female) of the S3PA tables
Mortality Projection	2018 CMI Model with a long-term rate of improvement of 1.25% p.a

Note 19) c) Commutation assumption

It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum of £1 of pension.

Note 20) Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2022 was £5,469m (31 March 2021: £5,471m). The net assets available to pay benefits as at 31 March 2022 was £2,675m (31 March 2021: £2,390m). The implied Fund deficit as at March 2022 was therefore £2,794m(31 March 2021: £3,081m).

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2019 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Note 20) a) IAS19 assumptions used

Inflation/pension increase rate assumption	3.25%
Salary increase rate	4.25%
Discount rate	2.60%

Note 20) b) Guaranteed Minimum Pension (GMP) Equalisation

In valuing the present value of promised retirement benefits the Fund's actuary has assumed that for GMP the Fund will pay limited increases for members that have reached statutory pension age (SPA) by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the Fund actuary has assumed that the Fund will be required to pay the entire inflationary increase. Therefore the Fund actuary does not believe that any adjustments are needed to the value placed on the liabilities as a result of the High Court's recent ruling on the equalisation of GMP.

Note 21) Current assets

31 March 2021		31 March 2022
£'000		£'000
2,158	Contributions due - employees	2,716
7,164	Contributions due - employers	6,347
4,580	Sundry debtors	964
13,902	Debtors	10,027
7,493	Cash balances	6,309
21,395		16,336

Analysis of debtors

31 March 2021		31 March 2022
£'000		£'000
9,562	Other local authorities	6,734
4,340	Other entities & individuals	3,293
13,902		10,027

Note 22) Current liabilities

31 March 2021		31 March 2022
£'000		£'000
(3,594)	Sundry creditors	(4,230)
(186)	Benefits payable	(134)
(3,780)		(4,364)

Note 22) a) Analysis of creditors

31 March 2021		31 March 2022
£'000		£'000
(2,047)	Central government bodies	(1,102)
1,530	Other local authorities	(1,516)
(3,263)	Other entities & individuals	(1,746)
(3,780)		(4,364)

Note 23) Additional voluntary contributions

Market value		Market value
31 March 2021		31 March 2022
£'000		£'000
13,357	Prudential	13,202
6	Equitable Life	7
18	Clerical Medical	18
13,381	Total	13,227

AVC Contributions of £1.72m were paid directly to Prudential during the year (2020/21: £1.630m).

Note 24) Related party transactions

Note 24) a) The Royal Borough of Windsor and Maidenhead

The Royal County of Berkshire Pension Fund is administered by The Royal Borough of Windsor and Maidenhead. During the reporting period, The Royal Borough of Windsor and Maidenhead incurred costs of £2.15m (2020/21: £1.888m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the 6th largest employer in the pension fund (by contributions paid) and contributed £12.9m (2020/21: £12.2m).

Note 24) b) Governance

No members of the pension fund panel are in receipt of pension benefits from The Royal County of Berkshire Pension Fund.
Each member of the pension fund panel is required to declare their interests at each meeting.

Note 24) c) Key management personnel

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of The Royal Borough of Windsor and Maidenhead.

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Director of Resources, the Head of Finance and the interim Head of Pension Fund (up to 31 October 2021) and Head of Pension Fund (from 1 September 2021). Their remuneration is set out below.

2020/21 £'000		2021/22 £'000
87	Short-term benefits	206
12	Post-employment benefits	38
99		244

Note 25) Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2022 totalled £278.743m (31 March 2021: £349.324m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts "called" by these funds are irregular in both size and timing.

Note 26) Contingent assets

Several admitted body employers in the Royal County of Berkshire Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These funds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. It is not practicable to disclose the financial effect of the contingent assets.

12) IAS26 Report

Introduction

We have been instructed by the Royal Borough of Windsor and Maidenhead, the administering authority to the Royal County of Berkshire Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2022. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

[The LGPS is a defined benefit statutory](#) scheme administered in accordance with the year and currently provides benefits based on [career average revalued earnings](#). [Full details of the](#) benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website here and [the Fund's membership booklet](#).

→ This report is prepared in accordance with our understanding of IAS26 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100). In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2022.

We would be pleased to answer any questions arising from this report.



**Barry McKay FFA
Partner**

Data used

We have used the following items of data which we received from the administering authority:

- 31 March 2019 - results of the latest funding valuation
- 31 March 2021 - results of the latest IAS26 report
- n/a - actual Fund returns to
- 31 March 2022 - Fund asset statement
- 31 March 2022 - Fund income and expenditure items (estimated where necessary) to
- 31 March 2022 - details of any new unreduced early retirement payments out to

The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of our advice. Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. We are not aware of any material changes or events since we received the data.

Employer membership statistics

The table below summarises the membership data at 31 March 2019.

Member data summary	Number	Salaries/Pensions £s	Average age
Actives	24,507	414,555	46
Deferred pensioners	37,148	46,009	46
Pensioners	17,915	85,625	71

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2022. We have been notified of 83 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £521,900.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be 13.64%. The actual return on Fund assets over

the year may be different.

The estimated asset allocation for the Fund is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2022		31 Mar 2021	
	£000s	%	£000s	%
Equities	1,665,593	62%	1,406,287	60%
Other Bonds	434,053	16%	383,173	16%
Property	321,096	12%	290,494	12%
Cash	56,058	2%	107,024	5%
Target Return Portfolio	7,997	0%	96,434	4%
Commodities	0	n/a	0	n/a
Infrastructure	328,438	12%	191,741	8%
Longevity Insurance	-138,414	-5%	-133,191	-6%
Total	2,674,821	100%	2,341,962	100%

Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2022 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

We have allowed for actual pension increase experience for the period from 2021-2022. This assumes that pension increases are in line with the annual pension increases set by the HM Treasury Revaluation Order.

The financial assumptions have been set with consideration of the duration of the Fund's past service liabilities, estimated to be 21 years.

Post retirement mortality	31 Mar 2022	31 Mar 2021
Base table	S3PA	S3PA
Multiplier (M/F)	115% / 110%	115% / 110%
Future improvements model	CMI_2020	CMI_2020
Long-term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.5	7.5
Initial addition parameter	0.5% p.a.	0.5% p.a.
2020 weight parameter	25%	25%

Life expectancy from age 65 (years)		31 Mar 2022	31 Mar 2021
Retiring today	Males	21.3	21.2
	Females	24.0	23.9
Retiring in 20 years	Males	22.6	22.5
	Females	25.4	25.4

Financial assumptions	31 Mar 2022 p.a.	31 Mar 2021 p.a.	31 Mar 2020 p.a.
Discount rate	2.60%	2.00%	2.35%
Pension increases (CPI)	3.25%	2.85%	1.90%
Salary increases	4.25%	3.85%	2.90%

Results

Net pension asset in the statement of financial position	31 Mar 2022 £000s	31 Mar 2021 £000s	31 Mar 2020 £000s
Present value of the defined benefit obligation	5,468,685	5,471,043	4,158,323
Fair value of Fund assets (bid value)	2,674,821	2,341,962	2,001,532
Net liability in balance sheet	2,793,864	3,129,081	2,156,791

The present value of the defined benefit obligation consists of £5,393,580,000 in respect of vested obligation and £75,105,000 in respect of non-vested obligation.

Reconciliation of opening & closing balances of the of the defined benefit obligation	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
Opening defined benefit obligation	5,471,043	4,158,323
Current service cost	237,420	162,433
Interest cost	108,485	96,656
Change in financial assumptions	(264,705)	1,249,011
Change in demographic assumptions	-	(47,193)
Experience loss/(gain) on defined benefit obligation	11,651	(57,217)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(129,787)	(123,431)
Past service costs, including curtailments	3,726	2,124
Contributions by Scheme participants and other	30,852	30,337
Closing defined benefit obligation	5,468,685	5,471,043

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
Opening fair value of Fund assets	2,341,962	2,001,532
Interest on assets	46,988	47,208
Return on assets less interest	273,155	280,376
Other actuarial gains/(losses)	-	-
Administration expenses	(2,248)	(1,920)
Contributions by employer	113,899	107,860
Contributions by Scheme participants and other	30,852	30,337
Estimated benefits paid net of transfers in	(129,787)	(123,431)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	2,674,821	2,341,962

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	5,357,529	5,468,685	5,582,259
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	5,476,528	5,468,685	5,460,904
Adjustment to pension increases and deferred	+0.1%	0.0%	-0.1%
Present value of total obligation	5,573,583	5,468,685	5,365,896
Adjustment to life expectancy assumptions	+1 Year	None	- 1 Year
Present value of total obligation	5,706,544	5,468,685	5,241,234

13) SCHEME EMPLOYERS AND CONTRIBUTIONS RECEIVED

Employer	Employee £'000	Employer £'000	TOTAL £'000
Absolutely Leisure Limited	25	46	71
Accent Catering Services Ltd	1	3	4
Transform Learning Trust	42	149	191
Activate Learning Education Trust	54	255	309
Age Concern Berkshire	9	10	19
ALET (B&W College)	120	670	789
Altwood School (Academy Status)	50	113	164
Ashley Hill Schools Trust	24	85	109
Thames Learning Trust	110	374	484
Bellevue Place Education Trust	173	560	733
Berks, Bucks & Oxfordshire Wildlife Trust	5	17	22
Berkshire College Of Agriculture	262	1,029	1,291
Berkshire County Blind Society	0	14	14
Berkshire Fire & Rescue Service	474	1,281	1,756
Berkshire Maestros	37	122	159
Binfield Parish Council	5	19	24
Bohunt Education Trust	49	171	221
Bohunt Wokingham	0	0	0
Bonitas Multi Academy Trust Limited	92	246	338
Bouygues E&S UK Ltd	3	16	19
Bracknell Forest BC	3,523	11,748	15,272
Bracknell Forest Homes	73	216	289
Bracknell Town Council	43	154	197
Bray Parish Council	3	16	19
Brighter Futures for Children	1,138	2,419	3,557
Bucklebury Parish Council	0	2	2
Burghfield Parish Council	6	28	34
Busy Bee Cleaning Services Ltd	1	5	6
Care UK	3	10	12
Castleview School (Academy Status)	56	200	256
Caterlink Limited (Heights)	0	2	2
Anthem Schools Trust	104	326	429
Change Grow Live	2	8	10
Charters School (Academy Status)	86	275	361
Charvil Parish Council	3	12	14
Churchend Academy	35	129	164
Churchill Contract Services Ltd	0	1	1
Compass Contract Services (UK)	4	10	13
Compass Contract Services (UK) Ltd 2	0	14	14
Compton Parish Council	1	3	4
Adviza	82	204	286
Continental Landscapes Ltd	11	32	43
Cookham Parish Council	3	13	16
Coram	18	54	72
Corn Exchange Trust	2	15	17
Cox Green Parish Council	4	19	23
Cox Green School (Academy Status)	69	222	291
Creative Support Extra Care	11	37	48
Creative Support Ltd (Altair 00211)	2	10	12
Crowthorne Parish Council	7	28	35
Denefield School (Academy Status)	70	224	294
Desborough College	42	152	195

Dimensions UK Ltd	13	108	120
Earley Town Council	28	111	139
Windsor Forest Colleges Group	255	990	1,245
Elizabeth Fry Hostel	13	44	56
Eton Town Council	1	6	7
Everbrite Cleaning Services	2	6	7
Excalibur Academies Trust	86	290	375
Finchampstead Parish Council	4	15	19
Forest Bridge School	96	330	426
Frassati Catholic Academy Trust	98	354	452
Frays Academy Trust	47	172	219
Furze Platt Senior School (Academy Status)	96	327	423
Get Active (Robert Piggott)	0	0	1
Get Active (Wildridings)	1	4	5
Glyn Learning Foundation	44	153	196
Go Beanies Limited	0	2	2
Greenham Parish Council	2	6	8
Greenshaw Learning Trust	122	434	556
Greenwich Leisure Ltd (RBC)	47	130	177
Greenwich Leisure Ltd ext 4076	3	55	58
Hampstead Norreys Parish Council	0	1	1
Haybrook College Trust	91	304	395
Hayward Services (Rdg Girls)	0	1	1
Hayward Services (SASH)	0	1	2
Hayward Services Ltd (Cox G)	1	6	7
Hayward Services Ltd (Wex)	2	7	9
Heart Facilities Limited	1	5	6
Highdown School	69	225	294
Holroyd Howe Ltd	1	5	6
Holt School (Academy Status)	48	163	211
Holy Family School	33	147	180
Holybrook Parish Council	3	10	12
Holyport College	53	176	230
Horton Parish Council	1	4	5
Housing Solutions Ltd	0	539	539
Hungerford Town Council	4	17	22
Hurley Parish Council	1	5	6
Innovate Services (Prospect)	4	12	16
Interserve (Facilities Services Slough) Ltd	0	97	97
Kendrick School (Academy Status)	36	120	155
Kennet School Academies Trust	172	576	748
Keys Multi-Academy Trust	130	459	590
KGB Cleaning Ltd – Denefield	0	0	0
Sikh Academies	31	106	137
King's Academy Group	111	368	480
Lambourn Parish Council	2	8	10
Arbib Education Trust	179	612	792
Langley Grammar School (Academy Status)	46	148	194
Langley Hall Primary Academy	54	183	237
Learning Alliance Trust	0	0	0
Leisure Focus Trust	12	41	53
Lowbrook Academy Trust	12	43	54
Maiden Erlegh Schools Trust	342	1,006	1,349
Marish Academy Trust	129	453	583
Mary Hare Grammar School	208	795	1,003

MITIE	1	19	21
Newbury Academy Trust	128	370	498
Newbury College	132	599	731
Newbury College Academy Trust Ltd	2	8	10
Newbury Town Council	24	76	101
Newlands Girls School	57	187	243
Chiltern Way Academy Trust	20	69	89
Northgate UK Ltd (Altair Code 00113)	0	0	0
Northgate UK Ltd (Altair Code 00178)	0	49	49
NSL Ltd	15	46	61
Optalis Limited	38	131	169
Optalis Limited (RBWM)	166	580	746
Orchard Hill College & Academy Trust	157	558	715
Osborne Property Services Limited	28	91	119
Oxford Dioscesan Schools Trust	92	327	419
Pact	26	92	118
Pangbourne Parish Council	3	13	16
Park Federation Academy Trust	186	611	797
Priory School	102	451	553
Project Centre Ltd	7	19	26
Project Centre Ltd 2	10	19	28
Purley on Thames Parish Council	4	9	12
Rapid Clean (Westende)	0	0	0
RBWM	1,978	10,957	12,935
RBWM Property Company Ltd	50	81	131
Reach2 Thames Valley Academy Trust	58	255	312
Reading Borough Council	4,394	15,703	20,098
Reading School (Academy Status)	57	184	242
Reading Transport Ltd	34	728	762
Reading Voluntary Action	3	11	14
Berkshire Schools Trust	45	159	204
Ryvers School (Academy Status)	51	181	232
S.E.Centre for the Built Environment Ltd	10	27	37
Sandhurst Parish Council	4	12	16
SASH Education Trust	119	399	518
Schelwood Academy Trust	85	271	356
School of St Helen & St Katharine	18	71	89
Shinfield Parish Council	0	2	2
SLM Charitable Trust 2	32	87	119
SLM Community Leisure	1	3	4
SLM Fitness & Health	2	6	7
SLM Food & Beverage	3	8	11
Slough Borough Council	2,681	11,541	14,221
Slough Children's Services Trust	626	1,320	1,946
Slough Community & Leisure Ltd	0	33	33
Slough Council For Voluntary Service	5	17	22
Solutions4Health	1	8	9
South Hill Park Trust	0	60	60
Sovereign Housing Association	0	596	596
Specialist Education Trust	36	123	159
St Bartholomew's School (Academy Status)	84	291	374
St Thomas Catholic Academies Trust	127	421	549
Sunninghill & Ascot Parish Council	1	4	5
Swallowfield Parish Council	19	14	33
Thames Valley Cleaning Limited	1	2	3

Thatcham Town Council	10	39	49
The Avenue Academy	165	575	740
The Beehive (Wokingham) Limited	1	2	3
The Blessed Hugh Farringdon School	59	244	304
The Cippenham Schools' Trust	30	102	132
The Circle Trust	206	675	881
The Corvus Learning Trust	121	423	544
The Downs School	75	300	375
The Elliot Foundation	40	139	179
The Forest School Academy Trust	23	73	96
The Heights Free School	23	82	105
The National Autistic Society Academy Trust	86	287	373
The Piggott C of E Academy	70	244	314
The Slough and East Berkshire MAT	216	718	934
The Riverside Day Nursery Ltd	0	0	0
Theale Parish Council	2	8	10
Tilehurst Parish Council	3	12	15
Twyford Parish Council	3	11	14
Tyr Abad	1	3	4
Unallocated	0	0	0
University of West London	53	1,544	1,597
Pioneer Education Trust	102	342	444
Volkerhighways Ltd	24	68	92
Volkerhighways Ltd (Wok)	1	3	4
W&M Youth & Community Counselling Service	3	11	14
Waingels College	75	221	296
Warfield Parish Council	3	9	11
West Berkshire DC	4,285	15,256	19,541
West Illsley Parish Council	0	1	1
Westgate School (Academy Status)	75	258	333
Wexham Court Parish Council	1	5	6
White Waltham Parish Council	5	22	27
All Saints (CE) Aided Primary School	28	119	147
Windsor Housing	2	226	228
Windsor Learning Partnership	162	595	757
Winkfield Parish Council	15	54	69
Winnersh Parish Council	4	15	19
Wokingham Borough Council	4,090	13,811	17,901
Wokingham Town Council	30	94	124
Wokingham Without Parish Council	7	30	37
Wolseley UK Ltd	0	0	0
Woodley Town Council	42	170	212
Wraysbury Parish Council	1	6	7
Yattendon Parish Council	0	0	1
	31,541	116,642	148,183

14) AVC ARRANGEMENTS

The Royal County of Berkshire Pension Fund's chosen Additional Voluntary Contribution (AVC) provider is the Prudential Assurance Company. There are a number of investment choices available to members of the Fund who elect to pay AVCs. Members can choose to switch AVC Funds at any time subject to the terms and conditions of each vehicle. At retirement, the accumulated value of a member's AVC Fund can be used to provide a tax-free lump sum payment (subject to HMRC limits), to purchase an annuity on the open market or, in certain circumstances, buy additional membership of the Local Government Pension Scheme. The following table sets out the available Funds and the level of investment risk attached to each of those Funds:

Higher Risk

Prudential UK Equity Fund
Prudential UK Equity Passive Fund

Medium to Higher Risk

Prudential Global Equity Fund
Prudential International Equity Fund
Prudential Positive Impact Fund

Medium Risk

Prudential Discretionary Fund
Prudential Dynamic Growth IV Fund
Prudential Index-Linked Fund
Prudential Long-Term Bond Fund
Prudential Long-Term Gilt Passive Fund

Lower to Medium Risk

Prudential Dynamic Growth I Fund
Prudential Dynamic Growth II Fund
Prudential Fixed Interest Fund
Prudential With-Profits Fund

Minimal Risk

Prudential Cash Fund

Many members choose to invest in the With Profits Fund that is designed to provide smoothed medium to long-term growth by investing in a range of assets including equities and property. The investment returns are distributed by way of reversionary and terminal bonuses.

Lifestyling

Lifestyling is a convenient way for members of AVC schemes to stay invested in assets with the potential for long-term growth throughout their working lives whilst gaining an element of protection through automatic switching into funds with lower risk as retirement approaches.

15) POLICIES, STRATEGIES AND STATEMENTS

The statutory policies, strategies and statements prepared by the Royal County of Berkshire Pension Fund as administered by the Royal Borough of Windsor and Maidenhead are summarised as follows. *The Pension Fund Website address as referred to in the table below is <https://berkshirerpensions.org.uk/>*

Document	Relevant Regulation	Source	Note
Abatement Policy	Regulations 70 & 71 (LGPSAR 2008**)	Pension Fund Website	
Full Actuarial Valuation Report	Regulation 62 (LGPSR2013*)	Pension Fund Website	Relates to the post 2019 triennial valuation
Discretions Policy	Various	Pension Fund Website	
Communications Strategy	Regulation 61 (LGPSR 2013*)	Appendix 1	
Employer Flexibilities Policy	Regulation 64 (LGPSR2013*)	Pension Fund Website	
Employer Contribution Review Policy	Regulation 64 (LGPSR2013*)	Pension Fund Website	
Funding Strategy Statement	Regulation 58 (LGPSR 2013*)	Appendix 2	Relates to the post 2019 triennial valuation
Governance Compliance Statement	Regulation 55 (LGPSR 2013*)	Appendix 3	The full document available on the Fund Website includes committee training logs appended as per the recent SAB good governance report.
Investment Strategy Statement	Regulation 7 (LGPS(M&IF)R2016***)	Appendix 4	Sub-documents as referenced in the ISS (LPPI shareholder voting policy, Responsible investment policy) are also available on the Pension Fund website

***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)**

The aforementioned policies, strategies and statements are prepared by Fund officers then reviewed and approved by the Pension Fund Committee in consultation with the Pension Board. The timeline for review varies between the individual policy documents, from at least triennially but no more frequent than annually.

Non-statutory policies are also prepared in line with good governance and best practice, these are reviewed and approved at least annually and include those that are already referred to in this report and those outside of the scope of this report for example:

- Pension Administration Strategy;
- Managing Risks Framework;
- Reporting Breaches of the Law;
- Business Plan;
- Service Level Agreements
- Debt Spreading and Deferment Policies;
- Internal Dispute Procedures;
- Managing Employer Admissions to the Fund

All statutory and non-statutory policies are available from the Pension Fund website at <https://berkshirerpensions.org.uk> along with associated guidance notes as required.

Appendix 1) Communications Strategy Statement

Approved by the Pension Fund Committee in October 2022, please note that title and contents pages have been removed for the purpose of presentation in this appendix. The full document is available on the pension fund website: <https://berkshirerensions.org.uk/>

1. INTRODUCTION

This Communications Strategy ('the Strategy') is formulated by the Royal Borough of Windsor and Maidenhead in its role as the Administering Authority for the Royal County of Berkshire Pension Fund in accordance with Regulation 61 of the Local Government Pension Scheme Regulations 2013.



This Strategy deals with the communication of all aspects of the scheme to both Scheme employers and the individual LGPS members (or their representatives).

It should be noted for the purposes of clarification that the reference to 'scheme member' in this statement means an individual who by virtue of his/her employment is an active contributor, deferred beneficiary or retired member of the Royal County of Berkshire Pension Fund.

The aim of the Strategy is to provide clear and consistent information to all scheme members and scheme employers and to communicate this information effectively and accurately.

This Strategy will be kept under review and amended following any material change to:

- i) The provision of information and publicity about the scheme to members, representatives of members and scheme employers;
- ii) The format, frequency and method of distributing such information or publicity; and
- iii) The promotion of the Scheme to prospective members.

Following any revision to the strategy statement, the Administering Authority will publish the statement as revised, otherwise it should undergo a periodic review and refresh at least triennially.

Notwithstanding the introduction, communication strategy is sub-divided into four main areas:

1. Communication with scheme employers;
2. Communication with individual scheme members (or their representatives);
3. Communication with prospective scheme members; and
4. Communication with prospective scheme employers.

Additionally, the Fund's policy on responding to external enquiries is to adopt BRWM's FOI (freedom of Information) process/policy. All enquiries made by existing stakeholders of the Fund, outside of the FOI process, shall be addressed on a best endeavours basis in a reasonable time frame and subject to resource constraints. This includes enquiries from existing members (retired, deferred, active) and councillor enquiries from the six unitary authorities associated with the Fund. The Fund has a policy of not directly responding to enquiries from members of the public (or other external parties), outside of RBWM's FOI request process.



2. COMMUNICATION WITH SCHEME EMPLOYERS

The Royal County of Berkshire Pension Fund has many Scheme employers that satisfy the relevant membership conditions set out within the LGPS Regulations. These scheme employers can be broadly split into 2 groups:

- Group 1: Scheduled Bodies (including Borough, District, Town and Parish Councils, Academies, Berkshire Fire & Rescue Service, Colleges and Housing Associations)
- Group 2: Admission Bodies (including scheme employers previously defined as Community Admission Bodies and Transferee Admission Bodies). This refers to all scheme employers admitted to the scheme other than Scheduled bodies.

2.1. Decision Making Process

The Fund's Governance Compliance Statement covers the involvement of Scheme employers within the decision-making process but should also be seen as an element in the communication process with regard to scheme employers other than the Royal Borough of Windsor & Maidenhead in its role as the Administering Authority for the Fund.

2.2. Scheme Employer Meetings

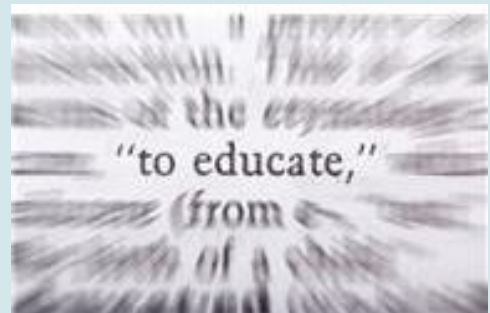
Meetings will be held in person or virtually between the Pension Liaison Officer (or relevant representative) of the six Berkshire Unitary Authorities and the Fund on an annual basis to discuss all current pension-related matters.



A separate annual meeting is held with at least one representative of each scheme employer being invited to attend. Representatives of various professional bodies employed by the Fund such as the Actuary will be present at the meeting to explain the details of any relevant topic and receive questions. The Chair of the Berkshire Pension Fund Committee is invited to attend and chair the meeting. If possible, the Chair of the Pension Board will also attend. The date for this meeting may vary so as to take into account the timing of any specific issues that may arise such as the triennial actuarial valuation results.

2.3. Training for Scheme Employers

Scheme administration guidance is available to all the scheme employers within the Fund via the Pension Fund website. In addition, training meetings may be arranged on an ad hoc basis with the relevant officers within the pension administration team and individual Scheme employers by way of supplementing the guidance provided via the website. These meetings are most applicable for HR and payroll staff representing the scheme employer



2.4. Regular LGPS updates

Regular updates are sent to each scheme employer by the Fund's communication team regarding any changes to the Local Government Pension Scheme. These are mainly in the form of employer newsletters ('*Inscribe*') posted to the employer section of the Royal County of Berkshire Pension Fund [website](#) but updates may also be provided in the form of letters or e-mails. Bulletins will be issued three or four times a year and will include details of any legislation changes and how the changes impact on scheme employers.

The Royal County of Berkshire Pension Fund operates a [website](#) with sections specifically dedicated to active scheme members, deferred beneficiaries/members, retired members, and scheme employers.

Other details that can be found include:



Standard Fund documentation (guides, leaflets and forms)

Statement of Accounts for the Pension Fund

Investment Strategy Statement

Funding Strategy Statement

Governance Compliance Statement

Copies of Scheme Member newsletters

Links to other web sites

The Berkshire Pension Fund website address is www.berkshirepensions.org.uk.

2.5. General Guidance and Assistance

The pension administration team can be contacted during normal office hours and is always available to answer any questions raised by Scheme employers and can arrange for ad hoc meetings to be held for pension input into any specific tasks Scheme employers may have e.g., outsourcing of services. The pension administration team can be contacted by telephone on 01628 796668 or by email at info@berkshirepensions.org.uk.

2.6. Promotional Services

Promotional guides, factsheets and leaflets are produced by the pension administration team and are available from the Fund website. The pension administration team will also commit to attending any events held by the scheme employers where their input would be seen to be of value.

2.7. Scheme Member Data

The Administering Authority's 'Pension Administration Strategy' sets out that the Fund's approach is to accept data from scheme employers via i-Connect, a secure electronic data transfer interface between the scheme employer's payroll system and the Fund's pension administration system. The reasons for this are many but in particular because the data transfer is encrypted providing greater data security, pension information is uploaded in real time meaning that scheme members have access to the most up to date membership information via 'mypension ONLINE', keying and data errors are eliminated and scheme administration is maintained to the highest standards possible.



The Administering Authority will continue to engage and work with scheme employers in implementing i-Connect but until such time as a scheme employer contracts into using i-Connect the scheme administrator will continue to receive pension data from a scheme employer via either a pre-formatted excel spreadsheet or by the completion of standard forms as made available from the scheme employers' section of the Fund's website in both .pdf and Word formats.

With the exception of scheme employers who use i-Connect, all other Scheme employers are required to supply a 'year-end' return (31st March) to the Administering Authority by 30th

April in a specified format to enable annual benefits statements to be produced and supplied to active and deferred members within the statutory deadlines set out in Scheme regulations.

2.8. General Data Protection Regulation (GDPR)

GDPR came into force on 25 May 2018 and requires Privacy Notices to be published showing transparency on how personal data is used. The Administering Authority has produced and published on the Berkshire Pension Fund website a Privacy Notice explaining how the Pension Fund collects personal data, what that data is used for, with whom that data is shared and the rights of individuals with regard to their data.

In addition, a Memorandum of Understanding regarding compliance with Data Protection law has been produced and published on the website and scheme employers and members have been advised through their respective newsletters.

2.9. Employer Factsheets

A suite of topical factsheets (known as "**Pension Pointers**") is available to assist scheme employers with the administration of the LGPS. These are available on the Pension Fund website.

3. COMMUNICATION WITH INDIVIDUAL SCHEME MEMBERS

Membership of the Royal County of Berkshire Pension Fund covers the active contributors, those members who have left the Fund but still have a deferred pension awaiting payment from normal retirement age and retired members including their dependants.

The preferred method of communication with scheme members is via '*mypension* ONLINE' a secure member self-service facility provided as part of the pension administration software. '*mypension* ONLINE' is available to all member types and enables the member to update certain personal details online and provides each member type with access to their annual benefit statements, membership certificates and guides/leaflets relevant to their membership type. Where a member requests that information should be supplied in a paper format the scheme administrator will make arrangements for this information to be sent to the member's home address.

Electronic communication is the Fund's preferred mode of communication with members and shall be implemented unless explicitly advised by a member not to.

3.1. Welcome Pack

Upon receipt of a new starter notification from a Scheme employer, a '*mypension* ONLINE' activation key is sent, by the pension administration team, to the home address of the new active member. Access to '*mypension* ONLINE' provides a new scheme member with:

- A membership certificate of entry into the scheme
- An employee guide to the scheme
- A guide to increasing pension benefits
- A guide to making a transfer of pension rights from a previous pension scheme;
- A guide to protections for the family
- An expression of wish form for payment of a death grant
- A guide to civil partnerships
- A guide to working part-time
- A copy of the Pension Fund's Service Standards
- A guide to keeping records up to date
- A guide to making contributions following a period of absence



If a scheme member prefers not to use '*mypension* ONLINE', they can request a full welcome pack to be sent to their home address.

3.2. Annual Benefit Statements

Each active contributor and deferred beneficiary has an Annual Benefit Statement made available via '*mypension* ONLINE' which includes details of:

- Benefits built up within the scheme as of 31 March
- An estimate of benefits to Normal Pension Age.
- The value of the death grant payable from the Scheme
- The member's nominated beneficiaries for receipt of any death grant

If a Scheme member prefers, a paper copy of their annual benefit statement will be sent to their home address upon request. Electronic communication is the Fund's preferred mode of communication with members and shall be implemented unless explicitly advised by a member not to.

3.3. Pension Surgeries

One to one meetings are available at the Pension Fund offices for any scheme member of the Fund and formal Pension Surgeries are held twice yearly at the offices of the six Unitary Authorities or via a virtual link if preferred and on an ad hoc basis at the offices of other Scheme employers as arranged by the scheme employer.

3.4. Newsletters



Newsletters are produced bi-annually for active and retired Scheme members and annually for deferred Scheme members. These newsletters are available via 'mypension ONLINE' or the Pension Fund website although they can be sent out to individual addresses if explicitly requested.

The newsletters are tailored to the recipient according to their membership status and contain an update of all matters relating to the LGPS and the Berkshire Pension Fund. Retired Scheme members receive "The Scribe".

Active and deferred scheme members receive "The Quill", with separate sections tailored to each membership type.

Regular exercises are undertaken to contact members asking for their communication preferences, with the intention of moving more communications from paper to electronic at each liaison exercise. At least one outreach exercise shall be undertaken in 2022/23 with the intention to repeat this as soon as reasonably practical.

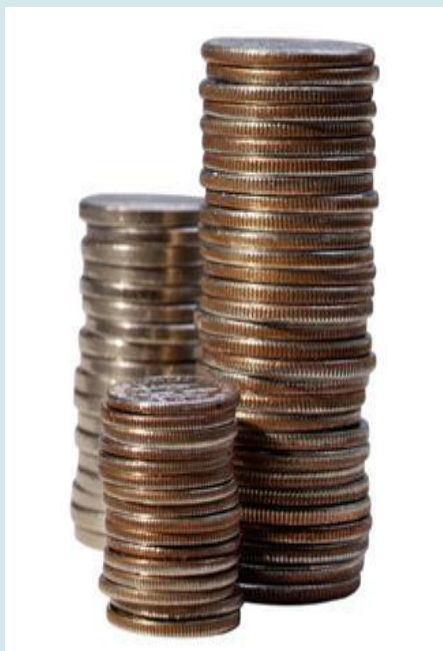


3.5. Pre-Retirement Courses

Where pre-retirement courses are run by scheme employers, a member of the pension administration team will be available to attend to explain the details of scheme benefits and how and when pension payments will be made.

3.6. Pension Fund Website

Individual scheme members of the Fund have access to the Pension Fund website which is continually reviewed and updated. Specific sections of the website have been designed for each membership type with downloadable forms, guides, online flipbooks and modellers made available. Access to 'mypension ONLINE' is gained via the Pension Fund website www.berkshirepensions.org.uk



3.7. Pension Payslips

Pension payslips are available via 'mypension ONLINE'. If a scheme member requires a pay advice slip to be sent to their home address it is the practice of the administering authority to only send out pay advice slips when there is a variation of £1 or more in net pay between consecutive months. A detailed description of a payslip is available on the retired scheme members section of the Pension Fund website.

3.8. P60s

P60s are available via 'mypension ONLINE' but will be sent out to scheme members' home addresses as a matter of course. Every retired scheme member and/or their dependants will receive a P60 each year before the HMRC deadline of 31st May. A detailed description of a P60 is available on the retired scheme members section of the Pension Fund website.

3.9. Annual Pension Increase Letter

Annual Pension Increase letters will be sent out to Scheme members' home addresses. Retired Scheme members will receive a pension increase booklet every April containing their individual increase on their pension (where an increase is to be applied). This letter will include details of the monetary value of their revised annual pension.

3.10. Annual General Meeting

An Annual General Meeting of the Royal County of Berkshire Pension Fund is held with all Scheme members receiving an invite. During 2020 and 2021 these meetings were held virtually and from 2022 they shall be held as hybrid meetings if the technology is available to support this. A restricted number of scheme members will be able to attend in person on a first come first served basis. The main purpose of the meeting is to communicate details of the Fund's Annual Report & Accounts, Investment Strategy and any other specific matters relating to the LGPS Regulations. The date for this meeting may vary so as to take into account certain regulatory matters that may arise.



3.11. Ad Hoc Meetings

Ad hoc meetings may be held from time to time for various groups of scheme members. These may be defined by type of scheme member (active or retired) or location (for a specific scheme employer or group of scheme employers). The timing of these meetings will be dictated either by requests from scheme employers or the need to consult and notify scheme members of any changes that might have occurred.

4. COMMUNICATION WITH PROSPECTIVE SCHEME MEMBERS

A brief guide to the scheme is available to all prospective scheme members and should be provided to all new employees by their scheme employer as part of their contract of employment details. The brief guide is available from the Pension Fund website in both pdf and Word formats and is kept up to date with current regulations at all times.

The Fund website has a dedicated area for employees considering opting into the LGPS.

5. COMMUNICATION WITH PROSPECTIVE SCHEME EMPLOYERS

A guide for admission bodies is available on the Pension Fund website for all prospective scheme employers considering admission to the Royal County of Berkshire Pension Fund and is available as a hard copy upon request.

A template admission agreement has been produced and is available either via the Pension Fund website or as a hard copy upon request.

The administering authority has the power to accept various types of scheme employers into the Pension Fund but will only do so subject to a full and open discussion taking place between the parties to any admission agreement and that the final admission agreement (including any covenants, guarantees etc.) has been completed in advance of the agreed admission date.

Approved by the Berkshire Pension Fund Committee: 19 September 2022

Appendix 2) Funding Strategy Statement

Approved by the Pension Fund Committee in June 2021, please note that title and contents pages have been removed for the purpose of presentation in this appendix. The full document is available on the pension fund website: <https://berkshirepensions.org.uk/>

1 INTRODUCTION

- 1.1 This is the Funding Strategy Statement (“FSS”) for the Royal County of Berkshire Pension Fund (“the Fund”) which is administered by The Royal Borough of Windsor and Maidenhead (“the Administering Authority”). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013.
- 1.2 This statement should be read in conjunction with the Fund’s Investment Strategy Statement (“ISS”) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition*) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Purpose of the Funding Strategy Statement

- 1.3 The purpose of the FSS is to explain the Fund’s approach to meeting the employer’s pension liabilities and in particular:
- To establish a clear and transparent Fund-specific strategy which will identify how employers’ pension liabilities are best met going forward;
 - To take a prudent longer-term view of funding those liabilities; and
 - To support the regulatory framework to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme, and where possible to maintain as nearly constant Scheme employer contribution rates as possible.
- 1.4 The purpose of the Fund is to:
- Collect monies in respect of employee and employer contributions, transfer values and investment income;
 - Facilitate payment of Local Government Pension Scheme (LGPS) benefits, transfer values, costs, charges and expenses; and
 - Accumulate and invest money received and facilitate the management of this.



Funding Objectives

- 1.5 Contributions are paid to the Fund by Scheme members and Scheme employers to provide for the benefits which will become payable to Scheme members when they fall due.
- 1.6 The funding objectives are to
- Set levels of employer contributions that will build up a fund of assets sufficient to ensure the solvency of the Fund and the payment of all future benefit payments from the Fund;
 - Set contributions which maximise the long-term cost efficiency. Broadly, this means that paying contributions as soon as possible so that any deficit is addressed quickly is preferable;
 - Build up the required assets in such a way that produces levels of employer contributions that are as stable as possible;

- Minimise the risk of employers exiting the Fund with unpaid deficits, which then fall to the other employers;
- Ensure effective and efficient management of employer liabilities; and
- Allow the return from investments to be maximised within reasonable risk parameters.

2 KEY PARTIES

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



The Administering Authority

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

- Operate the Fund in accordance with the LGPS Regulations
- Collect and account for employee and employer contributions;
- Pay the benefits to Scheme members and their dependants as they fall due;
- Invest the Fund's assets ensuring sufficient cash is available to meet the liabilities as and when they become due;
- Take measures as set out in the regulations to safeguard the Fund against the consequences of employer default;
- Manage the Actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain the FSS and also the ISS (Investment Strategy Statement) and after consultation with other interested parties;
- Monitor all aspects of the Fund's performance and funding to ensure that the FSS and the ISS are updated as necessary; and
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer.

Scheme employers

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

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary within the statutory timescales;
- Promptly notify the Administering Authority of any new Scheme members and any other membership changes in accordance with the pension administration service level agreement;
- Promptly notify the Administering Authority of any Scheme member who leaves or retires from their employment in accordance with the pension administration service level agreement;



- Promptly notify the Administering Authority of all Scheme member data and information required by the Administering Authority in accordance with the pension administration service level agreement so that the Administering Authority is able to accurately calculate the value of benefits payable to each Scheme member;
- Exercise any discretions permitted under the Scheme Regulations and to produce, maintain and publish a policy statement with regard to the exercise of those discretions;
- Meet the costs of any augmentations or other additional costs such as Pension Fund strain costs resulting from decisions to release early Scheme members' retirement benefits in accordance with Scheme regulations and agreed policies and procedures;
- Pay any exit payments due on ceasing participation in the Fund;
- Provide any information as requested to facilitate the Actuarial valuation process.

Fund Actuary

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

- Prepare the Actuarial Valuation having regard to the FSS and the Scheme Regulations;
- Prepare annual FRS102/IAS19 (accounting standards) reports for all Scheme employers requiring such a report for their annual report and accounts;
- Advise interested parties on funding strategy and completion of Actuarial valuations in accordance with the FSS and the Scheme Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc.;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;



- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Advise on other actuarial matters affecting the financial position of the Fund.

3 FUNDING STRATEGY

- 3.1 The funding strategy seeks to achieve (via employee and employer contributions and investment returns) two key objectives:
- A funding level of 100% as assessed by the Fund's appointed Actuary, triennially, in accordance with the Scheme Regulations;
 - As stable an employer contribution rate as is practical.
- 3.2 The funding strategy recognises that the funding level will fluctuate with changing levels of employment, retirements, actuarial assumptions and investment returns and that the employer contribution has to be adjusted to a level sufficient to maintain the Pension Fund's solvency and to achieve a funding level of 100% over the longer term.
- 3.3 The Actuarial valuation process is essentially a projection of future cash-flows to and from the Fund. The main purpose of the triennial valuation is to determine the level of employers' contributions that should be paid over an agreed period to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.
- 3.4 The last Actuarial valuation was carried out as at 31st March 2019 with the assets of the Fund found to be 78% of the accrued liabilities for the Fund.

Funding Method

- 3.5 The funding target is to have sufficient assets to meet the accrued liabilities for each Scheme employer in the Fund. The funding target may, however, also depend on certain Scheme employer circumstances and will, in particular, have regard to whether a Scheme employer is an "open" employer (which allows new recruits access to the Fund) or a "closed" employer (which no longer permits new employees access to the Fund). The expected period of participation by a Scheme employer in the Fund may also affect the chosen funding target.
- 3.6 For all Scheme employers the Actuarial funding method adopted considers separately the benefits in respect of service completed before the Valuation date ("past service") and benefits in respect of service expected to be completed after the Valuation date ("future service"). This approach focuses on:
- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service after making allowance for future increases to members' pay and pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities whereas a funding level of less than 100% indicates a deficit.
 - The future funding rate i.e. the level of contributions required from the individual Scheme employers which together with employee contributions are expected to support the cost of benefits accruing in the future.
- 3.7 For "open" Scheme employers, the Projected Unit method is used which, for the future service rate, assesses the cost of one year's benefit accrual.

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

Valuation Assumptions and Funding Model

- 3.9 In completing the Actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund’s future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.
- 3.10 The assumptions adopted at the valuation can therefore be considered as:
- The statistical assumptions which generally speaking are estimates of the likelihood of benefits and contributions being paid; and
 - The financial assumptions which generally speaking will determine the estimates of the amount of benefits and contributions payable and their current or present value.

Future Price Inflation

- 3.11 The base assumption in any triennial valuation is the future level of price inflation. This is derived by considering the average difference in yields from conventional and index linked gilts during the 6 months straddling the valuation date using a point from the Bank of England RPI Inflation Curve. This gives an assumption for Retail Prices Index (RPI) inflation, which is then adjusted to get an assumption for Consumer Prices Index (CPI) inflation. At the 2019 valuation, CPI was assumed to be 1.0% per annum lower than RPI, giving a CPI inflation assumption of 2.6% per annum.
- 3.12 This assumption was reviewed following the Chancellor’s November 2020 announcement on the reform of RPI and is now assumed to be 0.4% p.a. lower than the 20 year point on the inflation curve. This change will be fully reflected in the ongoing funding assumptions from 31 December 2020. This adjustment accounts for both the shape of the curve in comparison to the Fund’s liability profile and the view that investors are willing to accept a lower return on investments to ensure inflation linked returns. This assumption will be reviewed at future valuations and the difference between RPI and CPI is expected to move towards 0.0% p.a. as we get closer to 2030.



Future Pay Inflation

3.13As benefits accrued before 1st April 2014 (and in the case of some protected members after 31st March 2014) are linked to pay levels at retirement it is necessary to make an assumption as to future levels of pay inflation. The assumption adopted in the 2019 valuation is that pay increases will, on average over the longer term, exceed CPI by 1.0% per annum.

Future Pension Increases

- 3.14 Pension increases are assumed to be linked to CPI. Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A

deduction of 1.0% p.a. is therefore made to the RPI assumption to derive the CPI assumption.

This assumption was also reviewed in light of the Chancellor's announcement on the reform of RPI mentioned above. From 31 December 2020 CPI inflation is assumed to be 0.4% p.a. lower than the RPI assumption (i.e. a total of 0.8% p.a. below the 20 year point on the Bank of England implied RPI inflation curve). This reflects the anticipated reform of RPI inflation from 2030 following the UK Statistics Authority's proposal to change how RPI is calculated to bring it in line with the Consumer Prices Index including Housing costs (CPIH). This assumption will be reviewed at future valuations and the difference between RPI and CPI is expected to move towards 0.0% p.a. as we get closer to 2030.

Future Investment Returns/Discount Rate

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

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



The level of prudence at the 2019 valuation was set to be 0.7% p.a. This gave a discount rate of 5.3% per annum for all employers.

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

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

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

Asset Valuation

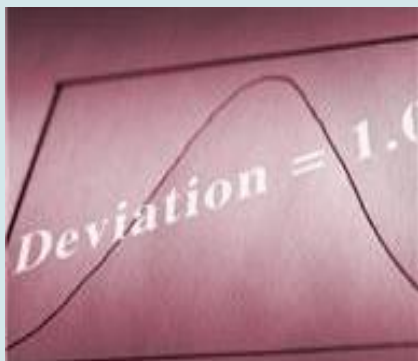
3.20 The asset valuation is a market value of the accumulated Fund at the triennial valuation date adjusted to reflect average market conditions during the 6 months straddling the triennial valuation date.

Statistical Assumptions

3.21 The statistical assumptions incorporated into the triennial valuation such as future rates of mortality etc are based on national statistics but then adjusted where deemed appropriate to reflect the individual circumstances of the Fund and/or individual Scheme employers. For the 2019 valuation, the Fund received a bespoke analysis of the pensioner mortality and the results of this analysis were used to aid in setting a suitable assumption for the Fund.

Deficit Recovery/Surplus Amortisation Periods

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



3.23 Where the Actuarial valuation discloses a significant surplus or deficit then the levels of required Scheme employers' contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years. At the 2019 valuation, a deficit was revealed and contributions were set to recover this deficit over a period no longer than 21 years.

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

- The significance of the surplus or deficit relative to that Scheme employer's liabilities;
- The covenant of the individual Scheme employer and any limited period of participation in the Fund; and
- The implications in terms of stability of future levels of Scheme employers' contributions.

3.24 At the 2019 triennial valuation the period adopted to recover the deficit was:

Type of Scheme Employer	Maximum Length of Recovery Period
Unitary Authorities and Associated Employers	21 years
Housing Associations	11 years
Colleges (excluding the University of West London)*	8 years
Academies	12 years
Community Admission Bodies	11 years (for the majority of employers, but this may differ for some depending on individual circumstances)
Transferee Admission Bodies	Future working life of current employees or contract period whichever is the shorter period

3.25 Where a Scheme employer's contribution has to increase significantly then the increase may be phased in over a period not exceeding 3 years although this may only be allowed for some Scheme employer types or if the increase in contributions would increase the risk of an employer insolvency, leaving an unpaid deficit and adversely affecting other employers' contributions and the solvency of the Fund as a whole.

Pooling of Individual Scheme employers

- 3.26 The policy of the Fund is that each individual Scheme employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly contribution rates are generally set for individual employers to reflect their own particular circumstances.
- 3.27 However, certain groups of individual Scheme employers may be pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

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

- Colleges (with the exception of the University of West London)*
- Academies
- 'Community' Admission Bodies



- 3.29 The main purpose of pooling is to produce more stable Scheme employer contribution levels in the longer term whilst recognising that ultimately there will be some level of cross subsidy of pension cost amongst pooled Scheme employers.
- 3.30 Prior to the 2016 valuation the Fund had a pool for the Housing Associations which has been disbanded due to only two employers remaining in the pool following one employer exiting the Fund and another employer leaving the pool.

*The University of West London is a closed employer whose membership and liability profile no longer makes it a viable employer for inclusion within the college pool.

New employers joining the Fund

- 3.31 Admission bodies - Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

New Academies

- 3.32 When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right. On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities. The new academy will join the existing academy pool.

The contribution rate for a new academy will be in line with the rate paid by the other academies in the academy pool, as calculated at the most recent actuarial valuation.

Contribution reviews between actuarial valuations

- 3.33 It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

- 3.34 A contribution review may be requested by an employer or be required by the administering authority. The review may only take place if one of the following conditions are met:

(i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

- 3.35 Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out the Fund's separate contribution review policy which can be found from the Policy section of the Fund's website. This includes details of the process that should be followed where an employer would like to request a review.

- 3.36 Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

- 3.37 Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under

Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

- 3.38 With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next rates and adjustments certificate.

Cessation Valuations

- 3.39 On the cessation of a Scheme employer's participation in the Fund, the Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the Scheme employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the Scheme employer will transfer within the Fund to another participating Scheme employer.
- 3.40 In assessing the deficit on termination, the Actuary may adopt a discount rate based on gilt yields or other lower risk assets and adopt different assumptions to those used at the previous triennial valuation to protect the other Scheme employers in the Fund from having to fund any future deficits from the liabilities that will remain in the Fund.

Exit Credit Policy

- 3.41 Following the recent Regulations coming into force on 20 March 2020 which are effective from May 2018, the Fund has set out their exit credit policy as follows:

Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This will include the majority of "pass-through" arrangements and any employer that is participating in the Fund where the ceding employer is the deemed employer. This is on the basis that these employers would not have been asked to pay an exit payment had a deficit existed at the time of exit. Any exit credit payment will be at the Fund's discretion and will take into account relevant factors as set out in Regulation 64 (2ZC).

Exit credits will only be paid if the ceasing employer has a surplus on the minimum risk basis at the cessation date. Allowance will be made for additional liabilities incurred as a result of redundancies.

Any exit credit payable will be the lower of the surplus on the minimum risk basis above and the actual employer contributions paid into the Fund. Where risk sharing arrangements are in place, any contributions made or required to be made to meet additional liabilities incurred as a result of redundancies, ill health retirement strains, excessive salary increases or anything else covered in the risk sharing agreement will not be included in the calculation of any exit credit payable.

The administering authority does not need to enquire into the precise risk sharing arrangement adopted by an employer but it must be satisfied that the risk sharing arrangement has been in place before it will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.

The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example if the

employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.

Under the Regulations, the administering authority has absolute discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

Managing exit payments

- 3.42 Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.
- 3.43 Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.
- 3.44 Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.
- 3.45 Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.
- 3.46 Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies document which can be found on the Policies section of the Fund's website. This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

Bulk transfers

- 3.47 Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.
- 3.48 The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).
- 3.49 A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Consolidation of Multi Academy Trusts (MATs)

- 3.50 Where an academy is transferring into or out of the Fund as part of a MAT consolidation exercise, the Fund generally expects that this will proceed through a Direction Order from the Secretary of State. In these situations and subject to the terms agreed between the Fund Actuary to both LGPS Funds, typically all the assets attributable to the academy in the ceding Fund are transferred to the receiving Fund.
- 3.51 The Fund's preference would be for any transfer to include all members, including deferred and pensioner members. Should a situation arise where an academy is transferring out of the Fund and only active members are transferring, the Fund would seek to retain a level of assets to be at least sufficient to fully fund any deferred and pensioner members left behind, as measured by the Fund's ongoing funding basis at the transfer date.
- 3.52 Where the academy is transferring into the Fund, where appropriate, the academy will become part of the Fund's Academy pool. However, the Fund would not accept a transfer in which would lead to a deterioration in its overall funding level, and in particular as a minimum receive a transfer amount that was no less than the equivalent individual CETVs for the transferring members, based on Government Actuary factors in force at the transfer date. The agreed basis of transfer could take into account the funding basis of the Fund and a top up payment could be made to ensure the Fund would not be significantly worse off or be subject to an unacceptable level of risk.

Early Retirement Costs

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



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

Triennial Valuation

- 3.55 The next triennial valuation is due as at 31st March 2022.

4 LINKS WITH THE INVESTMENT STRATEGY STATEMENT (ISS)

- 4.1 The main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS and the expected rate of investment return which is expected to be achieved by the underlying investment strategy as set out in the ISS.
- 4.2 As explained above the ongoing discount rate adopted in the Actuarial valuation is derived by considering the expected return from the underlying investment strategy and so there is consistency between the funding strategy and the investment strategy.

5 RISKS AND COUNTER MEASURES

- 5.1 Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of Scheme employer contributions, it is recognised that there are a number of risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.
- 5.2 The major risks for the funding strategy are financial risks although there are external factors including demographic risks, regulatory risks and governance risks.

Financial Risks

- 5.3 The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors including market returns being less than expected and/or chosen fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets. The triennial valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.1% per annum in the real discount rate will decrease/increase the liabilities by 2% and decrease/increase the required Scheme employer contribution by around 0.5% of payroll.
- 5.4 The Pension Fund Committee regularly monitor the investment returns achieved by the fund managers and seek advice from Officers and independent advisors on investment strategy. In the inter-valuation period 2016 to 2019 such monitoring activity saw investment returns higher than assumed in the 2016 valuation.
- 5.5 In addition the Fund Actuary provides monthly funding updates between triennial valuations to check whether the funding strategy continues to meet the funding objectives.



Demographic Risks

- 5.6 Allowance is made in the funding strategy via the actuarial assumptions of continuing improvement in life expectancy. However, the main risk to the funding strategy is that it might underestimate the continuing improvement in mortality. For example an increase in 1 year to life expectancy of all members in the Fund will reduce the funding level by around 2%.
- 5.7 The actual mortality of retired members in the Fund is, however, monitored by the Fund Actuary at each Actuarial valuation and assumptions kept under review.
- 5.8 The liabilities of the Fund can also increase by more than has been planned as a result of early retirements (including redundancies).
- 5.9 However, the Administering Authority monitors the incidence of early retirements and procedures are in place that require individual Scheme employers to pay additional amounts to the Fund to meet any additional costs arising from early retirements thereby avoiding unnecessary strain on the Fund.

Regulatory Risks

- 5.10 The benefits provided by the Scheme and employee contribution levels are set out in Statutory Regulations as determined by central Government. The tax status of the invested assets is also determined by central Government.
- 5.11 The funding strategy is therefore exposed to the risks of changes in the Statutory Regulations governing the Scheme and changes to the tax regime which increase the cost to individual Scheme employers of participating in the Scheme.
- 5.12 The Administering Authority actively participates in any consultation process of any change in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes
- 5.13 The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. The consultation closed on 8 October 2020 and the final remedy

will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary has reduced the discount rate assumption by 0.1% to allow for the possible impact.

- 5.14 As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found [here](#).

On 23 March 2021, the government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching SPA beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found at: <https://www.gov.uk/government/consultations/public-service-pensions-guaranteed-minimum-pension-indexation-consultation>.

The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

Governance

- 5.15 Several different Scheme employers participate in the Fund. Accordingly it is recognised that a number of Scheme employer specific events could impact on the funding strategy including:
- Structural changes in an individual Scheme employer's membership;
 - An individual Scheme employer deciding to close the Scheme to new employees;
 - A Scheme employer ceasing to exist without having fully funded their pension liabilities; and
 - New Scheme employers being created out of existing Scheme employers.
- 5.16 The Administering Authority monitors the position of Scheme employers participating in the Fund particularly those that may be susceptible to the aforementioned events and takes advice from the Fund Actuary when required.
- 5.17 In addition the Administering Authority keeps in close touch with all individual Scheme employers participating in the Fund and regularly holds meetings with Scheme employers to ensure that, as Administering Authority, it has the most up to date information available on individual Scheme employer situations and also to keep individual Scheme employers fully briefed on funding and related issues.

6 MONITORING AND REVIEW

- 6.1 This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial valuation process.
- 6.2 The Administering Authority also monitors the financial position of the Fund between triennial valuations and may review this FSS more frequently if deemed necessary.

Appendix 3) Governance Compliance Statement

Approved by the Pension Fund Committee in March 2022, please note that title and contents pages have been removed for the purpose of presentation in this appendix. The full document is available on the pension fund website: <https://berkshirerensions.org.uk/>

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.berkshirerpensions.org.uk) and is available on request from the Pension Fund. The Royal Borough of Windsor and Maidenhead’s

constitution including terms of reference for the relevant decision-making bodies are available on the council' website.

Appendix 4) Investment Strategy Statement

Approved by the Pension Fund Committee in March 2022, please note that title and contents pages have been removed for the purpose of presentation in this appendix. The full document is available on the pension fund website: <https://berkshirerensions.org.uk/>

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 (section 7) 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 statutory objectives included in Section 3 the 2016 Regulations:

- Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments;
- Objective 7.2 (b): The authority’s assessment of the suitability of particular investments and types of investment;
- Objective 7.2 (c): The authority’s approach to risk, including the ways in which risks are to be measured and managed.
- Objective 7.2 (d): The authority’s approach to pooling investments, including the use of collective investment vehicles;
- Objective 7.2 (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
- Objective 7.2 (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 in accordance with this strategy 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.** The Administering Authority 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.** The Administering Authority confirms (as per Section 7 (8)) that the 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, officers and the local pension board 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 majority of 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 over a long-term time frame.
- b) The most important aspect of risk is not the volatility of returns, but the risk of absolute loss of capital over the medium and long term. An important focus for the Fund is to ensure stability of employer contributions over the long-run.
- c) Illiquidity is a risk which offers a potential source of additional compensation to the long-term investor. As a long term investor, the Fund should look to be a liquidity provider which presents opportunities in times of market stress.
- 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 Authority's 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) As the funding level improves, the Committee may look to certain lower risk strategies to reduce the volatility of the Fund's actuarial funding level.
- d) To reduce longevity risk, a longevity insurance contract has been entered into covering all pensioner members of the Fund who had started receiving their pension by the end of July 2009 including their dependants.

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 3.2.5), and will aim for an appropriate level of risk within its asset allocation, so as to achieve a long-term funding aim (paragraph 3.2.6) while aiming to deliver an appropriate investment income yield to maintain a positive Fund cash-flow position (paragraph 2.4).

2.3. The Fund aims to, where possible, ensure that the portfolio is inflation resilient.

2.4. The Fund aims to keep asset value drawdowns to a minimum, recognising the positive non-investment cashflows through contributions employer deficit recovery payments, plus an appropriate minimum investment income yield of at least 1%. Based upon the 2019 Triennial Valuation the Fund is expected to remain net cash-flow positive in the near term, although

progressively, and likely following the 2025 Triennial Valuation, this position is expected to change.

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 illiquid holdings.
- b) Exposure to a range of instruments for specific risk hedging purposes to be used where appropriate (longevity, currency etc.).
- c) Diversity in the asset classes used.
- d) Diversity in the approaches to the management of the underlying assets.
- e) 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 as well as entering into a longevity insurance contract. 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 narrowing and consequently the fund will progressively evolve to being cash-flow negative. The Fund may at times have a negative cash flow position, consequently the Fund liquidity must be closely monitored by the Investment Manager. In addition, a portion of the Fund's assets are invested to generate an appropriate income yield of at least 1%.

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. The committee do not have access to data on individual investments and therefore monitor performance holistically at the asset class level unless LPPi report exceptions. To that end LPPi monitor the investment returns and the volatility of the individual investments together with the Fund level returns and risk whilst the committee consider this holistically asset-class and whole-fund level. This latter point being to ensure the risks caused by interactions between investments within the portfolio is properly understood.

3.2.4. 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.

3.2.5. 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 referred to by the fund as 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 further change and shall be revised at the next triennial valuation. For the avoidance of doubt – this is not the actuarial discount rate.

3.2.6. The Fund will aim for an appropriate level of risk within its asset allocation, so as to achieve a long-term funding aim. No explicit volatility target is set in this statement.

3.2.7. 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 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) Selection of investment strategies is delegated to LPPI. LPPI select and monitor investment managers on behalf of The Fund. This oversight includes manager performance and associated risks. LPPI regularly reviews the risk and return objectives of these investment managers, evaluates their performance and appraises management processes.

Geopolitical and political risks:

- a) Geopolitical risks are considered, where appropriate, by the Investment Manager. They are expected to be managed by the avoidance of high levels of concentration risk.
- b) Political risks are considered, where appropriate, by the Investment Manager. They are expected to be managed by pursuing investments in countries that the “rule of law” prevails and the institutional set up is strong. Avoiding high levels of concentration risk is also a route to managing these risks.

Currency risks:

- a) Currency risks are tolerated and managed within the parameters set in the Fund’s Risk Appetite Statement. Currency risk is incorporated in any analysis that guides the Fund’s strategic asset allocation and thus ultimately is considered as part of pursuing the Fund’s long term funding objectives.

Solvency and mismatching risk:

- a) Is monitored and managed, taking into account the Fund’s risk appetite statement, through an assessment of the expected development of the liabilities relative to the expected development of the current and alternative investment policies; and
- b) Is monitored by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

Liquidity risk:

- a) Is a function of liquid asset holdings and expected portfolio income relative to 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 consider both the individual asset-class risk characteristics and those of the combined portfolio to ensure the risks are 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.

3.3.7. To help manage risk, the Committee (formerly the Investment Working Group) agreed a risk appetite statement on 11 March 2019 which is still fit for purpose at the date of this review, this is subject to further review alongside the triennial valuation and publication of the funding strategy statement. Within this, the Investment Manager is engaged 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 had several different investment advisers' assess the level of risk involved.

3.3.8. 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.

3.3.9. 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; LCPF 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.80% 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 c20% 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. LPPI regularly hosts investment/client conferences, to which all members and clients are invited. External independent oversight and assurance of the pool company is provided by the FCA, depository, 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 (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 (committee/board/advisory-panel), 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) Consultative
- b) Being Proactive
- c) Engagement
- d) Collaborative
- e) Flexible

3.5.4. The key 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 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 Fund’s 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. Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (section 7) (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.”

4.2. The table below sets out the strategic asset allocation weightings (or target weightings) for each asset class, along with the minimum and maximum tolerance ranges, the investment return benchmark and the target rate of return (or investment objective) for each asset class

4.3. Table 1: RCBPF Strategic Asset Allocation

Asset Class	Asset Allocation	Tolerance Range	Benchmark	Investment Objective
Global Equity	45%	40%-55%	MSCI All Country World (net dividends reinvested) Index (GBP)	Benchmark plus 2%
Private Equity	15%	10% - 20%	MSCI World SMID (net dividends reinvested) Index (GBP)	Benchmark plus 2% -4%
Fixed Income	2.5%	0% - 7.5%	Bloomberg Barclays Global Aggregate Bond Index (GBP Hedged)	Benchmark plus 0.25%
Credit	12%	7% - 17%	50% S&P/LSTA Leveraged Loans Index (GBP Hedged), 50% Bloomberg Barclays Multiverse Corporate Index (GBP Hedged)	Benchmark plus 1% - 3%
Real Estate	12%	7% - 17%	MSCI UK Quarterly Property Index (GBP)	UK CPI + 3%-5%
Infrastructure	12.5%	7.5% - 17.5%	UK CPI + 4% Per Annum.	UK CPI + 4%-6%
Cash	1%	0% - 5%		

4.4. The fund entered a Longevity insurance contract in 2009 to effectively hedge longevity increases for all retired members and their dependants as at the time of entering into the contract. Changes in longevity and mortality assumptions present liquidity strain. This has been considered in setting the funds Strategic Asset Allocation (SAA).

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
EQUALITY IMPACT ASSESSMENT

EqIA : Pension Fund Annual Report (05/12/2022)

Essential information

Items to be assessed: (please mark 'x')

Strategy		Policy		Plan		Project	x	Service/Procedure	x
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Responsible officer	Damien Pantling	Service area	Pension Fund	Directorate	Finance
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Stage 1: EqIA Screening (mandatory)	Date created: 21/11/2022	Stage 2 : Full assessment (if applicable)	N/A
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Approved by Head of Service / Overseeing group/body / Project Sponsor:

"I am satisfied that an equality impact has been undertaken adequately."

Signed by (print):

Dated:

224

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Pension Fund Annual Report (05/12/2022)

Guidance notes

What is an EqlA and why do we need to do it?

The Equality Act 2010 places a 'General Duty' on all public bodies to have 'due regard' to:

- Eliminating discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advancing equality of opportunity between those with 'protected characteristics' and those without them.
- Fostering good relations between those with 'protected characteristics' and those without them.

EqlAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups. All completed EqlA Screenings are required to be publicly available on the council's website once they have been signed off by the relevant Head of Service or Strategic/Policy/Operational Group or Project Sponsor.

What are the "protected characteristics" under the law?

The following are protected characteristics under the Equality Act 2010: age; disability (including physical, learning and mental health conditions); gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

What's the process for conducting an EqlA?

The process for conducting an EqlA is set out at the end of this document. In brief, a Screening Assessment should be conducted for every new or reviewed strategy, policy, plan, project, service or procedure and the outcome of the Screening Assessment will indicate whether a Full Assessment should be undertaken.

Openness and transparency

RBWM has a 'Specific Duty' to publish information about people affected by our policies and practices. Your completed assessment should be sent to the Strategy & Performance Team for publication to the RBWM website once it has been signed off by the relevant manager, and/or Strategic, Policy, or Operational Group. If your proposals are being made to Cabinet or any other Committee, please append a copy of your completed Screening or Full Assessment to your report.

Enforcement

Judicial review of an authority can be taken by any person, including the Equality and Human Rights Commission (EHRC) or a group of people, with an interest, in respect of alleged failure to comply with the general equality duty. Only the EHRC can enforce the specific duties. A failure to comply with the specific duties may however be used as evidence of a failure to comply with the general duty.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
EQUALITY IMPACT ASSESSMENT

EqlA : Pension Fund Annual Report (05/12/2022)

Stage 1 : Screening (Mandatory)

1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?

LGPS Funds are required to submit an annual report for the year ended 31 March once its financial accounts have been finalised and audited. The Royal County of Berkshire Pension Fund is administered by the Royal Borough of Windsor and Maidenhead and is therefore subject to full audit sign off of the Administering Authority's annual report and financial statements before the Fund's annual report can be finalised.

Whilst the Fund's annual reports are complete for periods 2019/20, 2020/21 and 2021/22, the Administering Authority's statement of accounts is still awaiting sign off for 2019/20 and this is expected imminently. As a result, the Pension Fund annual reports have not yet been formally signed off for these periods and with accounting periods still open amendments can still be made.

This report intends to seek approval from the Pension Fund Committee to publish the draft Pension Fund's annual report for 2021/22 along with re-publication of the 2019/20 and 2021/22 annual reports with some amendments since last presented in December 2021.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Pension Fund Annual Report (05/12/2022)

1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as “Not Relevant”.

Protected characteristics	Relevance	Level	Positive/negative	Evidence
Age			N/A	Key data: The estimated median age of the local population is 42.6yrs [Source: ONS mid-year estimates 2020]. An estimated 20.2% of the local population are aged 0-15, and estimated 61% of the local population are aged 16-64yrs and an estimated 18.9% of the local population are aged 65+yrs. [Source: ONS mid-year estimates 2020, taken from Berkshire Observatory]
Disability			N/A	
Gender re-assignment			N/A	
Marriage/civil partnership			N/A	
Pregnancy and maternity			N/A	
Race			N/A	Key data: The 2011 Census indicates that 86.1% of the local population is White and 13.9% of the local population is BAME. The borough has a higher Asian/Asian British population (9.6%) than the South East (5.2%) and England (7.8%). The forthcoming 2021 Census data is expected to show a rise in the BAME population. [Source: 2011 Census, taken from Berkshire Observatory]
Religion and belief			N/A	Key data: The 2011 Census indicates that 62.3% of the local population is Christian, 21.7% no religion, 3.9% Muslim, 2% Sikh, 1.8% Hindu, 0.5% Buddhist, 0.4% other religion, and 0.3% Jewish. [Source: 2011 Census, taken from Berkshire Observatory]
Sex			N/A	Key data: In 2020 an estimated 49.6% of the local population is male and 50.4% female. [Source: ONS mid-year estimates 2020, taken from Berkshire Observatory]
Sexual orientation			N/A	

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ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Pension Fund Annual Report (05/12/2022)

Outcome, action and public reporting

Screening Assessment Outcome	Yes / No / Not at this stage	Further Action Required / Action to be taken	Responsible Officer and / or Lead Strategic Group	Timescale for Resolution of negative impact / Delivery of positive impact
Was a significant level of negative impact identified?	No	No	Damien Pantling	N/A
Does the strategy, policy, plan etc require amendment to have a positive impact?	No	No	Damien Pantling	N/A

If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

Stage 2 : Full assessment

2.1 : Scope and define

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
EQUALITY IMPACT ASSESSMENT

EqlA : Pension Fund Annual Report (05/12/2022)

2.1.1 Who are the main beneficiaries of the proposed strategy / policy / plan / project / service / procedure? List the groups who the work is targeting/aimed at.

N/A – No full assessment required

2.1.2 Who has been involved in the creation of the proposed strategy / policy / plan / project / service / procedure? List those groups who the work is targeting/aimed at.

N/A – No full assessment required

2.2 : Information gathering/evidence

2.2.1 What secondary data have you used in this assessment? Common sources of secondary data include: censuses, organisational records.

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**ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
EQUALITY IMPACT ASSESSMENT**

EqIA : Pension Fund Annual Report (05/12/2022)

N/A – No full assessment required

2.2.2 What primary data have you used to inform this assessment? *Common sources of primary data include: consultation through interviews, focus groups, questionnaires.*

N/A – No full assessment required

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Eliminate discrimination, harassment, victimisation

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Pension Fund Annual Report (05/12/2022)

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

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ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Pension Fund Annual Report (05/12/2022)

Advance equality of opportunity

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

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ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Pension Fund Annual Report (05/12/2022)

Foster good relations

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					
<p>2.4 Has your delivery plan been updated to incorporate the activities identified in this assessment to mitigate any identified negative impacts? If so please summarise any updates.</p> <p><i>These could be service, equality, project or other delivery plans. If you did not have sufficient data to complete a thorough impact assessment, then an action should be incorporated to collect this information in the future.</i></p>					
N/A – No full assessment required					

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Report Title:	Administration Report
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 – 5 December 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None



REPORT SUMMARY

This report deals with the administration of the Pension Fund for the period 1 July 2022 to 30 September 2022. It recommends that Pension Fund Committee 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 the Pension Fund Committee notes the report;

- i) Notes all areas of governance and administration as reported;**
- ii) Notes all key performance indicators; and**
- iii) Approves publication of the quarterly Administration report on the Pension Fund website.**

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

- 2.1. The Royal County of 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. No direct financial implications arising from this report.

5. LEGAL IMPLICATIONS

- 5.1. None.

6. RISK MANAGEMENT

- 6.1. The Pension Fund Committee review and approve a risk register on a quarterly basis, prepared in line with CIPFA's guidance on "managing risks in the LGPS – 2018". The latest risk register (including relevant actions and mitigations) has been prepared alongside the amendments within these revised policies, with any relevant changes considered and documented as appropriate in the quarterly review of the risk management report.

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: There are no EQIA impacts as a result of considering this report. A completed EQIA has been attached at Appendix 2 to this report
- 7.3. Climate change/sustainability: N/A
- 7.4. Data Protection/GDPR. GDPR compliance is included as a specific risk on the register in regard to processing and handling personal data, this is dealt with in the appendix along with the relevant mitigations.

8. CONSULTATION

- 8.1. The Pension Board were consulted in detail through the approval of this report.

9. TIMETABLE FOR IMPLEMENTATION

9.1. The Local Pension Board was consulted on the contents of this report

10. APPENDICES

10.1. This report is supported by 2 appendices:

- Appendix 1: Administration Report 1 July 2022 to 30 September 2022
- Appendix 2: EQIA

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
Mandatory:		Statutory Officers (or deputy)	
Adele Taylor	Executive Director of Resources/S151 Officer	08/11/2022	
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	21/11/2022	24/11/2022
Deputies:			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	08/11/2022	25/11/2022
Elaine Browne	Head of Law (Deputy Monitoring Officer)	21/11/2022	
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	21/11/2022	
Other consultees:			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	21/11/2022	

13. 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, 01628 796701
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THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

ADMINISTRATION REPORT

QUARTER 3 – 2022 (Q2 2022/23)

1 July 2022 to 30 September 2022

Contents

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2.2	Pensions Dashboard Programme	Error! Bookmark not defined.

1. ADMINISTRATION

1.1 Scheme Membership

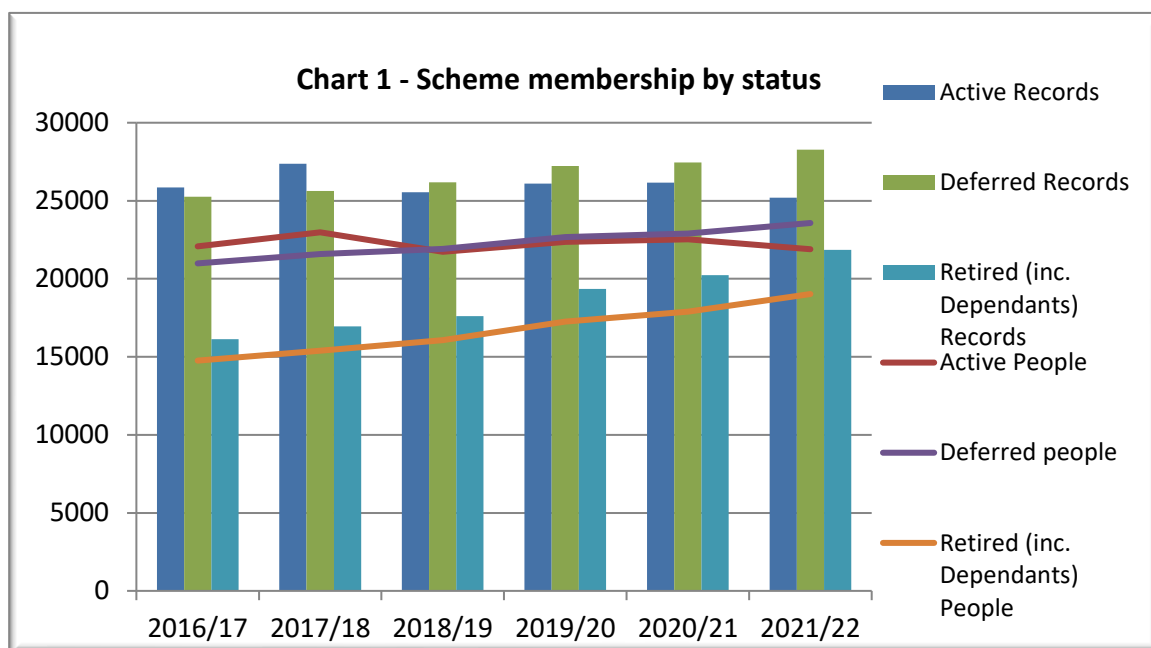


Table 1 – Total Membership

Active Records	25,188	Active People	21,893
Deferred Records	28,276	Deferred People	23,574
Retired Records	21,853	Retired People	19,021
TOTAL	75,317	TOTAL	64,488

1.2 Membership by Employer

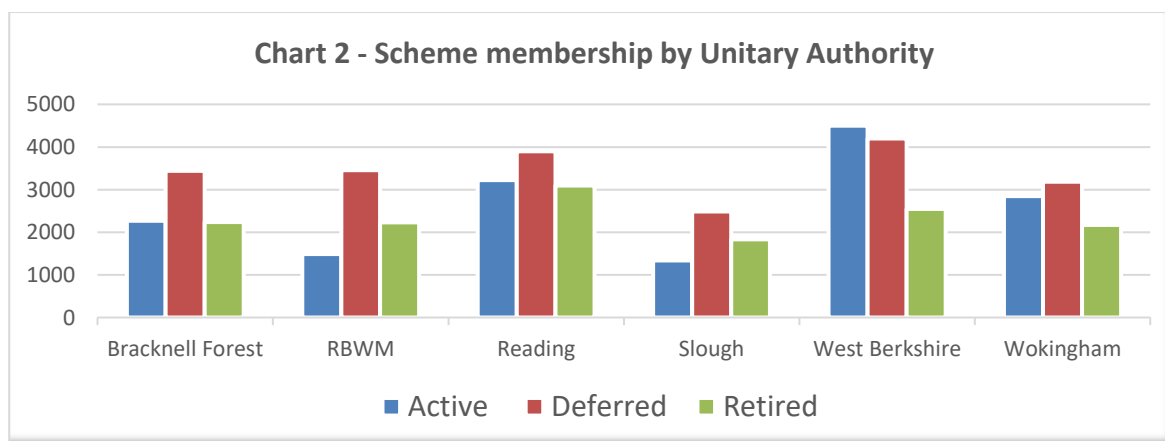
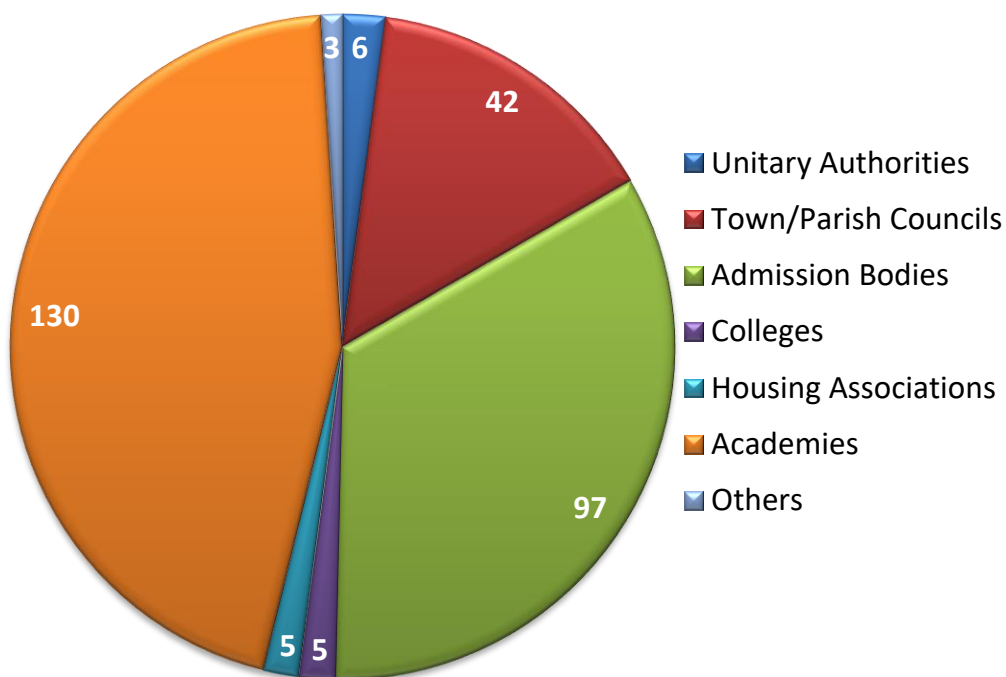


Table 2 - Membership movements in this Quarter (and previous Quarter)

	Bracknell	RBWM	Reading	Slough	W Berks	Wokingham
Active	-43	+5	-46	-35	-151	-11
	-38	+19	-44	+24	+73	-54
Deferred	+42	-33	+20	+12	+38	+55
	-7	+10	+26	+13	+24	+5
Retired	+56	+51	+72	+28	+121	+59
	+43	+15	+40	+13	+23	+34

1.3 Scheme Employers

Chart 3 - Employers with active members

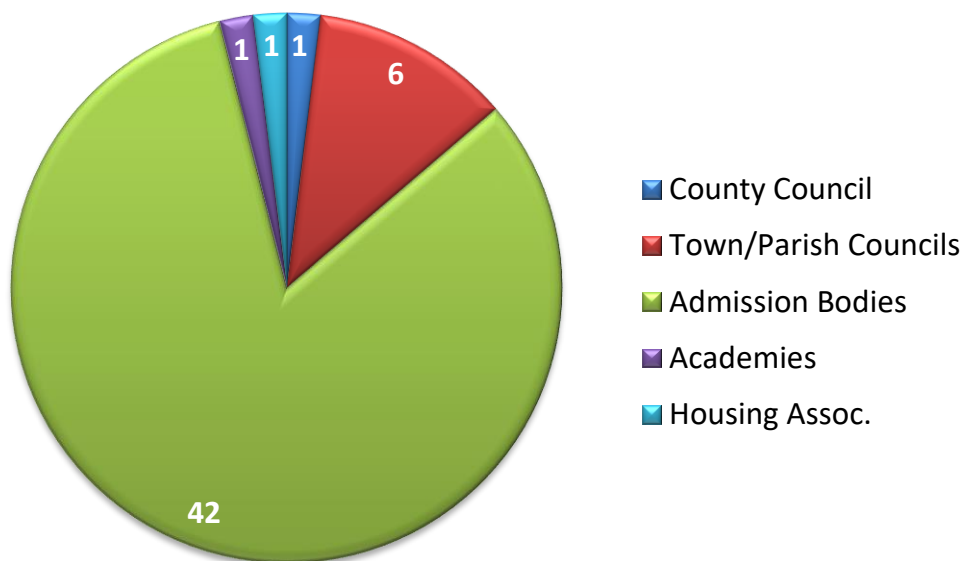


New employers since last report:

Admission Bodies: Glen Group Limited (Arbib Academy Trust), Hayward Services (Claycots School, Slough), DB Services Limited (Transform Learning Trust), Hayward Services (St Thomas's Academy Trust)

Academies: None

Chart 4 - Employers without active members



Exiting employers: None

1.4 Scheme Employer Key Performance Indicators

Table 3 – i-Connect users Quarter 2 (1 July 2022 to 30 September 2022)

Employer	Starters	Leavers	Changes	Total	Submission Received Within Specification
Bracknell Forest Council	251	223	335	809	100%
RBWM	158	114	172	444	100%
Reading BC	249	139	356	744	100%
Slough BC	174	75	180	429	100%
West Berks Council	571	185	839	1,595	100%
Wokingham BC	257	189	349	795	100%
Academy/ School	762	863	1,418	3,043	82.94%
Others	134	71	164	369	93.93%

NOTES: Table 1A above shows all transactions through i-Connect Software for the third quarter of 2022. Changes include hours/weeks updates, address amendments and basic details updates.

The benefits of i-Connect are:

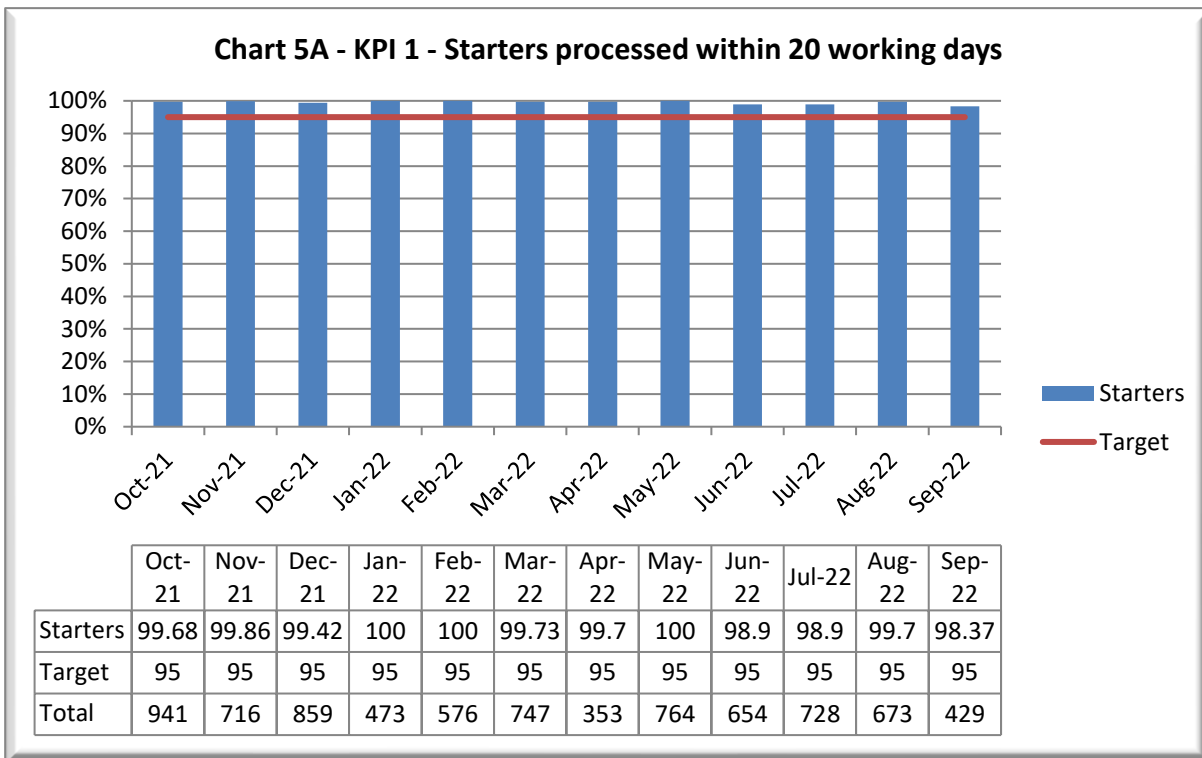
- Pension records are maintained in ‘real-time’;
- Scheme members are presented with the most up to date and accurate information through “my pension ONLINE” (Member self-service);
- Pension administration data matches employer payroll data;
- Discrepancies are dealt with as they arise each month;
- 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 1 July 2022 no further scheme employers have on boarded i-connect Software, but Officers have been working most closely with The Holt School and The Slough & East Berkshire MAT which represents circa 256 scheme member records.

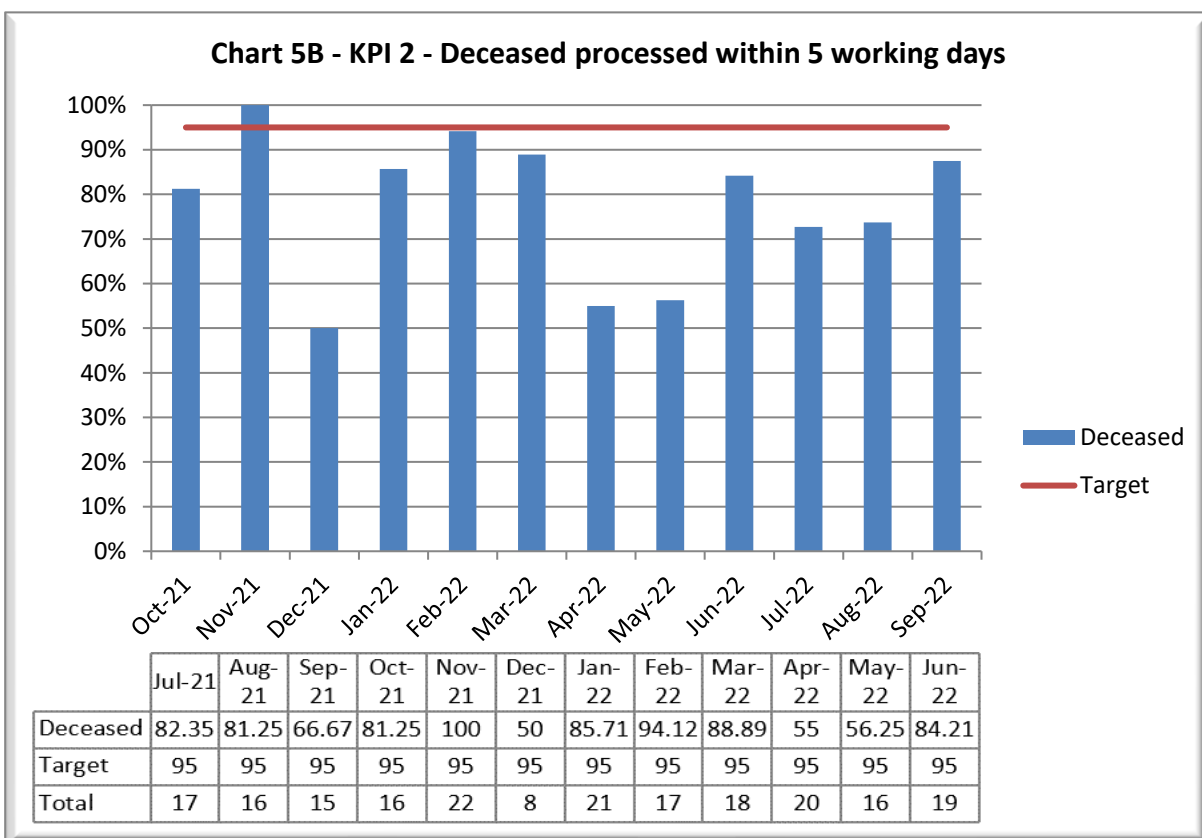
Overall, including The Holt School and The Slough & East Berkshire MAT, 132 scheme employers are yet to on board i-Connect Software which represents circa. 2,300 scheme member records.

The Pension Fund remains committed to continuing to work with these scheme employers to help them to onboard, where it is possible for them to do so. Scheme employers with fewer than 10 scheme members (77 employers) have the option of using an on-line portal version of i-Connect Software rather than submitting via “.csv”.

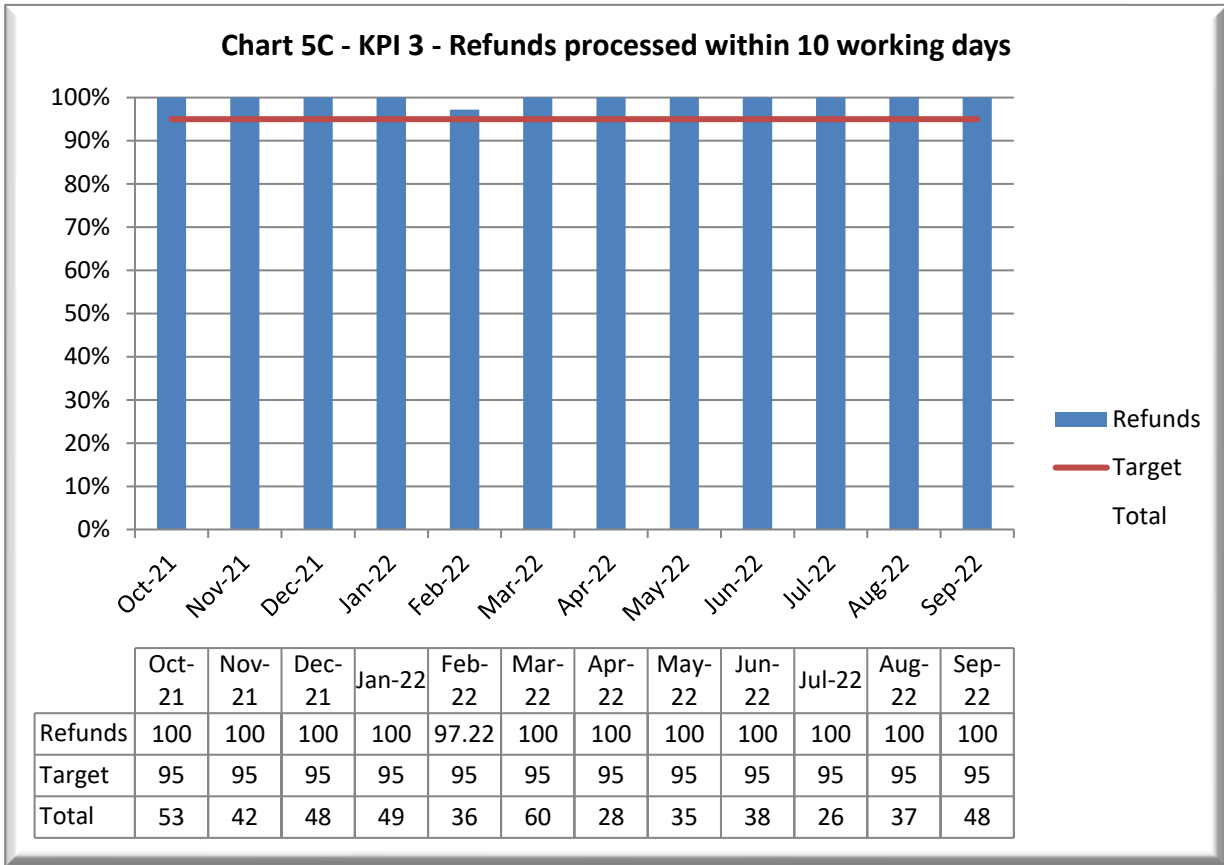
1.5 Key Performance Indicators



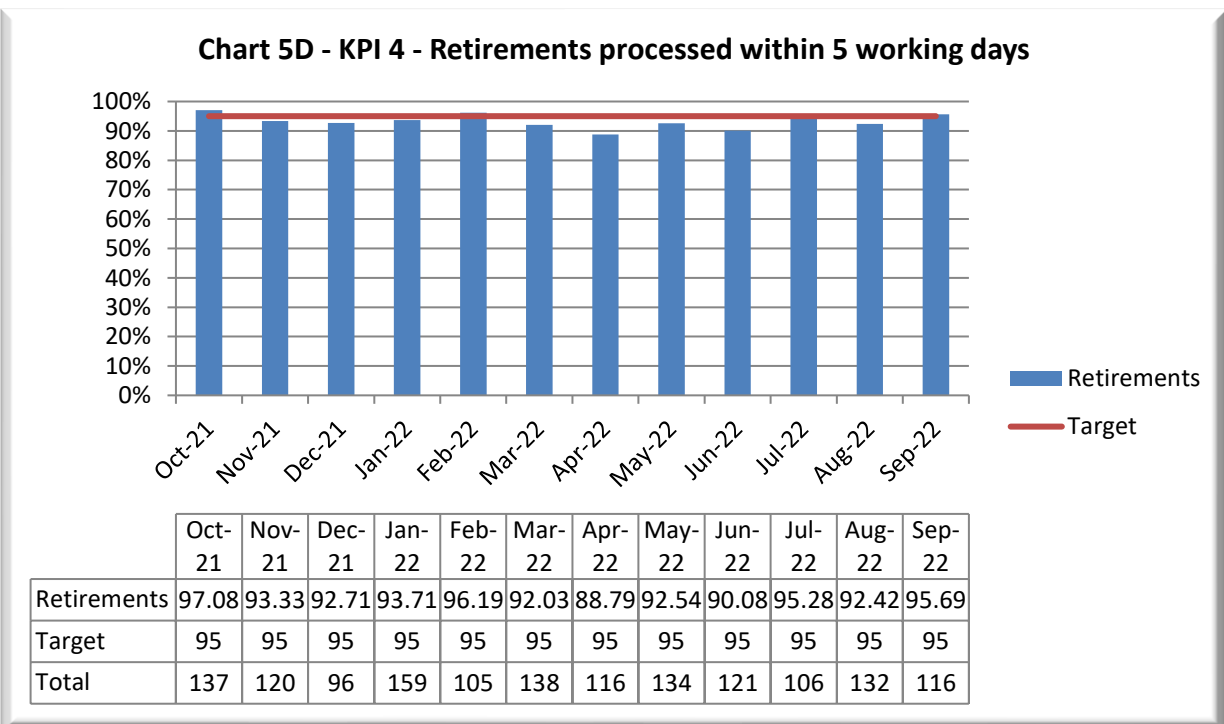
CIPFA Benchmark: Two months from date of joining the scheme or if earlier within one month of receiving jobholder information.



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.



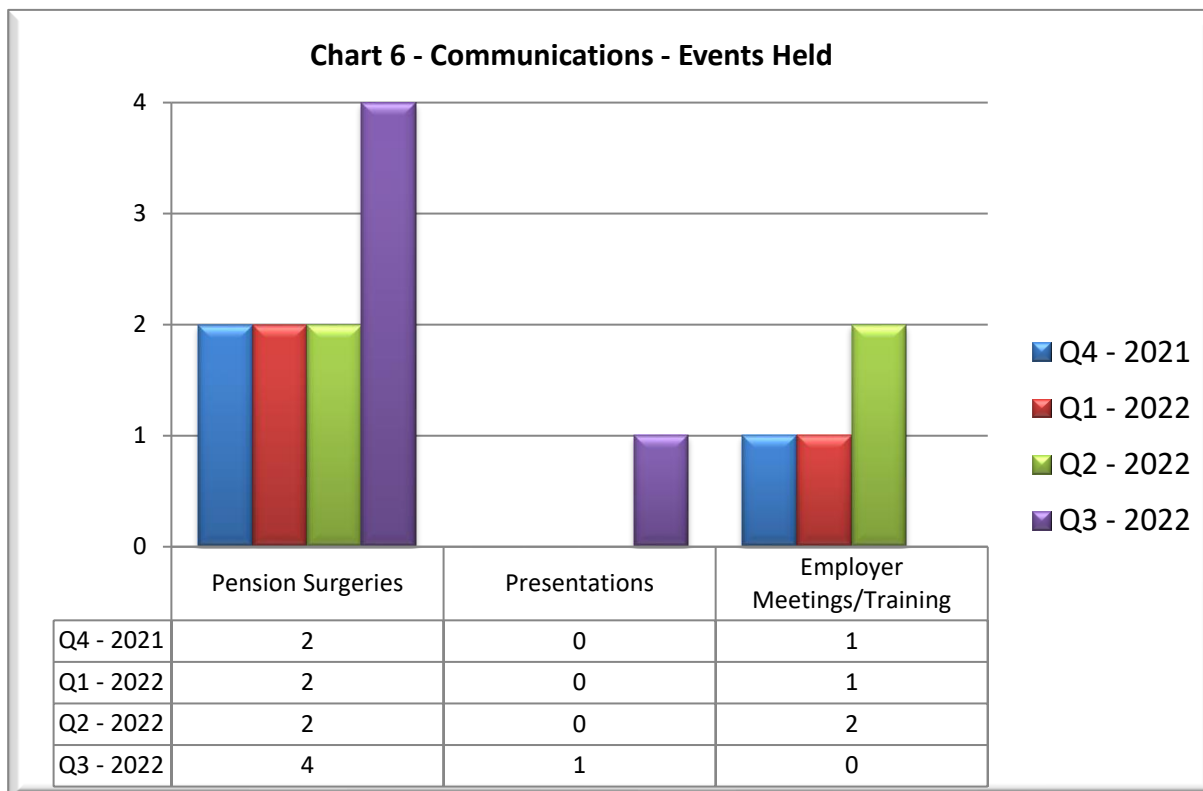
CIPFA Benchmark: No more than two months from date of receiving the scheme members signed declaration requesting to receive a refund of employee pension contributions.



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
07/07/2022	Email	All the figures look good you have done a brilliant job estimating over the years.
14/07/2022	E-mail	Hi [NAME], just a short note to say great service very prompt and I feel informed on every step of the process. My wife, [NAME], also very happy. Many thanks, [NAME]
27/07/2022	E-mail	Hi [NAME], Thank you so much. I just wanted to drop you a quick note to say that I am so impressed with the speedy service. Your response time was awesome, and the online service is great. Feel really reassured that everything is in such safe hands. Best regards, [NAME]
27/07/2022	E-mail	Dear [NAME], I am writing to you following my consultation with [NAME] earlier this morning via MSTeams. The consultation was as a result of a request by myself for someone from your office to explain

		the estimated figures submitted around early retirement. I am happy to report that [NAME] was very professional, knowledgeable, and most of all polite and patient answering all my questions and explaining all the figures in detail. It was a pleasure consulting with him, and very much appreciated. Yours sincerely [NAME]
03/08/2022	E-mail	Good morning [NAME], I just wanted to send a quick email to say thank you for all, of your help during the release of my pension and the quick response in answering my emails, you have been a star so thank you again. Kind regards [NAME]
21/09/2022	E-mail	Thank you so much for taking the time to explain and clarify for me - I appreciate your patience and kindness. Think I have got a handle on it now so feeling more confident going forward. Again, many thanks ☺

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.

Officers understand the Department for Levelling Up, Housing and Communities (DLUHC) is to consult on further regulations governing the application of the McCloud remedy to the LGPS.

The DLUHC has confirmed to the Local Government Pension Committee (LGPC), in a recent update, that work continues on the steps to rectify the discrimination as it affects the LGPS in England and Wales, with the government planning to publish its response to the 2020 consultation on amendments to the statutory underpin later this year, after which the LGPS Scheme Advisory Board will resume its McCloud implementation groups.

An updated version of the draft regulations implementing the remedy will be published alongside the consultation response, covering new powers relating to the statutory underpin. However, a further consultation will take place in 2023 to ensure the updated draft regulations are accurate in light of the changes made.

The government will also consult on other aspects of the McCloud remedy which did not feature in our original consultation, such as compensation and rates of interest.

These new regulations are expected to come into force in October 2023, while a consultation will also take place covering new statutory guidance on McCloud implementation.

2.2 Pensions Dashboard Programme

A national pensions dashboard has been on the horizon for some time, but now the Pension Schemes Act 2021 has received Royal Assent it is anticipated the Department for Work and Pensions (DWP) will begin to consult on detailed dashboards regulations and work with regulators to begin supporting both private and public sector pension providers and pension schemes to comply with their dashboards compulsion duties. 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 all this consultation and guidance. Almost every aspect of administering a pension scheme is 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.

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 the Pensions Dashboard will go live during 2023 and officers will provide further details to Members in due course.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Administration Report (05/12/2022)

Essential information

Items to be assessed: (please mark 'x')

Strategy		Policy		Plan		Project	x	Service/Procedure	x
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Responsible officer	Damien Pantling	Service area	Pension Fund	Directorate	Finance
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Stage 1: EqlA Screening (mandatory)	Date created: 21/11/2022	Stage 2 : Full assessment (if applicable)	N/A
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Approved by Head of Service / Overseeing group/body / Project Sponsor:

"I am satisfied that an equality impact has been undertaken adequately."

Signed by (print):

Dated:

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Administration Report (05/12/2022)

Guidance notes

What is an EqlA and why do we need to do it?

The Equality Act 2010 places a 'General Duty' on all public bodies to have 'due regard' to:

- Eliminating discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advancing equality of opportunity between those with 'protected characteristics' and those without them.
- Fostering good relations between those with 'protected characteristics' and those without them.

EqlAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups. All completed EqlA Screenings are required to be publicly available on the council's website once they have been signed off by the relevant Head of Service or Strategic/Policy/Operational Group or Project Sponsor.

What are the "protected characteristics" under the law?

The following are protected characteristics under the Equality Act 2010: age; disability (including physical, learning and mental health conditions); gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

What's the process for conducting an EqlA?

The process for conducting an EqlA is set out at the end of this document. In brief, a Screening Assessment should be conducted for every new or reviewed strategy, policy, plan, project, service or procedure and the outcome of the Screening Assessment will indicate whether a Full Assessment should be undertaken.

Openness and transparency

RBWM has a 'Specific Duty' to publish information about people affected by our policies and practices. Your completed assessment should be sent to the Strategy & Performance Team for publication to the RBWM website once it has been signed off by the relevant manager, and/or Strategic, Policy, or Operational Group. If your proposals are being made to Cabinet or any other Committee, please append a copy of your completed Screening or Full Assessment to your report.

Enforcement

Judicial review of an authority can be taken by any person, including the Equality and Human Rights Commission (EHRC) or a group of people, with an interest, in respect of alleged failure to comply with the general equality duty. Only the EHRC can enforce the specific duties. A failure to comply with the specific duties may however be used as evidence of a failure to comply with the general duty.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Administration Report (05/12/2022)

Stage 1 : Screening (Mandatory)

1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?

This report deals with the administration of the Pension Fund for the period 1 July 2022 to 30 September 2022. It recommends that Pension Fund Committee 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

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Administration Report (05/12/2022)

1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as “Not Relevant”.

Protected characteristics	Relevance	Level	Positive/negative	Evidence
Age			N/A	Key data: The estimated median age of the local population is 42.6yrs [Source: ONS mid-year estimates 2020]. An estimated 20.2% of the local population are aged 0-15, and estimated 61% of the local population are aged 16-64yrs and an estimated 18.9% of the local population are aged 65+yrs. [Source: ONS mid-year estimates 2020, taken from Berkshire Observatory]
Disability			N/A	
Gender re-assignment			N/A	
Marriage/civil partnership			N/A	
Pregnancy and maternity			N/A	
Race			N/A	Key data: The 2011 Census indicates that 86.1% of the local population is White and 13.9% of the local population is BAME. The borough has a higher Asian/Asian British population (9.6%) than the South East (5.2%) and England (7.8%). The forthcoming 2021 Census data is expected to show a rise in the BAME population. [Source: 2011 Census, taken from Berkshire Observatory]
Religion and belief			N/A	Key data: The 2011 Census indicates that 62.3% of the local population is Christian, 21.7% no religion, 3.9% Muslim, 2% Sikh, 1.8% Hindu, 0.5% Buddhist, 0.4% other religion, and 0.3% Jewish. [Source: 2011 Census, taken from Berkshire Observatory]
Sex			N/A	Key data: In 2020 an estimated 49.6% of the local population is male and 50.4% female. [Source: ONS mid-year estimates 2020, taken from Berkshire Observatory]
Sexual orientation			N/A	

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ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Administration Report (05/12/2022)

Outcome, action and public reporting

Screening Assessment Outcome	Yes / No / Not at this stage	Further Action Required / Action to be taken	Responsible Officer and / or Lead Strategic Group	Timescale for Resolution of negative impact / Delivery of positive impact
Was a significant level of negative impact identified?	No	No	Damien Pantling	N/A
Does the strategy, policy, plan etc require amendment to have a positive impact?	No	No	Damien Pantling	N/A

If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

Stage 2 : Full assessment

2.1 : Scope and define

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ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Administration Report (05/12/2022)

2.1.1 Who are the main beneficiaries of the proposed strategy / policy / plan / project / service / procedure? List the groups who the work is targeting/aimed at.

N/A – No full assessment required

2.1.2 Who has been involved in the creation of the proposed strategy / policy / plan / project / service / procedure? List those groups who the work is targeting/aimed at.

N/A – No full assessment required

2.2 : Information gathering/evidence

2.2.1 What secondary data have you used in this assessment? Common sources of secondary data include: censuses, organisational records.

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ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Administration Report (05/12/2022)

N/A – No full assessment required

2.2.2 What primary data have you used to inform this assessment? *Common sources of primary data include: consultation through interviews, focus groups, questionnaires.*

N/A – No full assessment required

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Eliminate discrimination, harassment, victimisation

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Administration Report (05/12/2022)

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

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ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Administration Report (05/12/2022)

Advance equality of opportunity

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

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ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Administration Report (05/12/2022)

Foster good relations

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					
<p>2.4 Has your delivery plan been updated to incorporate the activities identified in this assessment to mitigate any identified negative impacts? If so please summarise any updates.</p> <p><i>These could be service, equality, project or other delivery plans. If you did not have sufficient data to complete a thorough impact assessment, then an action should be incorporated to collect this information in the future.</i></p>					
N/A – No full assessment required					

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Agenda Item 9

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

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